



Puget Sound Energy
P.O. Box 97034
Bellevue, WA 98009-9734
PSE.com

June 1, 2018

Received
Records Management
06/01/18 16:26
State Of WASH.
UTIL. AND TRANSP.
COMMISSION

Filed Via Web Portal

Mr. Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

**Re: Advice No. 2018-28
PSE's Natural Gas Tariff Filing**

Dear Mr. Johnson,

Puget Sound Energy ("PSE") hereby submits proposed revisions to rates under its natural gas Supplemental Schedule 149, Cost Recovery Mechanism for Pipeline Replacement ("CRM"). This filing, pursuant to RCW 80.28.060 and Chapter 480-80 WAC, proposes changes to the following natural gas tariff sheet:

WN U-2, (Natural Gas Tariff):

5th Revision of Sheet No. 1149 - Cost Recovery Mechanism for Pipeline Replacement (CRM)

The purpose of this filing is to submit a tariff filing in accordance with the Commission's Policy on Accelerated Replacement of Pipeline Facilities with Elevated Risk in Docket No. UG-120715 ("Policy Statement"), which provided in paragraph 64 that a company may request a CRM by June 1 of any subsequent year. The Commission's Order 01 in Docket No. PG-170693 approved PSE's 2017-2019 Pipeline Replacement Program Plan ("PRPP"). Capital costs associated with these facilities are being submitted in this CRM to recover the costs for the period of November 1, 2017 through October 31, 2018. This CRM filing also includes the true-up of the forecasted October 2017 costs from last year's CRM filing under UG-170692 to actual costs. An attachment and work paper supporting this proposal are included in the filing.

As provided in the Policy Statement, this filing reflects actual costs from November 1, 2017, through April 30, 2018, and projected costs from May 1, 2018 through October 31, 2018. The Policy Statement provides that each company will update the projected costs with actual costs incurred for the months of May through July. PSE expects to submit such an update concurrent with its 2018 Purchased Gas Adjustment filing which is planned for mid-September of 2018 and to revise the rates on the enclosed tariff sheet to reflect the updated costs.

PSE has incorporated the following changes in this filing, 1) PSE's authorized rate of return from 7.77% to 7.60% effective December 19, 2017, 2) PSE's approved depreciation rates effective December 19, 2017, and 3) the statutory tax rate from 35% to 21% effective January 1, 2018. These changes are reflected in the true-up of the 2017 investment, Year 2 for the 2017 investment and Year 1 for the 2018 investment, as described below.

True-up of the 2017 Investment

The true-up includes replacing the actual investment for October 2017 instead of the forecasted amount used in last year's filing. In calculating the revenue requirement for Year 1 for the 2017 Investment, the true-up also includes a change for the authorized rate of return that became effective December 19, 2017 and a change to the statutory tax rate that determines the federal taxes on the equity portion of the return ("tax rate on equity") which became effective January 1, 2018. The true up did not require an update for the depreciation rates that became effective December 19, 2017 or the tax rate used to calculate the deferred income taxes ("DFIT tax rate") that became effective January 1, 2018 as the investment was made by October 31, 2017 prior to the change in the depreciation/tax rates. For simplicity and ease of calculation, PSE assumed the rate of return changed on December 1, 2017.

Year 2 for the 2017 Investment and Year 1 for the 2018 Investment

The authorized rate of return and the tax rate on equity used to determine the revenue requirement for Year 2 of the 2017 investment and Year 1 of the 2018 investment were both set at the newly authorized/passed rates. The depreciation rates and the DFIT tax rate for the second year of the 2017 investment and the first year of the 2018 investment were updated December 1, 2017 for depreciation and January 1, 2018 for the DFIT tax rate.

Overall, this preliminary proposal represents a revenue requirement increase of \$3.7 million or 0.4% in overall bills for all natural gas customers. The typical residential customer using 64 therms per month will experience an increase of \$0.25 per month.

The tariff sheet described herein reflects an issue date of June 1, 2018, and an effective date of November 1, 2018. Posting of proposed tariff changes, as required by WAC 480-90-193, is being made by posting the proposed tariff sheet on the PSE web site immediately prior to or coincident with the date of this transmittal letter. Publication of the proposed increase, in accordance with WAC 480-90-194, will be completed through a published notice at least 30 days prior to the November 1, 2018 effective date of this filing. The Policy Statement provides for updating of costs, therefore PSE plans to reflect the effects of the PGA and the CRM in a combined notice. WAC 480-90-198 requires PSE to file a statement, within 10 days of this filing, that it has published the required notice. Since the notice will not be published until costs are updated later this year, PSE requests that the Commission waive or modify this requirement in order to allow the notice to reflect the updated costs.

Mr. Mark L. Johnson
June 1, 2018

Advice No. 2018-28
Page 3 of 3

Please contact Kathie Barnard at (425) 462-3716 or Julie Waltari at (425) 456-2945 for additional information about this filing. If you have any other questions, please contact me at (425) 456-2142.

Sincerely,

/s/ Jon Piliaris

Jon Piliaris
Director, Regulatory Affairs
Puget Sound Energy
PO Box 97034, PSE-08N
Bellevue, WA 98009-9734
425-456-2142
Jon.Piliaris@pse.com

cc: Lisa Gafken, Public Counsel
Sheree Carson, Perkins Coie

Attachments: Natural Gas Tariff Sheet, listed above
Work Paper
Attachment A