

**BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PUGET SOUND ENERGY

For an Order Authorizing Deferred Accounting
associated with Federal Tax Act on Puget
Sound Energy's Cost of Service

Docket No. UE-17_____

Docket No. UG-17_____

PETITION OF
PUGET SOUND ENERGY
FOR AN ACCOUNTING ORDER

I. INTRODUCTION

1. In accordance with WAC 480-07-370(3)(b), Puget Sound Energy ("PSE" or the "Company") respectfully petitions the Commission to issue an Order, authorizing the Company to defer the expected impacts associated with the Tax Cuts and Jobs Act¹ enacted by Congress and signed into law on December 22, 2017 ("the Tax Act"). Puget Sound Energy seeks deferral of the costs and savings associated with the difference between the prior tax law upon which all PSE rates are currently set and the impacts of the new tax law. The difference would be tracked and preserved for later ratemaking treatment.

2. PSE is engaged in the business of providing electric and natural gas service within the State of Washington as a public service company and is subject to the regulatory authority of the Commission as to its retail rates, service, facilities and practices. Its full name and mailing address are:

Puget Sound Energy
Attn: Katherine J. Barnard,
Director, Revenue Requirement & Regulatory Compliance
P.O. Box 97034
Bellevue, Washington 98009-9734

3. Rules and statutes that may be brought at issue in this Petition include RCW 80.01.040, RCW 80.28.020, and WAC 480-07-370(3)(b).

II. BACKGROUND

4. On December 22, 2017, the Tax Cuts and Jobs Act was signed into law and as a result the federal income tax structure will be significantly modified effective January 1, 2018. Among the most notable changes is a reduction in the federal corporate income tax rates from 35 percent to 21 percent; however this is only one piece of the expected impact of the tax code reform and should not be considered in isolation. Another change that has been identified through our analysis thus far is the change in the federal corporate income tax rates results in excess deferred income tax assets and liabilities which must be reversed as well as other possible expenses that may no longer be deductible. Puget Sound Energy is continuing to analyze the provisions of the Tax Act, including the applicability of interest and ratemaking treatment of the resulting deferred accounts, to determine other impacts besides those specifically identified above to be considered in this petition and requests that any additional costs and savings

¹ 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

Identified after the petition is filed be afforded the same deferral treatment being requested in this petition.

III. PROPOSED ACCOUNTING & RATEMAKING TREATMENT

5. Puget Sound Energy proposes to record deferred amounts related to the reduction in the federal corporate income tax rate, effective January 1, 2018 in FERC Account 229 – Accumulated Provision for Rate Refunds with the corresponding entry to FERC Account 449.1 – Provision for Rate Refunds for electric or FERC Account 496 - Provision for Rate Refunds for natural gas and related income tax effects to FERC 190 – Accumulated Deferred Income Taxes, FERC 236 – Taxes Accrued, FERC 409.1 – Income Taxes-Utility Operating Income, FERC 410.1 – Provision for Deferred Income Taxes, Utility Operating Income and FERC 411.1 – Provision for Deferred Income Taxes – Credit, Utility Operating Income. If this petition is denied, the collection of revenue requirement at the higher tax rate will remain in general business revenues (FERC Accounts 440 – Residential Sales, 442 – Commercial and Industrial Sales, and 444 – Public Street and Highway Lighting) without being offset by the provision for rate refund.

6. In addition, Puget Sound Energy proposes to record deferred amounts related to excess deferred income tax assets and liabilities in FERC Account 254 – Other Regulatory Liabilities and FERC Account FERC 182.3 – Other Regulatory Assets with offsetting amounts to FERC 190 – Accumulated Deferred Income Taxes, FERC 282 – Accumulated Deferred Income Taxes – Other Property, and FERC 283 – Accumulated Deferred Income Taxes – Other. If this

petition is denied, the changes related to excess deferred income tax liabilities or assets that are owed to or from customers as a result of the changes in the Tax Act will be embedded in FERC 190 – Accumulated Deferred Income Taxes, FERC 282 – Accumulated Deferred Income Taxes – Other Property, FERC 283 – Accumulated Deferred Income Taxes – Other, FERC 410.1 – Provisions for Deferred Income Taxes, Utility Operating Income, and FERC 411.1 – Provision for Deferred Income Taxes – Credit, Utility Operating income and will not be appropriately reflected as due to or from customer.

IV. PRAYER FOR RELIEF

7. Puget Sound Energy respectfully requests that the Commission authorize the Company to defer the expected impacts associated with the income tax provisions enacted by the Tax Act. Puget Sound Energy will address any ratemaking treatment of these costs in a future filing or general rate case.

DATED this 29th day of December, 2017.

Puget Sound Energy

By */s/ Katherine J. Barnard*
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