

Agenda Date: February 11, 2021  
Item Number: A2

**Docket:** UE-200984  
Company: Puget Sound Energy

Staff: Maggie Dunham Jordahl, Regulatory Analyst

**Recommendation:**

Take No Action, thereby allowing PSE's proposed revisions to Schedule 85 – Line Extensions and Service Lines to become effective February 12, 2021, by operation of law.

**Background:**

On December 10, 2020, Puget Sound Energy (PSE or company) filed with the Washington Utilities and Transportation Commission (commission) proposed revisions to its electric line extensions and service lines extensions tariff (Schedule 85). On January 22, 2021, PSE filed a replacement page revising the effective date from February 1, 2021, to February 12, 2021. However, the actual changes in rates are not effective until March 1, 2021.<sup>1</sup>

The purpose of this filing is to (1) update margin allowances based on the 2019 general rate case,<sup>2</sup> and (2) accurately align line extension service pricing to PSE's actual costs, as reflected in the company's 2018 Biennial Electric Line Extensions Cost Study (Cost Study). PSE filed similar electric line extension tariff changes in 2015 and 2018.<sup>3</sup>

A summary of the changes proposed by PSE is included in Appendix A.

**Discussion:**

2018 Line Extensions Costs Study

In 2015, PSE committed to producing biennial Electric Line Extension Costs Studies starting in 2018.<sup>4</sup> Under that commitment, PSE filed its 2018 biennial Cost Study on December 31, 2019, in Docket UE-191061. PSE's proposed tariff revisions reflect the results of its 2018 Cost Study.

The Cost Study calculates average costs from a random sample of line extensions performed during calendar year 2018. The samples include rates for different units of construction (overhead lines, underground lines, services, etc.), contract costs, overheads, labor, materials, and permits. The Cost Study is used to balance the principle of cost causation with the limitations of a transparent tariff that relies on averages.

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<sup>1</sup> This delay is intended to give developers and large contractors time to adjust and account for the new rates.

<sup>2</sup> See Docket UE-190529.

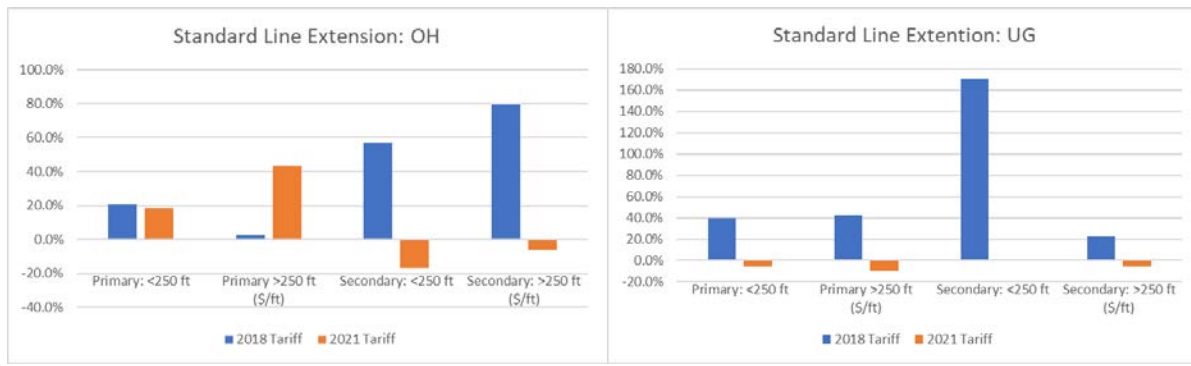
<sup>3</sup> See Dockets UE-150200 and UE-180091.

<sup>4</sup> See Staff Memo in Docket UE-150200

Since no two line-extensions are the same, the Cost Study itself can sometimes produce significant changes in per unit rates. This is primarily a function of a tariff that must capture increasingly divergent line extensions scenarios in a single set of rates that reflect average costs. However, PSE’s 2018 Cost Study indicates general costs for materials, labor, and contracting are steadily increasing.

**Standard Line Extension Changes:**

A summary of PSE’s proposed changes to line services and line extensions rates is provided in Appendix A of this memo. The standard line extension rate changes proposed by PSE are lower than the 2018 approved rate increases, as the chart below summarizes. The only exception is the per-foot cost for OH primary line extensions. However, PSE only performs a small number of this type of line extension which limits the sample size and increases the potential for large fluctuations in average cost.



**Service Line Extension Changes:**

Only two specific line extension rates are changing: UG to UG lines below 250 feet, and UG to OH below 250 feet. The rate increases for each service are \$16 and \$19, respectively. For comparison, in PSE’s 2018 tariff revision UG to UG increased by \$185, and UG to OH increased by \$443.

**Transformation Costs:**

There were no transformer cost changes proposed in either the 2015 or 2018 tariff revisions. The changes suggest that the company is tailoring rates to match actual costs from the study.

<i>Per Service Panel Amp</i>	<i>Current Tariff Cost</i>	<i>Proposed Costs</i>	<i>\$ Change</i>	<i>% Change</i>
Single Family Overhead	\$5.24	\$7.13	\$1.89	36.1%
Single Family Pad Mount	\$3.36	\$3.24	-\$0.12	-3.6%
Multi-Family OH (4 or more units)	\$1.73	\$1.59	-\$0.14	-8.1%
Multi Family Pad Mount (4 or more units)	\$1.20	\$1.25	\$0.05	4.2%

### Margin Allowances

A margin allowance is a customer credit that offsets new line extension costs.<sup>5</sup> PSE proposes updating the schedule 85 margin allowances based on its 2019 general rate case.<sup>6</sup>

Sheet No. 85 Margin Allowances				
Schedule	Current	Proposed	\$ Change	% Change
24 (per kWh)	\$0.028202	\$0.031492	0.003290	12%
7A, 25, 29 (per kWh)	\$0.029504	\$0.034322	0.004818	16%
Schedule 26	\$0.269378	\$0.325643	\$0.056265	20.9%
Schedules 31, 35*	\$0.270740	\$0.336478	\$0.065738	24.3%

### Tariff Language Changes:

PSE proposes clarifying the tariff by (1) rearranging a formula in Sheet No. 85-C, subsection D to call out the transformation costs rather than having these costs embedded in the Primary and Secondary Voltage Line Extension Costs equation, and (2) adding language to Sheet No. 85-S, subsection G.a.iii about a customer's responsibility for site readiness prior to actual construction. It also corrects a minor textual error.

### Conclusion:

The changes proposed in this tariff revision are comparable to approved tariff revisions from the 2015 and 2018 PSE filings. Staff recommends the commission authorize the tariff revisions. Staff reviewed the tariff revisions and find that the proposed rates reasonably reflect the company's cost study and pertinent info from the 2019 GRC.

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<sup>5</sup> This credit acknowledges that new customers represent incremental revenue to the system. While margin allowances help end a financial barrier for new customers, they should generally not financially harm the general ratepayer population. For that reason, margin allowances typically match the net benefit to the system of each new customer. PSE relies on the discounted value of their incremental revenue using the perpetual net present value method.

<sup>6</sup> Dockets UE-190529 and UG-190530

**Appendix A: Summary of Changes**

Summary of PSE's Proposed Changes to Line Services and Line Extensions

<b>Study Period: January 1, 2018 - December 31, 2018</b>					
<i>Category</i>	<i>Tariff Sheet</i>	<i>Tariff Charge</i>	<i>Cost Study Results</i>	<i>\$ Variance</i>	<i>% Change</i>
Services - OH from OH Distribution Within 250'	85-L, G.b	\$939.00	\$939.00	\$0.00	0.00%
Services - UG from OH Distribution Within 250'	85-L, G.b	\$1,362.00	\$1,378.00	\$16.00	1.17%
Services - UG from OH Distribution Over 250' - \$/ft	85-L, G.b	\$10.00	\$10.00	\$0.00	0.00%
Services - UG from UG Distribution Within 250'	85-L, G.b	\$718.00	\$737.00	\$19.00	2.65%
Services - UG from UG Distribution Over 250' - \$/ft	85-L, G.b	\$10.00	\$10.00	\$0.00	0.00%
Line Extension - OH Single Family					
Primary - Base Cost	85-J, G.b	\$5,500.00	\$6,500.00	\$1,000.00	18.18%
Primary - \$/ft	85-J, G.b	\$13.80	\$19.75	\$5.95	43.10%
Secondary - Base Cost	85-J, G.b	\$6,000.00	\$5,000.00	-\$1,000.00	-16.67%
Secondary - \$/ft	85-J, G.b	\$17.96	\$16.84	-\$1.12	-6.22%
Line Extension-UG Single Family					
Primary - Base Cost	85-J, G.b	\$7,952.00	\$7,500.00	-\$452.00	-5.68%
Primary - \$/ft	85-J, G.b	\$7.54	\$6.76	-\$0.78	-10.38%
Secondary - Base Cost	85-J, G.b	\$5,403.00	\$5,400.00	-\$3.00	-0.06%
Secondary - \$/ft	85-J, G.b	\$8.53	\$8.07	-\$0.46	-5.35%
Line Extension - Plat	85-J, G.b	\$54.22	\$52.26	-\$1.96	-3.61%