Exh. SJS-1T
Dockets UE-260005, UG-260006
and UE-260113
Witness: Sylvana J. Sorrells

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

SYLVANA SORRELLS

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Revenue Requirement
O&M Adjustment

July 28, 2026

Revised September 3, 2026

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[1] Note that Exhibits SJS-2, 4, 6, 7, and 8 are all the same file with specific tabs for each exhibit. The same is true of Exhibits SJS-3, 5, 9, 10 and 11.

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Sylvana Sorrells, 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 sylvana.sorrells@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 graduated from Western Governor's University in 2020 with a Bachelor of Science in Accounting and Business Administration. I also earned an Associate of Science degree in Economics and Finance in 2011 from Laramie County Community College. Since 2008 I've worked in banking, construction, and commercial property management in general ledger and staff accountant roles, with a focus on operational accounting and financial analysis. Prior to joining the Commission in 2025, I was employed by Stripe as a Billing Operations Analyst, where I supported billing operations, contract review, and financial data analysis to ensure accurate revenue reporting and compliance. In addition to my professional experience, I have completed several regulatory training courses relevant to general rate case review

including How to Read and Analyze a Rate Case and The Basics: Practical Regulatory Training for the Electrical Industry.

Q. Have you previously testified before the Commission?

A. Yes. I have sponsored testimony on behalf of Commission Staff (Staff) in two prior General Rate Cases (GRC) as well as presenting Staff recommendations to the Commission on various open meeting agenda items.

II. SCOPE AND SUMMARY OF TESTIMONY

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

A. The purpose of my testimony is to present Staff's recommendations and calculations of Puget Sound Energy's (PSE or Company) electric and natural gas revenue requirements for the following rate years:

- Rate Year 1 (RY1) February 1, 2027 – January 31, 2028;
- Rate Year 2 (RY2) February 1, 2028 – January 31, 2029; and
- Rate Year 3 (RY3) February 1, 2029 – January 31, 2030.

Q. Please summarize your recommendations.

A. Staff recommends the Commission authorize a three-year multi-year rate plan (MYRP) with a projected revenue requirement increase of $103.2 million, $149.8

million, and $349.0 million for RY1, RY2, and RY3, respectively for electric operations.[2]

For gas operations, Staff recommends the Commission authorize a three-year MYRP with projected revenue requirement increases of $13.2 million, $30.2 million, and $37.3 million for RY1, RY2, and RY3, respectively.[3]

Staff's proposed revenue requirement is based on a 9.625 percent return on equity (ROE) for the duration of the MYRP resulting in 7.50 percent overall rate of return (ROR) for RY1,[4] 7.56 percent overall ROR for RY2,[5] and 7.59 percent overall ROR for RY3.[6] Witness Parcell addresses Staff's recommendation regarding cost of capital.[7]

Included in Staff's proposed revenue requirements are projected O&M costs, utilizing a performance-based formula described by Staff witness Kolesar.[8] Staff recommends requiring PSE to make a filing updating the O&M formula for each rate year while maintaining the level of all other authorized costs in this GRC with an effective date of February 1.

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

[2] Sorrells, Exh. SJS-2, Summary tab, line 81.
[3] Sorrells, Exh. SJS-3, Summary tab, line 81.
[4] Sorrells, Exh. SJS-14, RY1 Jan 2028, line 15, column F.
[5] Sorrells, Exh. SJS-14, RY2 Jan 2029, line 15, column F.
[6] Sorrells, Exh. SJS-14, RY3 Jan 2030, line 15, column F.
[7] Parcell, Exh. DCP-1CT at 3.
[8] *See generally* Kolesar, Exh. MK-1T.

A. Yes. I have prepared Exhibits SJS-2 through SJS-14. Note that Exhibits SJS-2, 4, 6, 7, and 8 are all the same file with specific tabs for each exhibit. The same is true of Exhibits SJS-3, 5, 9, 10 and 11.

Q. Are there Staff witnesses who sponsor testimony that have an impact on the revenue requirement?

A. Yes, the following is a list of witnesses with adjustments impacting the revenue requirement:

- Witness Parcell provides a recommendation regarding cost of capital for the MYRP;
- Witness Erdahl makes recommendations about the test year amount of investor-supplied working capital (ISWC) and to resume the use of the average-of-monthly averages (AMA) amount for ISWC;
- Witness Kolesar and I address expenses related to Operations and Maintenance (O&M);
- Witnesses Misare and Koenig address expenses related to miscellaneous plant;
- Witness Halliday addresses temperature normalization;
- Witnesses Gomez, Weber, and Oliver address adjustments to Power Cost expenses;
- Witness Boyd addresses the Thermal Energy Network recovery;
- Witness McGuire addresses CWIP in rate base, returns on PPAs, and participatory funding grants; and

- Witness Dahl addresses depreciation and miscellaneous Business Enablement and System Modernization and Optimization related plant.

III. REVENUE REQUIREMENT

Q. How much additional revenue does PSE request for each year of its MYRP?

A. On February 27, 2026, PSE filed a GRC to address its revenue deficiency. The filing consists of a three-year rate plan.

For electric operations, the Company requested revenue increases of $625.3 million, $178.7 million, and $431.9 million for RY1, RY2, and RY3, respectively.[9]

For gas operations, the Company requested revenue increases of $191.8 million, $48.8 million, and $57.8 million for RY1, RY2, and RY3, respectively.[10]

Underlying PSE's request for incremental revenues are a proposed capital structure comprised of 50 percent debt and 50 percent equity. PSE proposes an ROE of 10.8 percent for RY1, RY2, and RY3. With the Company's cost of debt, these components result in an ROR of 8.09 percent for RY1, 8.15 percent for RY2, and 8.18 percent for RY3.[11]

Q. Did the Company provide any adjustments in support of its revenue requirement requests?

[9] *See* Free, Exh. SEF-4HC.
[10] *See* Pavel, Exh. TJP-4.
[11] *See* Free, Exh. SEF-4HC.

A. Yes. PSE provided testimony, exhibits, and workpapers identifying its proposed adjustments that determine the requested revenue requirements for each of the rate years.

Q. Did Staff build its proposed revenue requirements from the revenue requirement model the Company submitted with its February 27, 2026, filing?

A. Yes. Staff utilized the Company's own models to input adjustments and calculate updated revenue requirements for electric and natural gas operations. Staff's model is a copy of PSE's model with Staff's own adjustments in place of the Company's. All formulas have been kept intact, and Staff has kept the links to workbooks that contain Staff updates. However, any links to workbooks that were uncontested were broken, and the original Company figures from those workbooks have been hard coded within Staff's model.

Q. How is the revenue requirement calculated?

A. The revenue requirement is calculated by starting with the Company's historical test year of operations for the 12 months ended June 30, 2025,[12] and then adjusting for restating,[13] and pro forma adjustments,[14] including projections for the 13 months between July 1, 2025 and Jan 31, 2027 (referred to as the gap year) to arrive at the start of the adjusted RY1 which is effective February 1, 2027.[15] To arrive at its projected revenue deficiencies, PSE adds provisional adjustments for RY2[16] and

[12] *See* Free, Exh. SEF-4HC.
[13] Exh. SJS-3 and SJS-4, tab Summary, Column *(D)*.
[14] Exh. SJS-3 and SJS-4, tab Summary, Column *(F)*.
[15] Exh. SJS-3 and SJS-4, tab Summary, Column *(H, J)*.
[16] Exh. SJS-3 and SJS-4, tab Summary, Column *(L)*.

RY3.[17] Staff provided a comparison of its adjustments to the Company proposed adjustments for each rate year in Exhs. SJS-6, SJS-7, and SJS-8.

After adjusting the Company's rate base, the rate base is multiplied by the proposed rate of return to determine the net operating income *requirement*. The adjusted net income is subtracted from the *required* net operating income to calculate the net operating income deficiency or sufficiency. The final step is to convert the Company's net income deficiency or sufficiency into its incremental revenue requirement by dividing the deficiency or sufficiency by the Company's conversion factor. For utility rate making purposes, the conversion factor, when applied to the net operating income, produces the necessary revenue requirement. The conversion factor takes into account factors such as uncollectible accounts, Commission regulatory fees, federal income tax, and the public utility tax. The conversion factor is unique to each utility and is different in each general rate case, as well as for each type of utility service. PSE's conversion factor for electric service is 0.7471.[18] PSE's conversion factor for natural gas service is 0.751572.[19]

Staff shows its revenue requirement calculation for electric operations in Exh. SJS-4 and gas operations in Exh. SJS-5.

Q. What is Staff's proposed revenue requirement?

[17] Exh. SJS-3 and SJS-4, tab Summary, Column *(N)*.
[18] *See* Free, Exh. SEF-4HC.
[19] *See* Pavel, Exh. TJP-4.

A. Staff's proposal includes a recalculation of the O&M budget annually based on actual inflation figures.[20] Therefore, Staff's recommendation is based on projected numbers as discussed later on in this testimony.

For electric operations, Staff's recommendations result in projected revenue increases of $103.2 million, $149.8 million, and $349.0 million for RY1, RY2, and RY3, respectively.[21] Actual revenue increase each year will depend on the results of the indexing formula applied to O&M-related revenue requirements in each rate year.

For gas operations, Staff's recommendations result in projected revenue increases of $13.2 million, $30.2 million, and $37.3 million for RY1, RY2, and RY3, respectively.[22] Actual revenue increase each year will depend on the results of the indexing formula applied to O&M-related revenue requirements in each rate year.

Q. Does Staff provide an exhibit showing its projected revenue requirement for PSE if its recommendations are adopted?

A. Yes, Staff's revenue requirement summary for electric operations is provided in Exh. SJS-4 and gas operations is provided in Exh. SJS-5.[23] These exhibits illustrate Staff's calculation of each of its projected revenue requirements for RY1, RY2, and RY3.

[20] *See* Kolesar, Exh. MK-1T at 8:20-9:7.
[21] Sorrells, Exh. SJS-2, Summary tab, line 81.
[22] Sorrells, Exh. SJS-3, Summary tab, line 81.
[23] Exh. SJS-4 and SJS-5 contain multiple exhibits. To preserve the integrity of the workbook's content and avoid reference errors, all the tabs have been maintained. For ease in reviewing the information, Staff's exhibits are identified with purple tabs within the workbook.

Q. Are there adjustments that are uncontested by Staff?

A. Yes, Exh. SJS-9 is a list of the uncontested adjustments.

Q. Why would a Staff adjustment differ from PSE's adjustment even if the adjustment is uncontested?

A. Adjustments that are uncontested may be different due to Staff's proposed changes to the Company's cost of capital. The return on equity impacts the overall rate of return. When the ROE changes in the model, this changes the ROR and subsequently the amount of return on rate base, therefore changing the revenue requirement amount related to that adjustment.

Q. Which of PSE's adjustments are contested by Staff?

A. The adjustments contested by Staff are listed below along with the Staff witness addressing the specific adjustment.

Common adjustments

- 6.03 – Temperature Normalization (Halliday, Exh. HSH-1T)
- 6.19 – AMA to EOP Rate Base (Erdahl, Exh. BAE-1T)
- 6.22 – Pro forma O&M (Kolesar, Exh. MK-1T, Sorrells, Exh. SJS-1T)
- 6.27 – Programmatic Provisional Pro forma (Misare, Exh. BCM-1T, Koenig, Exh. PK-1T, Dahl, Exh. CJD-1T)
- 6.28 – Customer Driven Programmatic Provisional Pro forma (Misare, Exh. BCM-1T, Koenig, Exh. PK-1T, Dahl, Exh. CJD-1T)

- 6.29 – Specific Provisional Pro forma (Misare, Exh. BCM-1T, Koenig, Exh. PK-1T, Dahl, Exh. CJD-1T)
- 6.30 – Projected Provisional Pro forma (Misare, Exh. BCM-1T, Koenig, Exh. PK-1T, Dahl, Exh. CJD-1T)
- 6.32 – Participatory Funding Grants (McGuire, Exh. CRM-1CT)
- 6.36 – Depreciation Study Existing Plant (Dahl, Exh. CJD-1T)

Electric adjustments

- 6.37 – Power Costs (Gomez, Exh. DCG-1T, Weber, Exh. QAW-1CT, Oliver, Exh. CRO-1CT, McGuire, Exh. CRM-1CT)
- 6.47 – Battle Butte Solar CWIP in rate base (McGuire, Exh. CRM-1CT)
- 6.48 – Beaver Creek 2 CWIP in rate base (McGuire, Exh. CRM-1CT)
- 6.49 – Lower Snake River 2 CWIP in rate base (McGuire, Exh. CRM-1CT)
- 6.50 – Schnebly Solar CWIP in rate base (McGuire, Exh. CRM-1CT)
- 6.51 – Firm Capacity Turbine 1 CWIP in rate base (McGuire, Exh. CRM-1CT)
- 6.52 – Firm Capacity Turbine 2 CWIP in rate base (McGuire, Exh. CRM-1CT)

Gas adjustments

- 6.39 – Thermal Energy Network Recovery (Boyd, Exh. AMB-1T)

Q. How are Staff's adjustments included in its revenue requirement model?

A. With the exception of adjustment 6.22 – Proforma O&M, the numbers for each Staff adjustment have been entered into the underlying workpaper submitted by PSE

detailing each adjustment. The adjusted tabs and cells are highlighted in light orange within the workpapers. Staff's lead sheets are included in Exh. SJS-4 and SJS-5.

IV. OPERATIONS AND MAINTENANCE EXPENSE

Q. How did PSE calculate Adj. 6.22 - Proforma O&M?

A. In exhibit MAC-1CT, witness Mark Carlson states that PSE used forecasted O&M expenses from its Board-approved five-year plan as the basis for production O&M during the MYRP period.[24]

While witness Carlson clearly describes the general methodology and qualitative steps of PSE's budgeting process, the filing lacks supporting evidence justifying why this process results in a 30 percent increase in O&M costs over test-year levels.

Witness Carlson's testimony notes that staffing levels remain essentially constant and that most non-labor expenses generally remain consistent year-over-year outside of basic inflation and general adjustments. While he lists specific maintenance projects, PSE has not provided cost-benefit analysis, baseline comparisons, or financial evidence to demonstrate that a 30 percent cost surge is necessary, reasonable, or prudent. Describing a budget-building process is important, but without additional financial detail behind the budget, it is not clear that an increase of this size is justified.

[24] Carlson, Exh. MAC-1CT at 2:9-13.

Q. Describe Staff's treatment of PSE's Adj. 6.22 – Proforma O&M.

A. Witness Kolesar's testimony addresses Staff's recommendation that the Commission adopt a revenue cap formula for calculating allowed O&M related revenue for each year of the MYRP. This revenue cap formula accounts for customer growth and inflation, and includes a productivity offset. While witness Kolesar details a recommendation for the use of actual inflation percentages each year, Staff created a forecast in order to predict the effect the formula will have on total O&M and proposed rates. Staff then replaced PSE's O&M forecast with its own forecast.[25]

Q. How did Staff calculate its proposed Adj. 6.22 – Proforma O&M?

A. Staff's proposed O&M formula is designed to build upon historical baseline usage. Because this represents the formula's initial application in a GRC, Staff established its starting point using the Staff Adjusted Company Restated Test Year,[26] as well as the Company's Traditional Proforma Adjustments,[27] resulting in the Company's Adjusted Results of Operations, ending December 2025.[28]

From this baseline, Staff then applied the formula using known inflation factors, and an extended growth and productivity measurement to calculate the

[25] Exh. SJS-13.
[26] Exh. SJS-2, tab Summary, Column E.
[27] Exh. SJS-2, tab Summary, Column F.
[28] Exh. SJS-13, tab O&M Calc, Column C and N, $651,129,907.41 for electric operations and $214,026,429.09 for natural gas.

Company's gap year (2026) in order to account for the 13 month gap year between the adjusted test year and the start of RY1 of the MYRP.[29]

From this point, Staff utilized its annual forecasted factors to multiply each preceding year's O&M total by the weighted inflation less the productivity and added growth in order to reach a projected O&M amount for RY1, RY2, and RY3.[30]

Q. What factors were forecasted and how did Staff forecast them?

A. In his testimony, witness Kolesar details the O&M formula, which holds certain structural inputs constant across the term of the MYRP, specifically the weight of labor to non-labor[31], the growth factor[32], and the Company's productivity offset[33]. These static inputs are incorporated into Staff's calculation of its proposed O&M model.[34]

The other variable within the formula (inflation) will be updated annually to reflect changing economic conditions. The overall inflation metric combines labor and non-labor components. Because these indices are volatile and inherently difficult to forecast, annual updates ensure the Company's O&M allowance tracks broader economic trends beyond its control. Utilizing the databases and methodology detailed in witness Kolesar's testimony, Staff evaluated historical price indices to calculate three year, five year, and 10 year average annual inflation rates for the US

[29] Exh. SJS-13, tab O&M Calc, Column E and P, lines 3-20.
[30] Exh. SJS-13, tab O&M Calc, Column G,I,K and R,T,V, lines 3-20.
[31] *See* Kolesar, Exh. MK-1T at 13:1-19.
[32] *Id.* at 16:21.
[33] See *Id*. at 15:12.
[34] Exh. SJS-13, tab Annual Inflation Calc, Column C through J, lines 7 and 9.

Pacific Division's Employment Cost Index, and the industry specific Producer Price Indexes for electric and natural gas industries.

Given the turbulence across all inflation indices since 2020, Staff adopted the five-year average for each. As the most conservative approach, this methodology yields the highest potential O&M baseline among the three averages evaluated.[35]

Finally, the O&M model incorporates a projected annual growth rate for the Company which remains fixed throughout the MYRP. Relying on PSE's response to Public Counsel Data Request No. 144, Staff analyzed historical (2021-2025) and projected (2026-2029) annual growth rates of 1 percent for electric and 0.5 percent for natural gas operations. Staff rounded the resulting nine-year average growth rate to the nearest half percent, establishing a reasonable, conservative growth input applicable to all three rate years.[36]

Q. How did Staff insert its O&M model into the Company's existing RR model?

A. Staff's O&M model includes lead sheets for the Company's electric and natural gas operations. Staff simply removed the Company's lead sheets and replaced them with Staff's recalculated lead sheets.[37]

However, this process required accounting for multiple other adjustments within the model which affected the O&M totals. Since the growth, inflation, and productivity factors within the formula already account for these O&M effects, Staff

[35] Exh. SJS-13, tabs Labor Input, Electric Non Labor, and Gas Non Labor.
[36] Exh. SJS-13, tab Growth Forecast.
[37] Exh. SJS-13, tabs Electric Lead and Gas Lead.

subtracted all existing O&M adjustments (both contested and uncontested by Staff) in order to ensure accurate totals for the gap year and each rate year.[38]

Q. How do these adjustments ultimately affect the Company's requested O&M?

A. Staff's proposed O&M adjustments are conservatively projected to reduce the Company's total requested O&M for electric operations by $115.4 million for RY1, $125.9 million for RY2, and $122.3 million for RY3.[39] Staff's reduction to O&M decreases the Company's requested revenue requirement by $122.0 million, $133.2 million, and $129.3 million for RY1, RY2, and RY3, respectively.[40]

For natural gas operations, Staff's proposed adjustment reduces O&M by $44.1 million for RY1, $43.4 million for RY2, and $41.2 million for RY3.[41] This reduction to O&M decreases the Company's requested revenue requirement by $46.4 million, $45.6 million, and $43.3 million for RY1, RY2, and RY3, respectively.[42]

The actual effects will not be known until the index is applied each rate year based on the actual rates of inflation to calculate the allowed O&M-related revenue requirement.

Q. How does Staff recommend the O&M calculation be adjusted through the term of the MYRP?

[38] For electric operations: Exh. SJS-4, tab Detailed Summary(HC), Column BR. For natural gas operations Exh. SJS-5 tab Detailed Summary, Column BC.
[39] Exh SJS-13, tab O&M Calc, Columns C through K, line 35.
[40] Exh. SJS-13, tab Electric Lead, line 36.
[41] Exh SJS-13, tab O&M Calc, Columns N through V, line 35.
[42] Exh. SJS-13, tab Gas Lead, line 36.

A. Staff recommends that the Company be required to submit an annual compliance filing within this GRC docket to adjust tariffs to reflect more current O&M factors for each year of the MYRP. As detailed in witness Kolesar's testimony,[43] the Company should incorporate actual annual inflation indices through the third quarter (Q3) of each rate year to apply the indexing formula for the subsequent rate year. Assuming these Q3 figures are published by mid-October, the Company must submit its filing no later than December 1. This schedule ensures the Commission has sufficient time to review the inputs and approve rates that are updated to more current O&M factors prior to the start of the next rate year on February 1.

V. CONCLUSION

Q. What is your conclusion regarding Staff's revenue requirement recommendation?

A. Staff recommends the Commission authorize the three-year MYRP with a projected revenue requirement increase of $103.2 million, $149.8 million and $349.0 million for RY1, RY2, and RY3, respectively for electric operations.[44]

For gas operations, Staff recommends the Commission authorize the three-year MYRP with projected revenue requirement increases of $13.2 million, $30.2 million, and $37.3 million for RY1, RY2, and RY3, respectively.[45]

[43] *See* Kolesar, Exh. MK-1T at 8:20-9:7.
[44] Exh. SJS-4, tab Summary, line 81.
[45] Exh. SJS-5, tab Summary, line 81.

Additionally, Staff recommends requiring PSE to submit an annual compliance filing by December 1 to adjust MYRP tariffs for the February 1 rate year using Q3 inflation indices.

Q. Does this conclude your testimony?

A. Yes.