



Puget Sound Energy
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November 17, 2021

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Ms. Amanda Maxwell, Executive Director and Secretary
 Washington Utilities and Transportation Commission
 621 Woodland Square Loop SE
 Lacey, WA 98503

**Re: Advice No. 2021-43
 Puget Sound Energy's Natural Gas Tariff Revision**

Dear Ms. Maxwell:

Puget Sound Energy ("PSE") hereby submits proposed revisions to its natural gas Rule No. 6, Extension of Distribution Facilities. This filing, pursuant to RCW 80.28.060 and Chapter 480-80 WAC, proposes revisions to the following natural gas tariff sheets:

WN U-2, (Natural Gas Tariff):

- 1st Revision of Sheet No. 16-A – Rule No. 6: Extension of Distribution Facilities (Continued)
- 2nd Revision of Sheet No. 16-B – Rule No. 6: Extension of Distribution Facilities (Continued)
- 1st Revision of Sheet No. 16-C – Rule No. 6: Extension of Distribution Facilities (Continued)

The purpose of this filing is to update Rule No. 6 tariff sheets in compliance with Order 01 of Docket UG-210729 ("Order 01") dated October 29, 2021, which requires PSE and two other natural gas utilities to file tariff revisions by November 17, 2021, adopting a Net Present Value ("NPV") methodology using a seven-year timeline for calculating the natural gas line extension margin allowance. The proposed margin allowance in this filing reflect this new NPV methodology based upon PSE's distribution margin from its 2017 general rate case in Docket UG-170034.

Based on the proposed changes contained in this filing, the Rule No. 6 margin allowance for new residential natural gas line extensions will decrease substantially from \$4,328 to \$1,997. PSE would further note that, had it updated its natural gas line extension margin allowances after the conclusion of its 2019 general rate case in Docket UG-190530, its current allowance would have been \$5,204 for new residential natural gas line extensions. As such, the proposed Rule No. 6

margin allowance for new residential gas line extensions represents a reduction of over 60% from levels that would have otherwise been supported by PSE's current cost of service using the existing methodology for determining these Rule No. 6 natural gas line extension margin allowances.

On September 21, 2021, under Docket UG-210729, the Washington Utilities and Transportation Commission ("the Commission") issued a Notice of Item to be Considered ("the Notice") at the Commission's regularly scheduled Open Meeting. The Notice explained that Commission Chair David Danner would be seeking input from regulated natural gas companies and stakeholders addressing whether natural gas utilities should continue to use the Perpetual Net Present Value ("PNPV") methodology¹ for calculating natural gas line extension allowance amounts. The seven-year timeline for the NPV calculation, now required by Order 01, substantially reduces PSE's line extension margin allowance amounts across all classes of service. That is, individual residential customers who desire to add natural gas service and builders of residential and commercial properties taking natural gas service will receive a lesser amount in line extension rate credits from PSE.

The proposed tariff changes also address the temporary exemption from the new tariff rule provisions as prescribed in Paragraph 30 of Order 01. The exemption will remain in effect until April 1, 2022, for customers who can demonstrate or attest that they have (1) submitted their line extension application to PSE before January 1, 2022; or (2) submitted their line extension application to PSE by April 1, 2022, accompanied by either a copy of their approved permits by local permitting offices, or an attestation or proof to demonstrate that they have submitted their permit applications to local permitting offices before January 1, 2022.

During this transition period, PSE recognizes that many current projects will be exempted and will ensure that its business processes and customer applications and contracts are revised or updated, as needed. PSE is preparing for the conversations with customers that request natural gas line extension service and will proactively communicate with customers to determine whether they began the process of applying for the development prior to the deadline in order to meet the exemption requirements. PSE will notify the builder community before the proposed tariff revisions becoming effective through the Master Builders Associations of various counties. PSE will train its construction service call center employees who receive most of the inquiries from residential customers and the project managers who work directly with customers so they can discuss the conditions of the exemption with customers. PSE is also planning to update PSE's Construction Services department homepage on pse.com to highlight the change. PSE is committed to keeping these stakeholders informed and proactively advising customers of line extension tariff rule changes. In light of all of the work and customer communications needed to take place to successfully implement these changes, PSE respectfully requests that these tariff changes take effect on January 1, 2022.

¹ Under the PNPV method, a line extension allowance is calculated using the anticipated revenue from the customer divided by the authorized rate of return, which results in the net present value of the customer's presence on the system. The calculation assumes that a customer will remain on the natural gas system in perpetuity.

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The tariff sheets described herein reflect an issue date of November 17, 2021, and an effective date of January 1, 2022. Posting of proposed tariff changes, as required by WAC 480-90-193, is being made on the PSE web site coincident with the date of this transmittal letter.

Please contact Mei Cass at (425) 462-3800 or mei.cass@pse.com, or Eric Englert at eric.englert@pse.com for additional information about this filing. If you have any other questions please contact me at (425) 456-2142.

Sincerely,

/s/ Jon A. Piliaris

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cc: Lisa Gafken, Public Counsel
Sheree Carson, Perkins Coie

Attachment:
Natural Gas Tariff Sheets (listed above)
Work papers