



Puget Sound Energy
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PSE.com

May 16, 2019

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

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State Of WASH.
UTIL. AND TRANSP.
COMMISSION

**Re: Advice No. 2019-21
PSE’s Natural Gas Tariff Filing – Filed Electronically**

Dear Mr. Johnson:

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 (“PSE”):

- 114th Revision of Sheet No. 101 Schedule 1, Tax Adjustment**
- 150th Revision of Sheet No. 101-A Schedule 1, Tax Adjustment (Continued)**
- 28th Revision of Sheet No. 101-B Schedule 1, Tax Adjustment (Continued)**
- 13th Revision of Sheet No. 101-C Schedule 1, Tax Adjustment (Continued)**
- 8th Revision of Sheet No. 101-D Schedule 1, Tax Adjustment (Continued)**

The purpose of this filing is to include the effect of the municipal utility tax levy rates in Schedule 1 per the discussions between PSE and the staff of Washington Utilities and Transportation Commission after PSE’s filing of City of Lake Stevens utility tax update in January 2019. The revised tariff sheets regarding the electric service tax adjustment, Schedule 81, are also being filed concurrently under Advice No. 2019-20.

There is no change to the municipal ordinance utility tax rates used for billing used for billing in this filing.

The effect of a municipal utility tax rate reflects both the municipal utility tax levy rate and the associated tax adjustment. Per Schedule 1, Section 2, Tax Adjustment, the Washington Utilities and Transportation Commission allows PSE to increase the amount PSE charges its customers to recover the cost of a municipal utility tax levy and the additional expenses associated with collection of the municipal utility tax. PSE does not profit from these pass-through grossed up adjustments.

The Washington state taxing system is based on a “gross income” model; consequently, PSE is taxed on gross revenue it receives from its customers with no deduction allowed for PSE costs as described in the Revised Code of Washington (RCW):

<https://app.leg.wa.gov/RCW/default.aspx?cite=82.16.010>

"Gross income" means the value proceeding or accruing from the performance of the particular public service or transportation business involved, including operations incidental thereto, but without any deduction on account of the cost of the commodity furnished or sold, the cost of materials used, labor costs, interest, discount, delivery costs, taxes, or any other expense whatsoever paid or accrued and without any deduction on account of losses.

PSE incurs additional taxes and expenses as a result of the collection of a municipal utility tax. With each increase in gross revenue, additional tax and fee amounts become payable. Therefore, the effect of the tax rate in a municipal utility tax ordinance needs to be grossed up to reflect the extra payable of Washington State Public Utility Tax of 3.8520% per RCW 82.16 and Washington State Regulatory Fee of 0.20% per RCW 80.24, and additional bad debt expenses associated with the collection of the municipal utility tax.

RCW 82.16.090 requires the posting of the information about the rate, origin and approximate amount of each tax levied upon an electric/natural gas utility and added as a component of the amount charged to the customer. <http://app.leg.wa.gov/rcw/default.aspx?cite=82.16.090>

Light or power and gas distribution businesses—Information required on customer billings.

Any customer billing issued by a light or power business or gas distribution business that serves a total of more than twenty thousand customers and operates within the state shall include the following information:

- (1) The rates and amounts of taxes paid directly by the customer upon products or services rendered by the light and power business or gas distribution business; and
- (2) The rate, origin and approximate amount of each tax levied upon the revenue of the light and power business or gas distribution business and added as a component of the amount charged to the customer. Taxes based upon revenue of the light and power business or gas distribution business to be listed on the customer billing need not include taxes levied by the federal government or taxes levied under chapters 54.28, 80.24, or 82.04 RCW.

Exhibit A to this file summarizes the applicable municipal ordinances, municipal tax rates, and allowable deductions. Exhibit B to this file is an example showing the calculation of the total effect of municipal utility tax.

The tariff sheet described herein reflects an issue date of May 16, 2019, and effective date of June 17, 2019. Notice and 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.

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Please contact Mei Cass at (425) 462-3800 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

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Director, Regulatory Affairs
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cc: Lisa Gafken, Public Counsel
Sheree Carson, Perkins Coie

Attachments:

Natural Gas Tariff Sheets, listed above

Exhibit A: Summary of Municipal Ordinances

Exhibit B: Calculation of Effect Municipal Utility Tax-Example