

Agenda Date: June 13, 2019  
Item Numbers: A1 and A2

**Dockets: UE-190392 and UG-190393**  
Company: Puget Sound Energy

Staff: Elizabeth O'Connell, Regulatory Analyst

### **Recommendation**

Take no action, allowing the proposed tariff sheets filed by Puget Sound Energy on May 16, 2019, in Dockets UE-190392 and UG-190393, to become effective June 17, 2019, by operation of law.

### **Background**

On May 16, 2019, Puget Sound Energy (PSE or company) filed with the Washington Utilities and Transportation Commission (commission) its proposed electric tariff Schedule No. 81, Tax Adjustment, and its proposed natural gas tariff Schedule No. 1 Tax adjustment, effective June 17, 2019. The company proposes to clarify its tariffs by identifying the municipal utility tax rates as well as the grossed-up rates charged to customers. There is no change to rates charged on customer bills.

### **Discussion**

On May 16, 2019, PSE filed revised tariff pages to identify the true rates charged to customers to collect costs associated with municipal utility tax rates. PSE's filing was in response to commission staff's (staff) concern that tax rates identified on the company's tariff did not reflect the actual rate charged to customers. More specifically, while the tariffs identified the city ordinance rates, the rates actually charged to customers were a higher, grossed up amount. Staff informed the company that Washington law does not allow a utility to charge customers a rate other than specific rate identified in its tariff. Specifically, RCW 80.28.080(1) provides that:

“Except as provided otherwise in this subsection, no gas company, electrical company, wastewater company, or water company may charge, demand, collect or receive a greater or less or different compensation for any service rendered or to be rendered than the rates and charges applicable to such service as specified in its schedule filed and in effect at the time.”

The company states that it was not in violation of RCW 80.28.080(1), arguing that there is language in Section 2 of the Schedule that allows PSE to *increase* the amount PSE charges its customers to recover the cost of a municipal utility tax levy and the additional expenses associated with collection of the municipal utility tax. Nevertheless, PSE has revised its tariffs to address staff's concern that tax rates identified on the company's tariff did not reflect the actual rate charged to customers.

This tariff revision provides clarity for customers in terms of the rates they are being charged and ensures PSE is complying with RCW 80.28.080(1), providing the company with certainty with respect to recovery of the grossed up tax rate. Staff recognizes the importance of charging customers the grossed-up amount as the utility itself is taxed on the revenue it collects for municipal taxes. Rates should reflect those costs as well.

As part of its review of this filing, staff reviewed PSE's gross-up calculations for a subsample of 11 cities (out of 110).<sup>1</sup> Staff did not find any irregularities in the calculations sampled. It is staff's expectation that in future tax adjustment filings, PSE will include calculations for another subsample of cities and include municipal codes and other relevant information to aid in an audit of rates charged to customers to recover costs associated with municipal taxes.

### **Customer Comments**

No customer comments have been received. Since the filing is not actually changing the rates being charged to customers, no customer notice was issued.

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<sup>1</sup> PSE provided work papers for the gross up calculations for the cities of Lake Stevens, Redmond, Sumner, Lynwood, Fife, Yelm, DuPont, Kent, Rainier, Auburn, and Tukwila.