



Puget Sound Energy  
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PSE.com

April 8, 2013

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

**Re: Advice No. 2013-07**  
**Natural Gas Tariff Filing – Filed Electronically**

Dear Mr. King:

Pursuant to RCW 80.28.060 and WAC 480-80-101 and WAC 480-80-105(1)(c), please find enclosed for filing the following proposed revision to the WN U-2 Tariff for natural gas service of Puget Sound Energy, Inc. (the “Company”):

**22<sup>nd</sup> Revision of Sheet No. 101-B – Schedule 1, Tax Adjustment (Continued)**

The purpose of this filing is to incorporate the effect of a recent municipal tax assessment made by the cities of Federal Way and Burien (the “Cities”). Copies of the letters making the assessments are enclosed.

**Background:**

The assessments by the Cities arose from the change in interpretation of the Cities’ codes which contain similar language to that of the cities of Bellingham and Redmond. In 1999 the Court of Appeals of the State of Washington issued a decision in a case where PSE disputed an assessment by the City of Redmond (the “Redmond Decision”). PSE prevailed in that case and had interpreted city ordinances including those of the Cities consistent with the Redmond Decision since the 1999 Redmond Decision. The City of Bellingham challenged this decision in the Court of Appeals of Washington, Division 1, and that court issued a decision (the “Bellingham Decision”) which overturned the Redmond Decision and allowed the City of Bellingham to tax all revenues of the Company, including revenues not from sales of electricity. The Company subsequently appealed the Bellingham Decision to the Washington Supreme Court which was refused on February 7, 2012.

The Company paid an assessment to the City of Bellingham on March 31, 2009 as that payment was a prerequisite to appealing that assessment in a lower court. The final appeal ended with the refusal on February 7, 2012. The Company filed revisions to Schedule 81 on June 1, 2012 in Docket No. UE-120805 in order to be able to pass through the assessment paid to the City of Bellingham in 2009.

In the course of obtaining approval of the proposed changes to Schedule 81 the Commission’s Staff was concerned about the extended time between the March, 2009 payment of the assessment and the June,

2012 filing by the Company. In order to encourage the Company to make filings for recovery of such assessments in a timelier manner in the future, the Commission's Staff suggested that the tariff schedule require such filings to be within 75 business days of the payment of the assessment.

The Company received an assessment by each of the Cities which the Company promptly paid. The Company was at the same time expecting an assessment from the City of Renton and wished to file all three changes to the tariff in the same filing to minimize Staff's workload. The Company discussed this approach with Commission Staff on January 22, 2013 and at that time planned to wait for the Renton assessment which was anticipated to be received in early March, 2013. To date the Company has not received an assessment from the City of Renton.

**Description of Cities Assessments:**

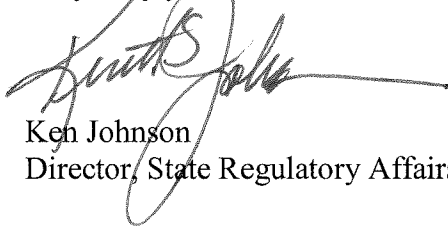
The City of Federal Way, on December 7, 2012 informed the Company of the assessment which is reflected in the attached letter assessing the Company for unpaid taxes from 2006 through February, 2012 in the total amount of \$544,838.49. The assessment is for payment of taxes on revenues that the Company had, prior to the Bellingham Decision, considered as not being subject to city tax. Payment was made to the City of Federal Way on December 19, 2012.

The City of Burien, on January 2, 2013 informed the Company of the assessment which is reflected in the attached letter assessing the Company for unpaid taxes from 2007 through February, 2012 in the total amount of \$44,775.08. The assessment is for payment of taxes on revenues that the Company had, prior to the Bellingham Decision, considered as not being subject to city tax. Payment was made to the City of Burien on January 18, 2013.

The tariff sheets described herein reflect an issue date of April 8, 2013, and an effective date of July 1, 2013. Posting of proposed tariff changes, as required by law and the Commission's rules and regulations, is being completed through web, telephone and mail access in accordance with WAC 480-90-193. Pursuant to WAC 480-90-195 notice to customers will be provided in the first billing after the tariff revision becomes effective; the customers within each of the Cities will receive notification in the form of a bill message.

Please contact Lynn Logen at [lynn.logen@pse.com](mailto:lynn.logen@pse.com) or (425) 462-3872 for additional information about this filing. If you have any other questions please contact me at (425) 462-3495.

Very truly yours,



Ken Johnson  
Director, State Regulatory Affairs

Enclosures

cc: Simon J. ffitich, Public Counsel  
Sheree Carson, Perkins Coie