

Agenda Date: October 26, 2017  
Item Number: A7

**Dockets:** UG-170975 & UG-170692  
Company Name: Puget Sound Energy

Staff: Melissa Cheesman, Regulatory Analyst  
Jing Liu, Regulatory Analyst  
Andrew Roberts, Consumer Protection

### **Recommendation**

Take no action thereby allowing the tariff revisions filed in Dockets UG-170975 and UG-170692 to become effective by operation of law.

### **Background**

UG-170975 - On September 15, 2017, Puget Sound Energy (PSE or company) filed Advice No. 2017-14 with the Utilities and Transportation Commission (commission) revising rates for two of its schedules in its natural gas tariff:

- Schedule No. 101- Purchased Gas Adjustment (PGA); and
- Schedule No. 106; Deferred Account Adjustment (Tracker).

Both the PGA and the Tracker pass through the utility's cost of natural gas to customers on an annual basis.

In the commission's Policy and Interpretive Statement, Docket UG-132019, the commission directed each of the regulated natural gas companies to submit a preliminary hedging plan as part of its 2017 PGA filing. PSE filed its hedging plan as required. At staff's request, PSE requests that the hedging plan be removed from this docket. PSE has refiled their hedging plan in docket UG-171054.

UG-170692 - On June 1, 2017, PSE filed Advice No. 2017-09 with the commission seeking a revision to rates under its natural gas tariff's Supplemental Schedule 149, Cost Recovery Mechanism for Pipeline Replacement (CRM). The purpose of this schedule is recovery of the depreciation expense and return on the company's investment associated with its Master Plan for replacing pipe that represents an elevated risk of failure.<sup>1</sup>

On September 21, 2017, PSE updated its filing to reflect actual costs through July 2017. On October 18, 2017, PSE revised its filing again to reflect the actual costs through September 30, 2017, and its updated forecast estimates for October 2017. PSE's subsequent filing updating the CRM is consistent with the commission's policy statement.<sup>2</sup>

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<sup>1</sup> In Docket PG-160294, Order 01, dated April 7, 2016, the commission approved PSE's Two-Year Plan for the years 2015 through 2017.

<sup>2</sup> UG-120715, Pipeline Replacement Policy Statement, ¶69.

**Discussion**

Table 1 below displays the estimated change in revenue for the rate period spanning November 1, 2017, through October 31, 2018 (rate period) which results from these two dockets:

**TABLE 1**

<b>Docket</b>	<b>Description</b>	<b>Approximate Revenue Impact</b>	<b>Percent of Total Revenue</b>
UG-170975	PGA – Schedule No. 101	(\$31,233,894)	(3.3%)
UG-170975	Tracker - Schedule No. 106	\$399,831	0.04%
UG-170692	CRM - Schedule No. 149	\$4,881,049	0.5%

**PGA and Tracker**

As shown on Table 1 above, the net impact of the changes to both the PGA and the Tracker results in a net decrease in revenues by \$30.8 million (-3.3 percent). The increase in revenue associated with the Tracker is the result of a smaller credit to commercial, industrial, and interruptible customers and a slight credit increase to residential customers needed to correct prior period over-recovery of gas costs. This results in an average increase of \$0.00229 per therm and a decrease of \$0.00065 per therm, respectively. The combined effect of the PGA and Tracker on PSE’s rates (\$ per therm) and annual revenues are as follows:

**TABLE 2**

<b>Schedule Classes</b>	<b>PGA Rate Delta</b>	<b>Tracker Rate Delta</b>	<b>Revenue Delta</b>	<b>Percent Change</b>
<i>Residential</i>				
Schedule 23	\$ (0.03283)	\$ (0.00065)	\$ (20,327,367)	(3.1%)
Schedule 16	(0.03283)	(0.00065)	(460)	(1.6%)
<i>Commercial</i>				
Schedule 31	(0.03257)	0.00039	(7,462,825)	(3.5%)
Schedule 41	(0.03387)	0.00504	(1,936,729)	(4.3%)
<i>Interruptible</i>				
Schedule 85	(0.03105)	0.00776	(417,206)	(4.9%)
Schedule 86	(0.03161)	0.00637	(217,699)	(3.9%)
Schedule 87	(0.03053)	0.00814	(471,776)	(5.2%)
<b>Total</b>			<b>\$ (30,834,063)</b>	<b>(3.3%)</b>

**Residential Weighted Average Cost of Gas**

PSE’s residential weighted average cost of gas (WACOG) has decreased by 8 percent since 2016. Table 3 below provides a comparison of PSE’s WACOG against the other regulated gas utilities serving Washington customers.

**TABLE 3**

<b>WACOG</b>	<b>Avista</b>	<b>PSE</b>	<b>NW Natural</b>	<b>Cascade</b>
Commodity	\$0.21817	\$0.24068	\$0.25856	\$0.27336
Demand (firm)	\$0.10744	\$0.12683	\$0.11626	\$0.16731
<b>Total</b>	<b>\$0.32561</b>	<b>\$0.36751</b>	<b>\$0.37482</b>	<b>\$0.44067</b>

As a result of both of these dockets, an average residential customer using 64 therms would pay (\$1.80) less per month, bringing their monthly bill to \$67.98.

### **Customer Comments**

On September 30, 2017, the company notified its customers of the proposed PGA and CRM rate adjustments, through published notice. No customer comments were received.

### **Conclusion**

Staff has reviewed Puget Sound Energy's expected gas costs (Schedule 101) and deferral amortization rates (Schedule 106) proposed in the company's filing and find them to be reasonable. Staff has also reviewed the company's proposed Cost Recovery Mechanism for pipeline replacement (schedule 149) and find that it is reasonable.

### **Recommendation**

Staff recommends the commission take no action, thereby allowing the tariff revisions filed in Dockets UG-170975 and UG-170692 to become effective November 1, 2017, by operation of law.