



Puget Sound Energy
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PSE.com

March 31, 2015

Mr. Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

**Re: Advice No. 2015-08
Electric Tariff Filing - Filed Electronically**

Dear Mr. King:

Puget Sound Energy, Inc. ("PSE") hereby submits proposed revisions to rates under its electric Schedule 142, Revenue Decoupling Adjustment Mechanism. This filing, pursuant to RCW 80.28.060 and Chapter 480-80 WAC, proposes revisions in the following electric tariff sheets:

WN U-60, Tariff G - (Electric Tariff):

- 3rd Revision of Sheet No. 142 - Revenue Decoupling Adjustment Mechanism
- 4th Revision of Sheet No. 142-A - Revenue Decoupling Adjustment Mechanism (Continued)
- 4th Revision of Sheet No. 142-D - Revenue Decoupling Adjustment Mechanism (Continued)

The primary purpose of this filing is to implement changes to rates under the established Revenue Decoupling Adjustment Mechanism, as provided in the Commission's Order 07 (Final Order Granting Petition) in Docket Nos. UE-121697 and UG-121705 (consolidated) which was combined with the Commission's Order 07 (Final Order Authorizing Rates) in Docket Nos. UE-130137 and UG-130138 (consolidated) ("Order 07"). The mechanism was revised by the Commission's Order 09 in Docket Nos. UE-121697 and UG-121705 (consolidated) and Order 08 in Docket Nos. UE-130137 and UG-130138 (consolidated) ("Order 09"). The purpose of this filing is also to update the Delivery Revenue per Unit for Decoupled Customers. Work papers supporting this filing are enclosed. Coincident with this tariff filing, but under separate cover, PSE has submitted its Commission Basis Report (compliant with WAC 480-100-257) for the twelve months ending December 2014 which also supports the Earnings Test calculation in this filing. Also coincident with this tariff filing, PSE has submitted reports on the impacts of decoupling and the operation of the rate plan in accordance with Order 07 and Order 09.

Schedule 142 is a mechanism for adjusting rates, both up and down, for defined Decoupled Customers and rates for Rate Plan Customers which are not decoupled. This filing revises the Revenue Decoupling Adjustment Mechanism charges for Decoupled Customers. Decoupled Customers include those customers receiving service under Schedules 7, 7A, 8, 10, 11, 12, 24,

25, 26, 29, 31, 35, 40, 43, 46 and 49 (“Decoupled Customers”). The rates for Decoupled Customers in this filing include two components. First, it reflects the effect of the projected allowed revenue for the upcoming rate year from May 2015 through April 2016. In addition, it reflects the true-up of the deferral of the difference between allowed and actual volumetric decoupling revenue during calendar year 2014.

While preparing the filing, PSE discovered an unintended consequence with respect to the manner in which current period decoupling deferrals are calculated within the decoupling mechanism that was unintentionally approved in Order 07. Decoupling deferrals are calculated by comparing Allowed Revenue to Actual Revenue¹. These two terms are defined in Attachment A to the Amended Petition that was approved in Order 07. The current definition for Actual Revenue includes the revenue from the amortization of accumulated decoupling deferrals from the prior calendar year.²

The impact of this defect began on May 1, 2014, when the prior deferral true-up was included in Schedule 142 rates for the first time as approved under Docket No. UE-140531. By including the true-up revenue in the current period deferral calculation, the approved accounting has resulted in PSE unintentionally accruing amounts being passed back through the establishment of a new receivable. Because the prior deferral in last year’s filing was an overall payable to customers of \$15,800,522, through the defect, PSE has overstated its current year receivable by the portion of the prior year payable that was passed back in calendar year 2014. Between May and December 2014 this amount totals \$9,544,527.

Upon discovering the defect, PSE informed Commission Staff and other parties of the issue. PSE felt the best approach for correcting the issue would be to:

1. File a Petition for Approval of an errata to Attachments A and B to the Amended Accounting Petition (“errata”);
 - a. The errata would request that the definition of Actual Revenue, for purposes of calculating the current deferral, exclude the portion of the current period revenue recovering prior deferrals.
2. Submit this Schedule 142 filing as if the errata was granted as filed, including;
 - a. The year end 2014 deferral balances that were recognized on PSE’s books were recorded pursuant to the Amended Application, as that is what was approved in Order 07. This filing adjusts those year-end deferrals to remove the impacts of the prior year deferrals and corrects the amounts to be collected from customers beginning May 1, 2015, which represents a reduction to the amounts reflected as of December 2014.
 - b. In order to implement the Schedule 142 filing as filed, PSE’s proposed errata to Attachment A and Attachment B to the Amended Petition For Decoupling must be approved. Absent the approval, PSE will need to revise this Schedule 142 filing to remove the correction, resulting in higher revenue requirement in this filing.

¹ See item 6) on pages 3 and 4 to Attachment B to the Amended Application filed March 1, 2013 in UE-121697 and UG-121705.

² *Id.* at item 5b) on pages 3 and 4.

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Accordingly, PSE is incorporating item 2a in this filing. The errata referenced in item 1 has been submitted concurrently with this filing under Docket Nos. UE-121697 and UG-121705.

Consistent with the requirements of Order 07, the rates proposed herein reflect the results of the Earnings Test. The Earnings Test is derived from the results of the Commission Basis Report that was submitted concurrent with this filing and the calculation of the Earnings Test results is provided in the work papers supporting this rate filing. This analysis shows that PSE did not earn in excess of the rate of return approved in Order 07.

Rate Plan Customers include those customers receiving service under Schedules 50 through 59 (outdoor lighting) and Schedules 448, 449, 458 and 459 (retail wheeling) (the "Rate Plan Customers"). This filing does not represent a change to rates for Rate Plan Customers.

Overall, this proposal represents an average increase in overall bills of 2.58 percent for Decoupled Customers. All Decoupled Customers are affected by the change and all will experience an increase in rates. For example, the typical residential customer using 1,000 kWh per month will experience an increase of \$3.05 per month.

The tariff sheets described herein reflect issue dates of March 31, 2015, and effective dates of May 1, 2015. Posting of proposed tariff changes, as required by WAC 480-100-193, is being made by posting the proposed tariff sheets on the PSE web site immediately prior to or coincident with the date of this transmittal letter. Notice to the public under the provisions of WAC 480-100-194 is required which PSE will provide through a published notice on March 31, 2015.

Please contact Julie Waltari at (425) 456-2945 for additional information about this filing. If you have any other questions please contact me at (425) 456-2110.

Sincerely,



Ken Johnson
Director, State Regulatory Affairs

Enclosures

cc: Simon J. Ffitch, Public Counsel
Sheree Carson, Perkins Coie