Agenda Date: April 25, 2019
Item Numbers: F15 and F16

Dockets: UE-190220 and UG-190221
Company: Puget Sound Energy

Staff: Melissa Cheesman, Regulatory Analyst
Andrew Roberts, Regulatory Analyst

Recommendation

Staff recommends that the commission take no action, allowing the tariff revisions filed on March 29, 2019, as revised on April 18, 2019, by Puget Sound Energy in Dockets UE-190220 and UG-190221, to become effective May 1, 2019, by operation of law.

Background

On December 22, 2017, President Trump signed H.R.1 – An Act to provide for reconciliation pursuant to Titles II and V of the concurrent resolution on the budget for fiscal year 2018 (The Tax Cuts and Jobs Act, or TCJA) into law. The TCJA amends the Internal Revenue Code to reduce tax rates and modify policies, credits, and deductions for individuals and businesses. The most notable impact for utilities regulated by the Washington Utilities and Transportation Commission is the reduction of the federal corporate tax rate from 35 percent to 21 percent. TCJA became effective January 1, 2018.

On December 29, 2017, Puget Sound Energy (PSE or company) filed with the Washington Utilities and Transportation Commission (commission) petitions for orders authorizing deferred accounting treatment associated with TCJA impacts on the company's electric and natural gas cost of service. The deferred accounting petitions are Dockets UE-171225 and UG-171226.

On March 30, 2018, PSE filed with the commission tariff revisions to update electric and natural gas base rates, and update the Allowed Revenue per Customer reflected in Schedule 142, to reflect the decrease in the federal corporate income tax rate from 35 percent to 21 percent resulting from the TCJA, Dockets UE-180282 and UG-180283. Because the company's annual revenue requirement decreased due to the reduced income tax rate, the allowed revenue per customer for all decoupled groups also decreased. On April 26, 2018, the commission took no action allowing the decreased electric and natural gas base rates to become effective May 1, 2018. The effective date created an interim period from, January 1, 2018, through April 30, 2018, because the reduction of the federal corporate tax rate was not incorporated into base rates until May 1, 2018.

On November 7, 2018, PSE filed an Expedited Rate Filing (ERF) to increase annual revenues through Schedule 141 in Dockets UE-180899 and UG-180900. On January 30, 2019, parties in the ERF filed joint narrative in support of settlement.

On February 21, 2019, the commission issued Order 05 in Dockets UE-180899 and UG-180900, Final Order Approving Settlement Agreement with Condition (Order 05). Order 05, among other things, required PSE to make a subsequent filing to return to customers the interim period, January 1, 2018, through April 30, 2018, over-collection of federal income taxes embedded in base rates.[1] By February 26, 2019, all parties to the settlement filed letters with the commission stating their unequivocal and unconditional acceptances of the condition imposed by the commission as set forth in Order 05.[2]

On March 29, 2019, PSE filed the required subsequent filing to return to customers the interim period, January 1, 2018, through April 30, 2018, over-collection of federal income taxes, Dockets UE-190220 and UG-190221. The proposed electric tariff revisions represent an average annual revenue decrease of $24.1 million, or 1.13 percent. The proposed natural gas tariff revisions represent an average annual revenue decrease of $10.5 million, or 1.22 percent.

PSE serves approximately 1.1 million electric customers and 0.8 million natural gas customers. A typical electric residential customer using an average 900 kWh per month would experience a decrease of $1.12 per month, bringing their monthly bill to $87.28. A typical natural gas residential customer using an average 64 therms would experience a decrease of $0.68 per month, bringing their monthly bill to $60.16.

Discussion

Because the refunds to customers is based on forecasted load there will be a need to true-up the amounts refunded to customers with the amounts authorized for refund from Order 05 in Dockets UE-180899 and UG-180900. Consistent with PSE's tariff Schedule 133, PSE and commission staff (staff) have worked toward a method that provides greater transparency and flexibility in determining how to handle the true-up.

On April 18, 2019, PSE filed replacement pages to update the proposed tariff true-up language. PSE and staff have agreed that following the 12-month period ending April 2020, if the residual balance due to (credit) or owed from (surcharge) all customers is less than $100,000 (threshold), the company shall write-off any residual balance of the regulatory liability or asset due to or owed from customers below the threshold.

However, if the residual balance due to (credit) or owed from (surcharge) all customers is greater than $100,000, the company shall submit a filing no later than July 31, 2020, proposing to credit

[1] Order 05, Final Order Approving Settlement Agreement with Condition, Washington Utilities and Transportation Commission, v. Puget Sound Energy, Dockets UE-180899 and UG-180900, ¶ 33-36 and 57 (February 21, 2019).
[2] Order 05, Final Order Approving Settlement Agreement with Condition, Washington Utilities and Transportation Commission, v. Puget Sound Energy, Dockets UE-180899 and UG-180900, ¶ 59 (February 21, 2019).

or surcharge customers, the balance effective September 1, 2020, for a 12-month period ending August 31, 2021.

If after the 12-month period ending August 31, 2021, refund period a residual regulatory liability or asset amount remains and that amount exceeds the $100,000 threshold the company and staff with reevaluate the method for determining the disposition of the residual amount.

Customer Comments

On April 1, 2019, the company notified its customers of the rate adjustments proposed to become effective May 1, 2019, via published notice in accordance with WAC 480-100-194(2). No customer comments were received.

Conclusion

Staff has reviewed the company's required subsequent filing proposal to refund to customers the interim period, January 1, 2018, through April 30, 2018, over-collection of federal income taxes embedded in base rates including the method for truing-up amounts to be passed back. Staff finds that proposed tariff complies with the commission's directive in Order 05 and contains rates that are fair, just, reasonable, and sufficient.

Recommendation

Take no action, thereby allowing the tariff revisions filed on March 29, 2019, as revised on April 18, 2019, in Dockets UE-190220 and UG-190221 to become effective, May 1, 2019, by operation of law.