EXHIBIT NO. ___(JAP-1T)
DOCKET NO. UG-15____
WITNESS: JON A. PILIARIS

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of **PUGET SOUND ENERGY, INC.** **for (i) Approval of a Special Contract for Liquefied Natural Gas Fuel Service with Totem Ocean Trailer Express, Inc. and (ii) a Declaratory Order Approving the Methodology for Allocating Costs Between Regulated and Non-regulated Liquefied Natural Gas Services**	**DOCKET NO. UG-15____**

PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF JON A. PILIARIS ON BEHALF OF PUGET SOUND ENERGY, INC.

AUGUST 11, 2015

PUGET SOUND ENERGY, INC.

PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF JON A. PILIARIS

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PUGET SOUND ENERGY INC.

PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF JON A. PILIARIS

I. INTRODUCTION

Q. Please state your name, business address, and occupation.

A. My name is Jon A. Piliaris. I am employed as Manager, Pricing and Cost of Service with Puget Sound Energy, Inc. ("PSE"). My business address is 10885 NE 4th Street, P.O. Box 97034, Bellevue WA 98009-9734.

Q. Have you prepared an exhibit describing your education, relevant employment experience and other professional qualifications?

A. Yes, I have. It is Exhibit No. ___(JAP-2).

Q. What topics are you covering in this prefiled direct testimony?

A. This prefiled direct testimony describes how the projected first year costs associated with regulated operations of the Tacoma Liquefied Natural Gas Project the ("Tacoma LNG Project"), which includes both the Tacoma LNG Facility and the associated distribution system upgrades, would be allocated using methods consistent with those used in its last general rate case and the associated impacts to PSE's core natural gas customers.[1]

[1] Please see the Prefiled Direct Testimony of Roger Garratt, Exhibit No. ___(RG-1CT), for a detailed explanation of the distinction between the Tacoma LNG Facility and the Tacoma LNG Project, as well as the regulated vs. unregulated portions of the Tacoma LNG Facility.

Q. Please summarize the projected first year revenue requirement impacts to PSE core natural gas customers associated with the Tacoma LNG Project.

A. The projected first year revenue requirement impact to PSE's core natural gas customers associated with the Tacoma LNG Project would range from an increase of $30.6 million to $34.0 million, or 3.2 percent to 3.6 percent, relative to overall natural gas revenue requirement as of December 31, 2014, depending on the projected amount of sales related to PSE's non-regulated investment in the Tacoma LNG Facility. For the typical residential customer, this would be an increase in bills of between $2.68 to $2.93 per month.

II. INCREMENTAL COSTS ASSOCIATED WITH REGULATED OPERATIONS OF THE TACOMA LNG PROJECT

Q. What are the projected capital costs associated with regulated portion of the Tacoma LNG Facility?

A. As discussed in the Prefiled Direct Testimony of Roger Garratt, Exhibit No. ___(RG-1CT), the projected capital costs associated with the Tacoma LNG Facility are $229.3 million, or $271.5 million including allowances for funds used during construction ("AFUDC"). This includes the costs associated with providing LNG Fuel Supply Service to Totem Ocean Trailer Express, Inc. (the "TOTE Special Contract").[2]

[2] Please see the Prefiled Direct Testimony of Clay Riding, Exhibit No. ___(CR-1HCT), for a discussion of the TOTE Special Contract.

Q. What are the projected capital costs associated with the Tacoma LNG Project distribution system upgrades?

A. As discussed in the Prefiled Direct Testimony of Larry E. Anderson, Exhibit No. ___(LEA-1T), the projected capital costs associated with the Tacoma LNG Project distribution system upgrades are $53.5 million, or $56.3 million including AFUDC.

Q. What are the projected incremental first year operating expenses for the regulated operations associated the Tacoma LNG Project?

A. As found in the work papers supporting the Prefiled Direct Testimony of Roger Garratt, Exhibit No. ___(RG-1CT), and the Prefiled Direct Testimony of Clay Riding, Exhibit No. ___(CR-1HCT), the projected incremental first year operating expenses associated with the Tacoma LNG Project is $5.6 million.

III. GENERAL APPROACH TO COST ALLOCATION

Q. Before discussing the specific approaches used by PSE to allocate the regulated portion of Tacoma LNG Project costs, please summarize the general purpose of a cost of service study.

A. A cost of service study identifies the costs that are incurred to serve a particular customer class. Identifying the cost responsibility of each class requires an analysis of PSE's costs and then an allocation of those costs to each customer class. This allocation is accomplished by first directly assigning to a customer class any costs determined to be caused by that class alone. Joint costs that are

shared by multiple customer classes are then allocated to those classes on a pro rata basis, based on factors appropriate to the costs being allocated.

The ultimate objective of the cost allocation process is to create a just, fair, reasonable and sufficient allocation of costs to different customer classes. This cost of service information is then used to allocate the revenue requirement to the different customer classes.

Q. How are cost of service study results generally used for ratemaking purposes?

A. Historically, the Commission has treated cost of service studies as a guidepost for the allocation of the revenue requirement and has eschewed a mechanical application of these studies, particularly given the widely varying perspectives among rate case participants as to the "true" cost of providing service to any given class of customers. Therefore, while such studies may be representative of the overall level of costs that should be recovered from any particular class, the Commission routinely exercises its broad discretion in how strictly to apply the results of such analyses.

Q. How is a cost of service study performed?

A. There are three broad steps to a cost of service study: (1) functionalization, (2) classification, and (3) allocation.

Q. Please describe the functionalization step in a cost of service study.

A. Functionalization separates plant and expenses into categories based on the major functions of the utility, which for PSE's natural gas business have traditionally been the production, storage and distribution of natural gas.

Q. Please describe the classification step in a cost of service study.

A. Classification further separates costs into categories based on the primary underlying drivers for which the utility plant is constructed and expenses are incurred. PSE's natural gas distribution system is designed to perform the following three primary tasks: (1) to provide distribution services to customers served by the system; (2) to serve peak demands of all customers; and (3) to deliver the natural gas commodity sold to or transported for its customers. There are costs associated with each of these services, and the cost of service study categorizes these costs accordingly.

Given these three primary functions of the natural gas system, classification answers the question: "Why was the cost incurred: to serve the customer, to meet peak demand, or to provide the commodity?" Another way to ask this is, "Does the cost vary with the number of customers served, the peak demand for which the system was designed, or the volume of natural gas sold or transported over the system?"

Q. Please describe customer-related costs.

A. Customer-related costs are those costs that vary with the number of customers on the system, regardless of how much natural gas those customers consume. These

costs include, at a minimum, the costs of the service line and meter, meter reading and billing, and the customer service and accounting. They may also include costs associated with minimally-sized distribution mains.

Q. Please describe demand-related costs.

A. Demand, or capacity, costs are those costs associated with designing, installing, and operating the system to meet maximum hourly natural gas flow requirements. The system must be sized to meet peak requirements, even though average daily loads are below peak levels; otherwise the system would not be adequate to serve customers' demand for natural gas on the coldest peak load days. Demand costs vary with the size of the peak demand for which the system was designed. Demand costs are incurred whether all the capacity is used or not.

Q. Please describe commodity costs.

A. Commodity costs, such as the cost of natural gas itself, vary with the amount of natural gas transported over PSE's system, either the natural gas commodity sold to customers or transported for customers who purchase natural gas from providers other than PSE. Over a one-year period, the average daily volume of natural gas transported through the system is considerably less than the volume on a peak day. Natural gas distribution systems have very low commodity-related costs aside from purchased natural gas.

Q. Please describe the allocation step in a cost of service study.

A. Allocation is the final step in the assignment of costs to customer classes. Unless a cost is unique to a specific customer class and can be directly assigned to that

customer class, it is allocated based on an allocation factor that is related to that type of cost. In general, (1) customer-related costs are allocated based on the number of customers served; (2) demand-related costs are allocated based on peak demand; and (3) commodity-related costs are allocated based on throughput. There are many variations of these allocation factors based on the specific operating or capital costs being allocated, and some costs may be allocated based on a combination of allocation factors.

IV. PSE'S BASELINE COST OF SERVICE STUDY RESULTS

Q. When was PSE's last natural gas cost of service study performed?

A. PSE's last natural gas cost of service study was performed as part of its 2011 general rate case, Docket Nos. UE-111084 and UG-111049 (consolidated) (the "2011 GRC").

Q. Did PSE perform a full update to its natural gas cost of service study for purposes of this filing?

A. No. However, PSE updated key allocation factors to provide a more current estimate of the expected results of this study. Specifically, approximately $1 billion of the $1.9 billion in natural gas distribution rate base is directly related to distribution mains. As discussed below, PSE allocates these costs using a cost-weighted "peak and average" allocation methodology. PSE updated the calculation of this allocation factor for more current peak day demands and energy sales for the twelve months ending December 31, 2014, as well as all the other allocation factors in the cost of service model that rely on these statistics.

Similarly, PSE updated customer-related allocation factors for the higher number of customers since the 2011 GRC.

Q. Did PSE's make any other modifications to its last natural gas cost of service study?

A. Yes. To better isolate the impacts of the Tacoma LNG Project on PSE's core natural gas sales and transportation customers, PSE bifurcated classes that traditionally have both types of customers between the two types of natural gas services.

Q. Why did PSE not update its natural gas cost of service study for this filing?

A. A full update would add little to the accuracy of the estimated impacts quantified in this prefiled direct testimony but would have added greatly to the level of effort required to complete the study. As noted earlier, the purpose of this prefiled direct testimony is to present a projection of the potential impact of the proposed Tacoma LNG Project on the allocated revenue requirement of PSE's core natural gas customers using methods consistent with those used in PSE's last GRC. This impact will not be felt by customers until the actual costs of the Tacoma LNG Project are reflected in the revenue requirement used to set their rates in a future rate case. With the commercial operation date of the Tacoma LNG Project still several years out, the Tacoma LNG Project costs are not yet known with certainty. Moreover, many of the factors influencing the results in a natural gas cost of service study will continue to change until that time. Therefore, it is unclear what additional predictive power would be gained for the considerable

effort that would be required to completely update every element of this study (e.g., the effort required to determine the costs that are directly assignable to any given rate group). With that said, the updates noted above should provide results that are reasonably representative of the expected impacts based on the data available at this time and the allocation methodology used in the 2011 GRC.

Q. Did PSE update the revenue requirement from its 2011 GRC for this analysis?

A. Yes. PSE based the costs used in this analysis upon PSE's most recent Commission Basis Report ("CBR") filing. This CBR filing, which normalizes PSE's annual costs in a manner that is substantially similar (but not identical) to the way it is normalized for a general rate case, represented PSE's costs through the 12-month period ending December 31, 2014. The primary intent of updating these costs was to present a more current "baseline" upon which to measure the overall impact associated with the additional costs of the Tacoma LNG Project.

Q. What are the results of PSE's natural gas cost of service study based upon the updated "baseline" costs and allocation factors?

A. Please see Table 1 below for the results of PSE's natural gas cost of service study based upon the updated baseline costs through the 12 months ending December 31, 2014 and the updated allocation factors discussed above.

Table 1 –Baseline Costs Allocated to Core Natural Gas Rate Groups (12 Months Ending December 31, 2014)

Rate Group	Allocated Baseline Costs
Residential (Schedules 23, 16, 53)	$628,901,451
Commercial & Industrial (Schedules 31, 61)	210,020,860
Large Volume (Schedule 41)	48,120,254
Interruptible (Schedule 85)	9,371,962
Limited Interruptible (Schedule 86)	6,864,822
Non-exclusive Interruptible (Schedule 87)	12,372,575
Total Sales Schedules	$915,651,924
Large Volume (Schedule 41T)	$2,304,814
Interruptible (Schedule 85T)	6,342,585
Limited Interruptible (Schedule 86T)	16,588
Non-exclusive Interruptible (Schedule 87T)	3,285,726
Special Contracts	1,899,519
Total Transportation Schedules	$13,849,232
Rentals (Schedules 71, 72, 74)	$3,701,007
Total Core Customers	$933,202,163

Please note that the costs presented in Table 1 do not yet include the incremental costs associated with the Tacoma LNG Project but set the baseline upon which the impacts to customers from this project will be measured. Please see Exhibit No. ___(JAP-3) for further detail regarding the costs presented in Table 1.

V. ALLOCATION OF TACOMA LNG PROJECT REGULATED COSTS

Q. Please generally describe how PSE allocated the first year costs associated with regulated operations of the Tacoma LNG Project to TOTE and core natural gas customers.

A. PSE used a two-step process to estimate the first year costs allocated to TOTE and core natural gas customers. First, PSE initially allocated the incremental costs associated with regulated operations of the Tacoma LNG Facility between PSE's core natural gas customers (i.e., for peaking resource needs) and TOTE (i.e., the customer taking regulated fuel sales service under the TOTE Special Contract) based on the allocations presented in the Prefiled Direct Testimony of Roger Garratt, Exhibit No. ___(RG-1CT), and the Prefiled Direct Testimony of Clay Riding, Exhibit No. ___(CR-1HCT).

Second, PSE input these costs, as well as the distribution upgrade costs associated with the Tacoma LNG Project, into PSE's natural gas cost of service model with the baseline costs discussed above and allocated the costs not assigned in the previous step in a manner consistent with the methods used in PSE's 2011 GRC.

Q. Could LNG sales associated with PSE's non-regulated investment in the Tacoma LNG Facility also affect the rates paid by PSE's core natural gas customers?

A. Yes, to the extent that PSE is successful in subscribing the non-regulated portion of its Tacoma LNG Facility, the incremental impact associated with delivering additional natural gas across its distribution system would also impact rates of

core natural gas customers. This impact would be felt through the allocation of distribution-related costs. To determine the "bookends" for this impact, the analyses presented in this testimony assume 0 percent or 100 percent subscription of the non-regulated portion of the Tacoma LNG Facility. In the latter case, it is assumed that the distribution service taken is 100 percent interruptible at rates comparable to Schedule 87T.

Q. How much of the projected capital costs associated with regulated operations of the Tacoma LNG Facility were allocated to TOTE and PSE's core natural gas customers?

A. As presented in the Prefiled Direct Testimony of Roger Garratt, Exhibit No. ___(RG-1CT), PSE's core natural gas customers were allocated $161.9 million of these capital costs, including AFUDC. The remaining $109.6 million, including AFUDC, were allocated to TOTE.

Q. How much of PSE's incremental first year operating costs associated with the regulated operations of the Tacoma LNG Facility have been allocated to its core natural gas customers and TOTE?

A. As presented in the Prefiled Direct Testimony of Clay Riding, Exhibit No. ___(CR-1HCT), PSE's core natural gas customers were allocated $3.1 million of the incremental operating costs associated with the regulated operations of the Tacoma LNG Facility. The remaining $2.5 million were allocated to TOTE.

Q. Please explain how PSE used its natural gas cost of service model to allocate the first year costs associated with regulated operations of the Tacoma LNG Project.

A. PSE used its natural gas cost of service model to allocate estimated first year costs associated with regulated operations of the Tacoma LNG Project in a manner consistent with similar costs that were already present in PSE's most recent gas cost of service study. PSE allocated incremental first year natural gas distribution costs associated with regulated operations of the Tacoma LNG Project to all customers, including TOTE, using the same factors used to allocate baseline natural gas distribution costs.

Q. Is TOTE only allocated the natural gas distribution system upgrade costs associated with the Tacoma LNG Project?

A. No. In addition to the natural gas distribution system upgrade costs associated with the Tacoma LNG Project, TOTE receives an allocation of existing distribution system costs. It also includes a share of baseline joint and common costs that would otherwise be borne by core natural gas customers. These expenses include things like administrative salaries, office supplies and expenses, regulatory fees, maintenance expense associate with general plant, the return of and on general and intangible plant, etc.

Q. How did PSE specifically allocate projected costs associated with regulated operations of the Tacoma LNG Project among core natural gas customers?

A. There are two primary components to the costs associated with regulated operations of the Tacoma LNG Project: (i) the costs of the Tacoma LNG Facility allocated to regulated operations and (ii) the associated natural gas distribution system upgrades. PSE allocates these two sets of costs differently.

PSE allocated core natural gas customers a share of the projected cost of the Tacoma LNG Facility associated with regulated operations in a manner consistent with PSE's allocation of other peaking resources in its natural gas cost of service study presented in its 2011 GRC. Specifically, PSE allocated these projected costs on the basis of each rate classes' contribution to PSE's design day peak natural gas loads, reflecting the fact that the Tacoma LNG Facility is being built to meet these peaking needs. Please note that natural gas transportation customers do not receive an allocation of these costs.

PSE allocated the projected cost of the distribution system upgrades associated with the Tacoma LNG Project in the same manner as PSE's other distribution mains. PSE allocated these costs on a distribution main cost-weighted "peak and average" allocation factor, in which system load factor was used to allocate these projected costs roughly one-third on average demand and two-thirds on peak demand. This allocation factor reflects a balance between the way the distribution system is designed (i.e., to meet peak demand) and the way it is utilized on an annual basis (i.e., throughput based on natural gas usage that occurs during all conditions, not only peak conditions). This allocation factor also acknowledges

previous Commission guidance that some portion of demand costs should be allocated based on energy use. Please see Exhibit No. ___(JAP-4) for a diagram of the manner in which PSE calculates its peak and average allocation factor. Please note also that, unlike the Tacoma LNG Facility costs allocated to regulated operations, PSE allocated natural gas transportation customers a portion of the associated natural gas distribution system upgrades because sales and transportation customers both receive natural gas distribution service from PSE.

PSE allocated other indirect and overhead costs associated with regulated operations in a manner consistent with PSE's gas cost of service model in the 2011 GRC, most commonly in relation to allocated O&M labor or related plant.

Q. Would TOTE also contribute to costs recovered outside of GRC base rates, like PSE's property taxes?

A. Yes.

Q. How did PSE allocate incremental property tax expenses associated with regulated operations of the Tacoma LNG Project?

A. PSE recovers property tax expenses through a rate tracker, Schedule 140, and allocates these expenses on the basis of relative plant. For purposes of the analysis presented here, the property taxes currently being recovered under PSE's natural gas Schedule 140 were used as the "baseline." PSE added and then allocated the projected incremental property taxes associated with regulated operations of the Tacoma LNG Project to these amounts to project the impacts.

Q. What is the resulting allocation of property tax expenses associated with regulated operations of the Tacoma LNG Project?

A. Please see below for the resulting allocation of property tax expenses associated with regulated operations of the Tacoma LNG Project under scenarios where the non-regulated portion of the Tacoma LNG Facility is unsubscribed and, alternatively, where it is 100 percent subscribed.

Table 2 - Allocation of Baseline and Incremental PSE Property Taxes

Rate Group	0% Subscribed	100% Subscribed
Residential (Schedules 23, 16, 53)	$18,301,949	$18,245,902
Commercial & Industrial (Schedules 31, 61)	6,161,130	6,151,552
Large Volume (Schedule 41)	853,277	853,666
Interruptible (Schedule 85)	89,263	89,939
Limited Interruptible (Schedule 86)	89,145	89,878
Non-exclusive Interruptible (Schedule 87)	56,949	56,950
Total Sales Schedules	$25,559,712	$25,487,887
Large Volume (Schedule 41T)	$141,302	$141,310
Interruptible (Schedule 85T)	384,017	387,193
Limited Interruptible (Schedule 86T)	961	977
Non-exclusive Interruptible (Schedule 87T)	195,147	194,789
Special Contracts	112,472	112,120
Total Transportation Schedules	$833,899	$836,389
Rentals (Schedules 71, 72, 74)	$255,771	$255,771
Total Core Customers	$26,649,382	$26,580,047
TOTE Special Contract	$1,001,230	$1,000,573
Total Regulated	$27,650,612	$27,580,620

Please see Exhibit No. ___(JAP-5) for more information regarding the allocation of projected incremental property taxes associated with regulated operations of the Tacoma LNG Project. Note that the small difference in total regulated property taxes between the unsubscribed and 100 percent subscribed scenarios is related to the associated incremental use of PSE's natural gas distribution system. There is additional tax expense being incurred, and that will not be recovered in the tracker discussed above, related to PSE's non-regulated investment in the Tacoma LNG Facility. These additional expenses are discussed in more detail in the Prefiled Direct Testimony of Susan E. Free, Exhibit No. ___(SEF-1T).

Q. Please summarize the combined effects of the resulting allocation of baseline costs and those related to the regulated operation of the Tacoma LNG Project.

A. Please see Table 3 below for the combined effects of the resulting allocation of baseline costs and those related to the regulated operation of the Tacoma LNG Project where the non-regulated portion of the Tacoma LNG Facility is unsubscribed and where it is 100 percent subscribed. The amounts below include the incremental property tax amounts shown above.

Table 3 –Allocated Costs of Regulated Portion of Tacoma LNG Project (Including Property Taxes)

Rate Group	0% Subscribed	100% Subscribed
Residential (Schedules 23, 16, 53)	$668,257,190	$665,823,858
Commercial & Industrial (Schedules 31, 61)	223,328,682	222,517,566
Large Volume (Schedule 41)	50,261,457	50,154,103
Interruptible (Schedule 85)	9,617,007	9,610,381
Limited Interruptible (Schedule 86)	7,093,755	7,089,369
Non-exclusive Interruptible (Schedule 87)	12,612,480	12,605,136
Total Sales Schedules	$971,179,572	$967,800,412
Large Volume (Schedule 41T)	$2,506,037	$2,498,228
Interruptible (Schedule 85T)	6,945,350	6,951,558
Limited Interruptible (Schedule 86T)	18,138	18,250
Non-exclusive Interruptible (Schedule 87T)	3,634,349	3,610,719
Special Contracts	2,090,942	2,076,937
Total Transportation Schedules	$15,194,816	$15,155,691
Rentals (Schedules 71, 72, 74)	$3,952,898	$3,951,329
Total Core Customers	$990,327,285	$986,907,432
TOTE Special Contract	$24,862,443	$26,877,170
Total Regulated	$1,015,189,728	$1,014,780,365

Please see Exhibit No. ___(JAP-6) for additional detail regarding the results presented in Table 3. Please see Exhibit No. ___(JAP-7) for a presentation of the key allocation factors underlying the results in Table 3.

Q. Is TOTE paying its share of allocated costs?

A. Yes. As reflected in the workpapers supporting the Prefiled Direct Testimony of Roger Garratt, Exhibit No. ___(RG-1CT), and the Prefiled Direct Testimony of Clay Riding, Exhibit No. ___(CR-1HCT), the TOTE Special Contract is expected to produce between $24.9 million and $26.9 million in first year revenue.[3] As shown in Table 3, TOTE is allocated approximately $22.4 million in first year cost. This results in approximately $2.5 million to $4.5 million of surplus first year revenue to be allocated among core natural gas customer classes as a credit against their allocated costs. For purposes of this analysis, this surplus revenue was allocated to core natural gas customers in proportion to their allocated share of the incremental revenue requirement associated with the Tacoma LNG Project, including the Tacoma LNG Facility and associated distribution upgrades. The results in Table 3 reflect the allocation of this surplus revenue from TOTE to PSE's core natural gas customers.

VI. OVERALL NET IMPACT OF TACOMA LNG PROJECT TO CORE NATURAL GAS CUSTOMERS

Q. What is the overall impact of the Tacoma LNG Project on the baseline costs allocated to core natural gas customers?

A. Based on the analysis described above, core natural gas customers' allocated costs, including property tax expenses recovered through Schedule 140, are expected to increase by between $30.6 million to $34.0 million over baseline

[3] This amount excludes the pass-through of electricity and natural gas commodity costs, as discussed in the Prefiled Direct Testimony of Clay Riding, Exhibit No. ___(CR-1HCT).

levels depending on the level of sales related to PSE's non-regulated investment in the Tacoma LNG Facility. Please see Table 4 below for a projection of how PSE would allocate this increase among core natural gas customer rate groups using its current approaches to cost allocation, and depending on the level of LNG sales associated with PSE's non-regulated investment in the Tacoma LNG Facility.

Table 4 – Projected Rate Impact of Tacoma LNG Project Costs On Core Natural Gas Rate Groups Relative to Baseline

Rate Group	Projected Rate Impact of Tacoma LNG Project	
	0% Subscribed	100% Subscribed
Residential (Schedules 23, 16, 53)	3.6%	3.3%
Commercial & Industrial (Schedules 31, 61)	3.7%	3.3%
Large Volume (Schedule 41)	2.9%	2.7%
Interruptible (Schedule 85)	1.8%	1.7%
Limited Interruptible (Schedule 86)	2.2%	2.1%
Non-exclusive Interruptible (Schedule 87)	1.6%	1.5%
Total Sales Schedules	3.6%	3.2%
Large Volume (Schedule 41T)	3.1%	2.7%
Interruptible (Schedule 85T)	3.9%	4.0%
Limited Interruptible (Schedule 86T)	4.0%	4.7%
Non-exclusive Interruptible (Schedule 87T)	5.2%	4.5%
Special Contracts	4.6%	3.9%
Total Transportation Schedules	4.2%	3.9%
Rentals (Schedules 71, 72, 74)	0.4%	0.4%
Total Core Customers	3.6%	3.2%

Q. What is the projected impact of these results on a typical residential customers' bill?

A. Based on the results shown in Table 4, the impact on a typical monthly bill of $81.26 per month for residential gas customers[4] would range from approximately $2.68 to $2.93 per month (or 3.3 percent to 3.6 percent) over baseline levels.

Q. Does this mean that the rates for these customers will increase by the amounts summarized in Table 4?

A. Not necessarily. The ultimate rate impact will depend on:

(i) the actual regulated pro forma revenue for these groups at the time the actual costs associated with regulated operations of the Tacoma LNG Project are added to PSE's revenue requirement for rate purposes;

(ii) the overall change in rates required to cover PSE's overall natural gas revenue requirement at that time;

(iii) the final costs associated with regulated operations of the Tacoma LNG Project;

(iv) the amount of LNG sales volume;

(v) as well as the ultimate approach taken to allocate costs and spread rates in that case.

With that caveat, the results presented in Table 4 provide a reasonable approximation for the expected rate impacts resulting from the addition of costs associated with regulated operations of the Tacoma LNG Project to PSE's natural gas revenue requirement.

[4] Note that this typical bill represents current rates, not those that could be experienced using the baseline revenue requirement shown in Table 1. However, the differences are not expected to be material, given the other simplifying assumptions used to derive the impacts.

VII. CONCLUSION

Q. Does that conclude your prefiled direct testimony?

A. Yes, it does.