

**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.**

**PUGET SOUND ENERGY,**

**Respondent.**

**Docket UE-170033  
Docket UG-170034**

**TWELFTH EXHIBIT (CONFIDENTIAL) TO THE  
PREFILED REBUTTAL TESTIMONY OF**

**KATHERINE J. BARNARD**

**ON BEHALF OF PUGET SOUND ENERGY**

**REDACTED  
VERSION**

**AUGUST 9, 2017**

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-170033 and UG-170034  
Puget Sound Energy  
2017 General Rate Case**

**ICNU DATA REQUEST NO. 058**

**“CONFIDENTIAL” “HIGHLY CONFIDENTIAL” Table of Contents**

<b>DR NO.</b>	<b>“CONFIDENTIAL” Material</b>
<b>058</b>	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**

**Dockets UE-170033 and UG-170034  
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”) minimum<sup>1</sup> and maximum<sup>2</sup> amounts.
- B) Annual contribution shall also be guided by, and not exceed the Baseline Amount<sup>3</sup>.
- C) Annual contribution shall be increased, if needed, to satisfy the End of Year PPA Floor Amount<sup>4</sup>.
- 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.)

- 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**

**Retirement Plan for Employees of Puget Sound Energy, Inc.**

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

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

<b>Funding Guidelines Summary for 2016</b>	
Minimum/Maximum Range:	[REDACTED]
Baseline Amount:	[REDACTED]
EoY Floor Amount:	[REDACTED]
Funding Guideline Range:	[REDACTED]

**IRS Minimum (simplified):**  
 = TNC x100% + 1/6 (FT x100% - MV Assets)  
 based on preliminary 2016 Actuarial Valuation results

[REDACTED] Target Normal Cost 2016  
 TNC x100%

[REDACTED] Funding Target as of 1/1/2016  
 FT x100%

[REDACTED] MV Assets as of 1/1/2016  
 Funded ratio = Assets / Funding Target

[REDACTED] Shortfall/(Surplus) = FT x100% - MV Assets

[REDACTED] TNC x100%  
 1/6 x Shortfall / (Surplus)  
**Minimum for 2016**

**Baseline Amount:**  
 = SC x120% + 1/10 (PBO x120% - MV Assets)  
 based on preliminary 2016 Actuarial Valuation results

[REDACTED] PBO Service Cost 2016  
 SC x120%

[REDACTED] PBO as of 1/1/2016  
 PBO x120%

[REDACTED] MV Assets as of 1/1/2016  
 PBO funded ratio = Assets / PBO

[REDACTED] 120% Shortfall/(Surplus) = PBO x120% - MV Assets

[REDACTED] SC x120%  
 1/10 x 120% Shortfall/(Surplus)  
**Baseline for 2016**

**Maximum Deductible (simplified):**  
 = TNC + (FT x150% - MV Assets)  
 based on preliminary 2016 Actuarial Valuation results

[REDACTED] Target Normal Cost 2016  
 FT x150%

[REDACTED] TNC x100%  
 FT x150% - MV Assets  
**Maximum Deductible for 2016**

**EoY Floor Amount:**  
 = FT x90% - MV Assets (close to year-end)  
 actual amount to be determined as of 11/30/2016

[REDACTED] Funding Target as of 1/1/2017 (estimated)  
 FT x90%

[REDACTED] MV Assets as of 11/30/2016  
 Funded ratio = Assets / Funding Target

[REDACTED] **EoY Floor for 2016**

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.