



Puget Sound Energy
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PSE.com

April 30, 2018

Filed Via Web Portal

Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250

**RE: Docket UE-180255
(Do Not Re-docket)
Electric Accounting Report Pursuant to WAC 480-100-257 (Revised 4-30-2018)**

Dear Mr. King:

Included with this filing is a revision to Puget Sound Energy's ("PSE") Electric Commission Basis Reports ("CBR") showing Restated Results of Operations for the twelve-month period ended December 31, 2017 that was filed on March 27, 2018. As explained more fully below, this filing revises PSE's electric CBR for certain out-of-period adjustments requested by Commission Staff as part of its investigation in PSE's electric Schedule 142 filing in Docket UE-180280.

PSE's decoupling mechanism contains a requirement that PSE share earnings above its authorized rate of return with customers. The calculation of the earnings sharing amount has as its starting point the results of PSE's Commission Basis Report filed under WAC 480-100-257. For 2017, PSE's electric earnings sharing was included in its electric Schedule 142 filing in Docket UE-180280. In a substitute filing made in this docket on April 26, 2018, PSE followed Commission Staff's recommendation to reduce the level of the Fixed Production Cost ("FPC") deferral requested for recovery by \$4.9 million to address Commission Staff's concerns, as explained and reflected in their open meeting memo in that docket. Therefore, an offsetting change of \$2.47 million was made in the electric Schedule 142 docket to recognize the impacts of the \$4.9 million FPC deferral adjustment on the Earnings Test results.

As the FPC deferral was recognized in calendar year 2017, a revision to PSE's CBR is appropriate under WAC 480-100-257 (2) (b), which states that results should be adjusted for out-of-period items. As proposed in the cover letter for PSE's substitute electric Schedule 142 filing

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on April 26, 2018, PSE is now submitting with this filing a revision to its electric Commission Basis Report which reflects the out-of-period adjustment made to the FPC deferral.

Electronic workpapers supporting this revised report will be submitted separately to Commission Staff and once filed will be available upon request. Although not required, as a courtesy and for ease of navigation, PSE is also submitting a PDF version of the CBR. This report was prepared following the requirements of WAC 480-100-257 and therefore this report does not necessarily reflect all adjustments that PSE would submit in a rate filing. Additionally, there are no pro-forma adjustments made in this report in accordance with WAC 480-100-257.

The revised results show a normalized overall rate of return of 8.11% and a return on actual common equity of 10.30%, compared with PSE's blended rate of return of 7.76% overall and 9.79% on common equity after incorporating thirteen days of the 2017 GRC authorized rates that went into effect on December 19, 2017. Pursuant to Paragraph 308 and 309 of Order 08 in UE-170033 and UG-170034, the earnings sharing test, which provides for equal sharing between PSE and its customers of any earnings that exceed the Company's overall blended rate of return of 7.76 percent will continue, but has been modified to remove normalizing adjustments from the calculation. The thirty five basis points that PSE earned above its authorized blended rate of return equates to \$9,950,762 in earnings sharing. This amount has been included in the Schedule 142 filing going into effect May 1, 2018. Consequently, PSE's normalized overall rate of return and return on actual common equity after consideration of earnings sharing is 7.99% and 10.06%.

If you have any questions, please feel free to call me at (425) 456-2105.

Regards,

/s/ Susan Free

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Attachments:

UE-180255-PSE-Electric-December-2017-CBR-REVISED-(4-30-18).pdf
UE-180255-PSE-Electric-December-2017-CBR-REVISED-(4-30-18).xlsx