EXH. KJB-29C DOCKETS UE-170033/UG-170034 2017 PSE GENERAL RATE CASE WITNESS: KATHERINE J. BARNARD

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

Docket UE-170033 Docket UG-170034

PUGET SOUND ENERGY,

Respondent.

TWELFTH EXHIBIT (CONFIDENTIAL) TO THE PREFILED REBUTTAL TESTIMONY OF

KATHERINE J. BARNARD

ON BEHALF OF PUGET SOUND ENERGY

REDACTED VERSION

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Puget Sound Energy 2017 General Rate Case

ICNU DATA REQUEST NO. 058

"CONFIDENTIAL" "HIGHLY CONFIDENTIAL" Table of Contents

DR NO.	"CONFIDENTIAL" Material
058	The Attachment A to PSE's Response to ICNU Data Request No. 058 is CONFIDENTIAL per Protective Order in WUTC Dockets UE-170033 and UG-170034.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Puget Sound Energy 2017 General Rate Case

ICNU DATA REQUEST NO. 058

ICNU DATA REQUEST NO. 058:

Reference Exh. No. SEF-1T at 18:20:19:12: Please provide an explanation regarding the procedures established by the Company and its actuary in order to determine the amount of cash contributed to the pension plan. Please also provide copies of any documents that establish formal policies or procedures used by the Company to determine the amount of cash contributed to the pension plan.

Response:

Puget Sound Energy ("PSE") determines the amount of funding contributed each year in accordance with PSE's Retirement Funding Guidelines, which were approved by the PSE Board of Directors on November 4, 2009 and are shown below:

PSE Retirement Funding Guidelines

- A) Annual contribution shall fall within a range of the Pension Protection Act ("PPA") minimum¹ and maximum² amounts.
- B) Annual contribution shall also be guided by, and not exceed the Baseline Amount³.
- C) Annual contribution shall be increased, if needed, to satisfy the End of Year PPA Floor Amount⁴.
- D) The annual contribution to the trust holding assets for the Plan, if any is required, shall be made in one or more payments, annually, quarterly, or more frequently, at least as frequently as required to comply with pension regulations.

Notes:

1) PPA minimum amount = PPA Target Normal Cost plus approximately 1/6 of the funding gap between 100% PPA funding and the market value of assets. (Note: Minimum amount could be zero.)

PSE's Response to ICNU Data Request No. 058

Date of Response: March 20, 2017

Person who Prepared the Response: Thomas M. Hunt

Witness Knowledgeable About the Response: Thomas M. Hunt

- 2) PPA maximum amount = PPA Target Normal Cost plus the additional funding needed to reach 150% PPA funding. (Note: This will generally be a very large amount.)
- 3) Baseline amount = PBO Service Cost x 120%; plus 1/10 of the funding gap between 120% PBO funding level and the market value of assets. (Note: Baseline amount aims to provide over the long-term a 120% funding level on PBO basis.)
- 4) End of Year PPA Floor Amount = the funding gap between estimated year-end PPA Funding Target x 90% and 11/30 market value of assets. (Note: End of Year PPA Floor Amount is calculated in December and applies only if the Plan's PPA funding level is falling below 90%.)

PSE's actuary, Milliman, calculates the amounts that determine the range of pension contributions, as illustrated by the guidelines for 2016 shown on Attachment A to PSE's Response to ICNU Data Request No. 058, and then PSE's Financial Planning team determines a contribution amount from within the range guidelines based on plan budgets and with the objective as stated in Note 3 of ultimately providing a 120% funding level on a PBO basis.

The Attachment A to PSE's Response to ICNU Data Request No. 058 is CONFIDENTIAL per Protective Order in WUTC Dockets UE-170033 and UG-170034.

ATTACHMENT A to PSE's Response to ICNU Data Request No. 058

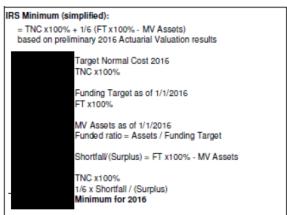
CONFIDENTIAL per Protective Order in WUTC Dockets UE-170033 and UG-170034

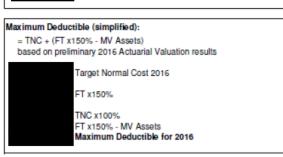
Retirement Plan for Employees of Puget Sound Energy, Inc.

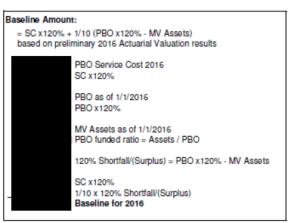
Funding Guidelines -- Illustrated Results for 2016 Based on 1/1/2016 preliminary valuation results

MVA =
FAS discount rate as of 12/31/2015 =
Funding segment rates for 2016 =

Funding Guidelines Summary for 2016				
	Minimum/Maximum Range:			
	Baseline Amount:			
	EoY Floor Amount:			
	Funding Guideline Range:			









Notes:

Reflects rates for 2016 provided by segment rate stabilization, as appropriate.

Actual IRS minimum contribution for 2016 will likely be 0.0M.

Maximum deductible calculations do not reflect segment rate stabilization.

EoY Floor Amount is based on projected assets and liabilities from the beginning of the year, ignoring 2016 contributions.

Puget Funding Guidelines 2016.xlsx 014 PSP 18

Milliman Page 1 of 1 Illustration for 2016