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***Filed Via Web Portal***

Mark L. Johnson, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

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COMMISSION

Re: **Docket UG-170003: Comments of Puget Sound Energy on Rulemaking to Address Natural Gas Cost of Service.**

Dear Mr. Johnson:

Puget Sound Energy (“PSE” or the “Company”) appreciates the opportunity to respond to the questions posed in this docket and submits the following comments in response to the request in the Washington Utilities and Transportation Commission’s (“Commission”) Notice of Opportunity to File Written Comments dated May 6, 2019.

**General comments**

In addition to responding to questions posed in this docket, PSE is providing comments to the Draft Cost of Service Rules. PSE’s comments are embedded in the Draft Cost of Service Rules circulated by the Commission. PSE’s comments on the draft rules are being filed concurrent with this letter.

**Questions for all interested Stakeholders:**

**1. How should a cost of service study reflect special contracts?**

PSE reflects special contracts as a separate class in its cost of service models for both electric and gas customers. This is the preferred approach for PSE but other approaches may be appropriate for other utilities.

**a. Is it appropriate to treat them as a separate customer class?**

Yes. By treating special contracts as a separate class it provides data regarding the performance of the special contracts. However, as noted in earlier

comments by PSE in this docket, this data should not be used to challenge special contract rates during the term of the special contract.

**b. How should revenue from special contracts be included or shown as an offset to other customer classes?**

PSE includes revenue from special contract customers under their own separate class in the cost of service model. If special contracts are not treated as a separate class in the cost of service model, then the revenues from these customers should be included as an offset to other customer classes.

**i. Would this require a specific adjustment in the revenue requirement model?**

No.

**2. Are the proposed input data types (advanced metering infrastructure, special contracts, load studies) sufficient, or should there be other types of data?**

PSE believes other types of input data should be allowed as necessary and appropriate for the cost of service studies. PSE doesn't have any specific input data types to include in the rule at this time but would prefer the rule to be flexible enough to include other data types as appropriate.

**3. How often should load studies be performed?**

Load studies should be performed for each general rate case or a minimum of every five years.

**Natural Gas Scenarios:**

For all the natural gas scenarios, PSE used the cost of service model approved in its most recent General Rate Case filing, Docket UG-170034. The results for each scenario can be found in the attachment labeled "PSE Gas Scenarios".

**Distribution Mains Classification Scenarios**

**1. System Load Factor**

For this scenario, PSE used the system load factor to assign commodity and demand costs. For demand costs, these costs were allocated to customer classes using each class's contribution to an estimated design day. For commodity costs, these costs were allocated to customer classes based on the size of pipe and weather normalized throughput. This was the same methodology used by PSE in its 2017 General Rate Case filing (Docket UG-170034) and the results match what was approved in that filing.

**2. Design Day**

For this scenario, PSE assumed all costs were demand related and allocated the costs to the customer classes using each class's contribution to an estimated design day.

### **3. Hybrid Design Day**

For this scenario, PSE divided the ICP from the test year by the estimated design day peak in order to assign demand and commodity costs. For demand costs, these costs were allocated to customer classes using each class's contribution to an estimated design day. For commodity costs, these costs were allocated to customer classes based on the size of pipe and weather normalized throughput.

## **Distribution Mains Allocation Scenarios**

### **1. Current Commission Staff Method**

For this scenario, PSE used the system load factor to assign commodity and demand costs. For demand costs, these costs were allocated to customer classes based on the average of the top five peak days in each of the last three years. Please note that PSE currently doesn't have daily usage data at the rate schedule level so for this scenario PSE estimated each rate schedule's contribution towards the peak day using the same methodology used in recent general rate case filings. For commodity costs, these costs were allocated to customer classes based on the size of pipe and weather normalized throughput.

### **2. Commission Staff Proposed Method in February 22 Technical Workshop**

For this scenario, PSE used the system load factor to assign commodity and demand costs. For demand costs, these costs were allocated to customer classes based on the average of the ICP from the past five years. Please note that PSE currently doesn't have daily usage data at the rate schedule level so for this scenario PSE estimated each rate schedule's contribution towards the peak day using the same methodology used in recent general rate case filings. For commodity costs, these costs were allocated to customer classes based on the size of the main. Mains that are four inches or larger were assigned to all customer classes using weather normalized throughput while mains smaller than four inches were allocated to all rate schedules except interruptible schedules using weather normalized throughput. For this scenario, PSE allocated mains smaller than four inches to transportation customers since the sales and transportation customers are grouped in the cost of service model.

### **3. Design Day**

For this scenario, PSE used the system load factor to assign commodity and demand costs. For demand costs, these costs were allocated to customer classes using each class's contribution to an estimated design day. For commodity costs, these costs were allocated to customer classes based on the size of pipe and weather normalized throughput. Please note that this scenario is identical to Distribution Mains Classification Scenario #1 above.

Please refer to the attachment labeled “PSE Gas Scenarios” for the requested natural gas scenarios. For each scenario, in addition to the relative parity ratios, PSE has also provided the costs to serve each class.

Please contact Birud Jhaveri (425) 462-3949 for additional information about these comments. If you have any other questions please contact me at (425) 456-2142.

Sincerely,

*/s/ Jon Piliaris*

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