Exh. DLJ-1T
Dockets UE-260005, UG-260006
and UE-260113
Witness: Debra L. Johnson

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **PUGET SOUND ENERGY,** **Respondent.**	**DOCKETS UE-260005 & UG-260006**
In the Matter of the Petition of **PUGET SOUND ENERGY** **For an Accounting Order Authorizing the Deferred Accounting Treatment for FERC Interest Associated with Mandatory Transmission Network Upgrades**	**DOCKET UE-260113** **(Consolidated)**

TESTIMONY OF

DEBRA L. JOHNSON

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Gas Rate Design/Rate Spread

July 28, 2026

TABLE OF CONTENTS

I. INTRODUCTION 1

II. SCOPE AND SUMMARY OF TESTIMONY 2

III. COST OF SERVICE 3

A. Cost of Service Study 3

IV. RATE SPREAD AND RATE DESIGN 7

A. Rate Spread 7
B. Rate Design 8
C. Bill Impacts 11

VI. CONCLUSION 14

LIST OF EXHIBITS

Exh. DLJ-2 Staff's Natural Gas Basic Charge

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Debra L. Johnson, and my business address is 621 Woodland Square Loop SE, Lacey, WA 98503. My business mailing address is P.O. Box 47250, Olympia, WA 98504-7250. My email address is debra.johnson@utc.wa.gov.

Q. By whom are you employed and in what capacity?

A. I am employed by the Washington Utilities and Transportation Commission (Commission) as a regulatory analyst in the Energy Regulation section of the Regulatory Services Division.

Q. Would you please state your educational and professional background?

A. I have an associate's degree in accounting from South Puget Sound Community College and a bachelor's degree in business management from Western Governors University. I completed the PUR Guide, Inc.'s Principles of Public Utilities, Operations, and Management course. I also attended and completed the New Mexico State University Practical Regulatory Training course. I have participated in the analysis and review of multiple filings including those concerning wildfire mitigation planning, the Climate Commitment Act, and various tariff changes. In addition, I was lead Staff on the provisional plant review filings for Puget Sound Energy's last general rate case (Dockets UE-240004/UG-240005). I have been employed by the Commission since 2024.

Q. Have you previously testified before the Commission?

A. Yes. I sponsored testimony on behalf of Commission Staff on performance metrics, equity, and line extensions in Northwest Natural's 2025 general rate case, Docket UG-250610.

II. SCOPE AND SUMMARY OF TESTIMONY

Q. What is the purpose and scope of your testimony?

A. The scope of my testimony is to discuss the gas rate spread and rate design proposal for the multi-year rate plan proposed by Puget Sound Energy (PSE).

Q. Please summarize your recommendations.

A. Staff recommends (1) adopting PSE's proposed natural gas rate spread, which assigns all customer classes some amount of the proposed rate increase, (2) denying PSE's request to increase the basic charge for residential customers by $4.12 in Rate Year 1 and instead gradually increase the basic charge over the multi-year rate plan (RY1=$1.38; RY2=$1.37; RY3=$1.37), and (3) accepting the remainder of PSE's proposed design changes for all classes.

Q. Have you prepared any exhibits in support of your testimony?

A. Yes. I prepared Exhibit DLJ-2 listed above in the List of Exhibits.

III. COST OF SERVICE

A. Cost of Service Study

Q. What is a cost-of-service study?

A. A cost-of-service study (COSS) is an analysis in ratemaking which assigns a utility's total revenue requirement (i.e., total cost of providing service), among the various rate classes of customers it serves based on the costs each class causes the utility to incur. The study proceeds in three critical steps, in accordance with WAC 480-85-060(3). First, the utility's costs are functionalized, meaning they are grouped by function they serve, such as production, storage, transmission, distribution, customer, and common-related functions. Next, these now functionalized costs are classified according to the cost driver that gives rise to them. Lastly, the now functionalized and classified costs are allocated to the customer classes in a manner that reflects each class's contribution to the relevant cost driver, such as peak, throughput, and customer counts. The end product is an estimate of the cost to serve each customer class. For an additional explanation of the cost-of-service study (COSS), please see Staff Witness Lien's testimony.[1]

Q. Are there any changes the Company is proposing to the Gas COSS?

[1] Lien, Exh. ZML-1T at 3-4.

A. Yes. The Company is requesting the Commission continue to allow the exemption of FERC Account 870 being functionalized as Distribution instead of Transmission. The Company has also removed the gas commodity and gas resource demand costs from the COSS. I address PSE's stated reasons for each below.

Q. Why is PSE seeking an exemption for FERC Account 870?

A. FERC Account 870 – Operation Supervision and Engineering is an operations account that is required to be functionalized as Transmission under Table 3 of WAC 480-85-060. PSE states that aligning its Account 870 costs with distribution will lead to a more accurate allocation among its customer classes, as the account is better characterized by distribution operational costs.[2] The Commission agreed with PSE's assessment in its 2024 GRC filing stating: "…the exemption …will result in each customer class paying its fair share of costs incurred to serve them."[3]

Q. Why has PSE removed the gas commodity and gas resource demand costs?

A. Since the Company will be recovering the gas commodity and gas resource demand costs through its Purchased Gas Adjustment (PGA) filing, those costs have been removed from the COSS.

Q. Does Staff object to Company's exemption request?

[2] Taylor, Exh. JDT-1 at 14:2-7.
[3] *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-240004, UG-240005 & UE-230810, Order 09/07, 88, ¶ 272 (Jan. 15, 2025) (2024 PSE GRC Order).

A. No. In the prior rate case, the Commission found:

- FERC Account 870 costs were properly distribution-related,
- Each customer class pays their fair share of costs incurred to serve them,
- The exemption was consistent with the public interest, and
- The resulting cost allocation impacts were minimal and reasonable.[4]

Q. Does Staff object to the removal of the gas commodity and gas resource demand costs?

A. No. As stated in Witness Taylor's testimony, those costs will be recovered through the Company's PGA filings.[5] Recovering these costs through the PGA filing will ensure the rate reflects actual market-driven costs. The PGA is designed to recover prudently incurred gas costs, including the gas commodity and gas resource demand costs to it, and the Company can pass through the true wholesale market price.

Q. Have you examined the Company's proposed natural gas COSS for this case?

A. Yes. Witness Taylor sponsors the Company's two natural gas cost of service studies in this case. The first study complies with WAC 480-85; the second (and recommended) study seeks an exemption from WAC rules relating to the allocation of FERC Account 870 (Distribution Supervision & Engineering – Operations).

[4] 2024 PSE GRC Order at 88, ¶ 271-273.
[5] Taylor, Exh. JDT-1T at 16:15-22.

Q. Does Staff agree with the Company's requested exemption from WAC Rules?

A. Yes. As explained earlier in this testimony, FERC Account 870 is properly functionalized as distribution related.

Q. Please provide a summary of the COSS results.

A. The following, Table 1, provides the results of the Company's natural gas COSS.

Table 1. Gast Cost of Service Studies Results[6]

Customer Class	Schedule	Revenue-to-Cost Ratio	Parity Ratio
Residential	16/23/53	1.06	1.08
Commercial & Industrial	31/31T	0.83	0.85
Large Volume	41/41T	0.97	0.99
Interruptible	85/85T	0.97	0.99
Limited Interruptible	86/86T	1.17	1.20
Non-exclusive Interruptible	87/87T	0.71	0.73
Exclusive Interruptible	87/87T	0.71	0.73
Special Contracts		1.88	1.92

Q. Have you determined if the recommended COSS results are reasonable across classes?

A. Yes. The end results of the COSS are reasonable across all classes. The Company classifies, functionalizes, and allocates costs in accordance with the requirements of WAC 480-85-060. Cost responsibility is assigned based on each customer class's contribution to system demand, therms consumption, or customer-related costs, as appropriate. Because the allocation methodology varies by cost component, costs are not distributed uniformly across customer classes within the revenue requirement.

[6] Taylor, Exh. JDT-1T at 24-25.

Consequently, the resulting changes in cost responsibility affect each rate schedule differently, producing varying impacts on the parity ratios for each rate schedule.

IV. RATE SPREAD AND RATE DESIGN

A. Rate Spread

Q. Please explain the Company's proposed gas rate spread.

A. The Company proposes the following percentage increases, expressed as a percentage of the system-average percentage increase, by rate schedule:

- *Residential (Schedule 16, 23 and 53)*: 90 percent of the system percent increase;
- *Commercial & Industrial (Schedule 31 and 31T)*: 110 percent of the system percent increase;
- *Large Volume (Schedule 41 and 41T)*: 100 percent of the system percent increase;
- *Interruptible (Schedule 85 and 85T)*: 100 percent of the system percent increase;
- Limited Interruptible (Schedule 86 and 86T): 75 percent of the system percent increase;
- *Non-Exclusive Interruptible (Schedule 87 and 87T)*: 125 percent of the system percent increase; and
- *Exclusive Interruptible (Schedule 88T)*: set to full parity.[7]

[7] All costs are recovered through the schedule's rates in compliance with Order 07 of Docket UG-230393.

Q. Has Staff determined if the proposed rate spread is reasonable?

A. Yes. The relative increases, as expressed as a percentage of the system average, reasonably reflect the cost-of-service study results and move classes closer to parity in a gradual manner. Therefore, Staff believes the approach is reasonable and consistent with sound ratemaking practices.

B. Rate Design

Q. Please explain the Company's current residential rate structure.

A. PSE's residential rate structure is comprised of two components: (1) a fixed monthly customer charge (basic charge), and (2) a usage delivery charge, which is a flat rate, irrespective of usage.[8] Under current rates, the basic monthly charge is $14.00.

Q. Please summarize the Company's rate design.

A. The Company proposes increasing the basic charge by approximately 30 percent (from $14 to $18.12) in Rate Year 1, with no other increases in Rate Years 2 and 3. The following is a breakdown of the Company's proposed rate design by schedule excluding the basic charge.

Residential Schedules 16/23/53

Delivery Charge

	Current Rate	Proposed Rate	Difference
Rate Year 1	$0.64407	$0.66415	$0.02008
Rate Year 2	$0.66415	$0.70318	$0.03903
Rate Year 3	$0.70318	$0.75189	$0.04871

[8] Taylor, Exh. JDT-4, Tab "Exh. JDT-Rate Design."

Commercial and Industrial Schedules 31/31T

Delivery Charge

	Current Rate	Proposed Rate	Difference
Rate Year 1	$0.56413	$0.54895	($0.01518)
Rate Year 2	$0.54895	$0.53547	($0.01348)
Rate Year 3	$0.53547	$0.50868	($0.02679)

Large Volume Schedules 41/41T

Demand Charge

	Current Rate	Proposed Rate	Difference
Rate Year 1	$1.91	$2.48	$0.57
Rate Year 2	$2.48	$3.23	$0.75
Rate Year 3	$3.23	$3.87	$0.64

Delivery Charge

	Current Rate	Proposed Rate	Difference
Rate Year 1	$0.18822	$0.18076	($0.00746)
Rate Year 2	$0.18076	$0.16972	($0.01104)
Rate Year 3	$0.16972	$0.16887	($0.00085)

Interruptible Schedules 85/85T

Demand Charge

	Current Rate	Proposed Rate	Difference
Rate Year 1	$2.01	$2.61	$0.60
Rate Year 2	$2.61	$3.40	$0.79
Rate Year 3	$3.40	$4.42	$1.02

Delivery Charge

	Current Rate	Proposed Rate	Difference
Rate Year 1	$0.18072	$0.17518	($0.00554)
Rate Year 2	$0.17518	$0.17604	$0.00086
Rate Year 3	$0.17604	$0.18072	$0.00468

Limited Interruptible Schedules 86/86T

Demand Charge

	Current Rate	Proposed Rate	Difference
Rate Year 1	$1.88	$2.44	$0.56
Rate Year 2	$2.44	$3.18	$0.74
Rate Year 3	$3.18	$4.13	$0.95

Delivery Charge

	Current Rate	Proposed Rate	Difference
Rate Year 1	$0.23072	$0.24259	$0.01187
Rate Year 2	$0.24259	$0.25370	$0.01111
Rate Year 3	$0.25370	$0.26215	$0.00845

Non-Exclusive Interruptible Schedules 87/87T

Demand Charge

	Current Rate	Proposed Rate	Difference
Rate Year 1	$1.71	$2.22	$0.51
Rate Year 2	$2.22	$2.89	$0.67
Rate Year 3	$2.89	$3.76	$0.87

Delivery Charge

	Current Rate	Proposed Rate	Difference
Rate Year 1	$0.32611	$0.34171	$0.01560
Rate Year 2	$0.34171	$0.36542	$0.02371
Rate Year 3	$0.36542	$0.39400	$0.02858

Exclusive Interruptible Schedule 88T

Demand Charge – No Change

Delivery Charge

	Current Rate	Proposed Rate	Difference
Rate Year 1	$0.15371	$0.49028	$0.33657
Rate Year 2	$0.49028	No Change	No Change
Rate Year 3	$0.49028	No Change	No Change

Q. Does Staff have any concerns regarding the proposed rate design?

A. Only with the basic charge proposal. The Company has generally proposed rational and reasonable natural gas rate design changes based on the current estimates of costs to serve customers. Therefore, Staff supports the Company's proposed rate design with the exception of the proposed Basic Charge.

Q. Why does Staff disagree with the basic charge increase the Company is proposing?

A. The Company proposes an increase of $4.12 in Rate Year 1 with no further increases in Rate Years 2 and 3. While Staff believes the increase is reasonable, having small incremental increases in the basic charge is beneficial to customers and will help ease rate shock. Having an increase in only RY1 will result in an almost 30% increase to the basic charge all at once, but spreading the increase over the GRC period would reduce the increase to around 9% in rate years 1 and 2, with an 8% increase in RY3. This would result in an increase of $1.38 in RY1, $1.37 in Rate RY2, and $1.37 in RY3.

C. Bill Impacts

Q. Please summarize the bill impacts for residential customers.

A. The typical residential gas customer uses approximately 64 therms per month. At the

current rates and basic charge rate, the average monthly bill is $155.52.[9] With the proposed increases, the average monthly bill would be $171.56 in RY1, $173.74 in RY2, and $176.67 in RY 3. Reflecting Staff's adjustments to PSE's proposed revenue requirement, and applying Staff's rate design recommendations, the average monthly bill increases to $156.56 in RY1, $160.43 in RY2, and $164.92 in RY3.[10] Tables 2-4 summarizes the bill impacts under various usage assumptions.

Table 2. Rate Year 1 Bill Impacts

Line No.	*Usage in therms*	*Present Bill*	*RY1 Bill, as Adjusted*	*Bill Impact*	*% Change*
	[A]	[B]	[C]	[D]	[E]
1	0	$16.21	$17.59	$1.37	8.48%
2	10	$36.11	$37.44	$1.33	3.68%
3	20	$58.22	$59.50	$1.27	2.19%
4	30	$80.34	$81.56	$1.22	1.52%
5	40	$102.45	$103.62	$1.17	1.14%
6	50	$124.56	$125.68	$1.12	0.90%
7	60	$146.67	$147.74	$1.06	0.72%
8	**64**	**$155.52**	**$156.56**	**$1.04**	**0.67%**
9	70	$168.79	$169.80	$1.01	0.60%
10	80	$190.90	$191.86	$0.96	0.50%
11	90	$213.01	$213.92	$0.90	0.42%
12	100	$235.12	$235.98	$0.85	0.36%
17	150	$345.68	$346.27	$0.59	0.17%
22	200	$456.25	$456.57	$0.32	0.07%

Exh. DLJ-2, *Staff* Proposed Rates.
Monthly average usage level at Company assumed 64 therms.

[9] Johnson, Exh. DLJ-2, Tab Rates (Curr and Proposed). This rate includes all monthly charges such as PGA, CCA, low income, bill discount, property tax, LNG, and decoupling.
[10] Johnson, Exh. DLJ-2, Tab Staff Proposed Rates.

Table 3. Rate Year 2 Bill Impacts

Line No.	*Usage in therms*	*RY1 Bill, as Adjusted*	*RY2 Bill, as Adjusted*	*Bill Impact*	*% Change*
	[A]	[B]	[C]	[D]	[E]
1	0	$17.59	$18.99	$1.41	8.01%
2	10	$37.44	$39.20	$1.76	4.70%
3	20	$59.50	$61.65	$2.15	3.61%
4	30	$81.56	$84.10	$2.54	3.12%
5	40	$103.62	$106.55	$2.93	2.83%
6	50	$125.68	$129.00	$3.32	2.64%
7	60	$147.74	$151.45	$3.71	2.51%
8	**64**	**$156.56**	**$160.43**	**$3.87**	**2.47%**
9	70	$169.80	$173.90	$4.10	2.42%
10	80	$191.86	$196.35	$4.49	2.34%
11	90	$213.92	$218.80	$4.88	2.28%
12	100	$235.98	$241.25	$5.27	2.23%
17	150	$346.27	$353.50	$7.22	2.09%
22	200	$456.57	$465.75	$9.18	2.01%

Exh. DLJ-2, Staff Proposed Rates.
Monthly average usage level at Company assumed 64 therms.

Table 4. Rate Year 3 Bill Impacts

Line No.	*Usage in therms*	*RY2 Bill, as Adjusted*	*RY3 Bill, as Adjusted*	*Bill Impact*	*% Change*
	[A]	[B]	[C]	[D]	[E]
1	0	$18.99	$20.41	$1.42	7.47%
2	10	$39.20	$41.06	$1.86	4.74%
3	20	$61.65	$63.99	$2.34	3.80%
4	30	$84.10	$86.93	$2.83	3.37%
5	40	$106.55	$109.87	$3.32	3.11%
6	50	$129.00	$132.80	$3.81	2.95%
7	60	$151.45	$155.74	$4.29	2.83%
8	**64**	**$160.43**	**$164.92**	**$4.49**	**2.80%**
9	70	$173.90	$178.68	$4.78	2.75%
10	80	$196.35	$201.62	$5.27	2.68%
11	90	$218.80	$224.55	$5.75	2.63%
12	100	$241.25	$247.49	$6.24	2.59%
17	150	$353.50	$362.17	$8.68	2.45%
22	200	$465.75	$476.86	$11.11	2.39%

Exh. DLJ-2, Staff Proposed Rates.
Monthly average usage level at Company assumed 64 therms.

VI. CONCLUSION

Q. Please summarize your recommendations.

A. Staff recommends the Commission:

- Adopt PSE's proposed natural gas rate spread, which assigns all customer classes some amount of the proposed rate increase.
- Deny PSE's request to increase the basic charge for residential customers by $4.12 in Rate Year 1 and instead gradually increase the basic charge over the multi-year rate plan (RY1=$1.38, RY2=$1.37, RY3-$1.37).
- Accept the remainder of PSE's proposed rate design changes for all classes.

Q. Does this conclude your testimony?

A. Yes.