



Puget Sound Energy
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PSE.com

December 6, 2016

Mr. Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Re: Advice No. 2016-36 (Line Extension Policy) Natural Gas Tariff Filing – Filed Electronically

Dear Mr. King:

Pursuant to RCW 80.28.060 and Chapter 480-80 WAC, please find the following proposed revisions to the WN U-2, tariff for natural gas service of Puget Sound Energy (“PSE”):

WN U-2 (Natural Gas Tariff)

- 15th Revision of Sheet No. 2 – Natural Gas Tariff Index
- 3rd Revision of Sheet No. 2-A – Natural Gas Tariff Index (Continued)
- 62th Revision of Sheet No. 3 – Natural Gas Tariff Index (Continued)
- 34th Revision of Sheet No. 4 – Natural Gas Tariff Index (Continued)
- Original of Sheet No. 16 – Rule No. 6: Extension of Distribution Facilities
- Original of Sheet No. 16-A – Rule No. 6: Extension of Distribution Facilities (Continued)
- Original of Sheet No. 16-B – Rule No. 6: Extension of Distribution Facilities (Continued)
- Original of Sheet No. 16-C – Rule No. 6: Extension of Distribution Facilities (Continued)
- Original of Sheet No. 16-D – Rule No. 6: Extension of Distribution Facilities (Continued)
- 9th Revision of Sheet No. 18 – Rule No. 7: Extension of Distribution Facilities–Other Than Kittitas County
- 3rd Revision of Sheet No. 19-G – Rule No. 7A: Extension of Distribution Facilities–Kittitas County
- 13rd Revision of Sheet No. 21 – Rule No.9: Bills and Payment for Service (Continued)
- 5rd Revision of Sheet No. 21-B – Rule No.9: Bills and Payment for Service (Continued)
- 8th Revision of Sheet No. 42 – Rule No. 28: Income Tax Rider – Contributions in Aid of Construction
- 7th Revision of Sheet No. 107 – Schedule No. 7: Facilities Extension Standards
- 1st Revision of Sheet No. 154 – Schedule No. 54: Optional Gas Compression Service
- 3rd Revision of Sheet No. 1107 – Schedule No. 107: New Customer Rate Facilities Extensions

The purpose of this filing is to propose PSE’s new line extension policy, Rule No. 6: Extension of Distribution Facilities (“Rule No. 6”), to replace the existing line extension policy and housekeeping changes to incorporate the reference of Rule No. 6 into applicable tariff sheets. These revised sheets set forth the new Rule No. 6 and the proposed changes to close the existing line extension policy to new natural gas line extension customers.

Rule No. 6 incorporates the concept of Perpetual Net Present Value in the margin allowance determination and other concepts that have been approved by the Commission in Docket Nos. UG-152394 and UG-160967 for the natural gas line extension filings of Avista Corporation and Cascade Natural Gas Corporation, respectively. PSE's Rule No. 6 margin allowance amounts are calculated from the following figures that are established by the Commission in a general rate case or various tariff filings:

- Annual distribution margin for each of the rate schedules is the sum of the annual basic charges plus the Schedule No. 142: Revenue Decoupling Adjustment Mechanism (Schedule No. 142) decoupled revenue as or as calculated in the same manner for rate schedules that not are not subject to Schedule No. 142.
- Required rate of return is based upon PSE's authorized after-tax rate of return of 6.69% and the revenue conversion factor of 0.621335 as approved by the Commission in Docket Nos. UE-130137 and UG-130138 (*consolidated*) and UE-121697 and UG-121705 (*consolidated*).

PSE's current natural gas line extension policy comprises the following four tariff rules/schedules: Rule No. 7: Extension of Distribution Facilities—Other Than Kittitas County ("Rule No. 7"), Rule No. 7A: Extension of Distribution Facilities—Kittitas County ("Rule No. 7"), Schedule No. 7: Facilities Extension Standards ("Schedule No. 7"), and Schedule No. 107: New Customer Rate Facilities Extensions ("Schedule No. 107"). As proposed, effective on February 1, 2017, these rules and schedules would be closed for new line extension customers. However, of the customer-requested new distribution facilities provided under the existing line extension policy, there would be no change to PSE and its customer obligations. For example, PSE will continue the review of customer advances and customers who have chosen to pay for their share of the line extension costs via Schedule No. 107 will continue paying the new customer rate as outlined in Rule Nos. 7 and 7A and Schedule Nos. 7 and 107.

Housekeeping changes include the revised natural gas tariff index sheets to reflect the close of existing line extension tariff schedules to new customers and the addition of the new line extension policy, Rule No. 6. The proposed revisions to the tariff sheets for Rule No.9: Bills and Payment for Service, Rule No. 28: Income Tax Rider – Contributions in Aid of Construction ("Rule No. 28"), and Schedule No. 54: Optional Gas Compression Service include the changes required because of the adoption of Rule No. 6. A reference to Rule No. 6 is added to the applicable tariff sheets where the line extension policy is referred. There is no rate or other language change of these tariff sheets.

In order to provide certainty and advance notice to the building industry, potential line extension customers and other stakeholders, this filing reflects revisions proposed to be effective on February 1, 2017, thereby giving approximately two months advance notice. PSE has plans to continue discussions with members of the building industry and other energy solution providers to make them aware of this filing and the proposed new line extension policy of Rule No. 6.

The tariff sheets described herein reflect an issue date of December 6, 2016, and an effective date of January 6, 2017. The proposed tariff revisions to PSE's natural gas line extension policy, however, will become effective on February 1, 2017.

These tariff changes do not increase recurring charges or restrict access to services. PSE provides cost quotes to individual customers who request facility extension or modification prior to construction. Posting of the proposed tariff changes as required by WAC 480-90-193 is being made by posting the proposed tariff sheets on the PSE web site immediately prior to, or coincident with, the date of this transmittal letter. Notice of proposed tariff changes, as required by law and the Commission's rules and

regulations (including WAC 480-90-195(3)), is being given to the public immediately prior to, or coincident with, the date of this transmittal letter through web, telephone and mail access in accordance with WAC 480-90-193.

Please contact Mei Cass at (425) 462-3800 for additional information about this filing. If you have any other questions please contact me at (425) 456-2110.

Sincerely,



Ken Johnson
Director, State Regulatory Affairs

Enclosures

cc: Sheree Carson, Perkins Coie
Lisa Gafken, Public Counsel