WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
CORRECTED RESPONSE TO BENCH REQUEST

DATE PREPARED: December 4, 2023	WITNESS: Betty A. Erdahl
DOCKET: UG-230393	RESPONDER: Betty A. Erdahl
REQUESTER: Bench	TELEPHONE: 360-664-1283

BENCH REQUEST NO. 6:

Betty A. Erdahl testifies that Staff proposes "a decrease of at least $8.8 million…to the four-mile distribution pipeline costs collected from PSE customers." Erdahl, Exh. BAE-1T at 2: 15-17.

1. Please clarify, does this represent a rate base amount or revenue requirement amount?
2. If this references a rate base amount, please explain the effect of Staff's proposal on the Company's annual revenue requirement and provide any necessary workpapers to support this calculation.

CORRECTED RESPONSE:

1. Staff's recommended decrease of at least $8.8 million represents a rate base amount.

2. There is no impact to PSE's overall revenue requirement for the four-mile pipeline. However, Staff recommends an <u>increase</u> in the provisional rate charged to Puget LNG (88T Exclusive Interuptable customer) and a <u>decrease</u> in rates charged to non-Puget LNG rate payers (sales customers) for the four-mile pipeline. The full revenue requirement for the four-mile pipeline is recovered in Schedule 141D.[1]

   The rate base was used to develop an allocation factor when determining how much of the $2,999,203 revenue requirement for the four-mile pipeline should be paid for by Puget LNG (88T Exclusive Interuptable customer).

   The $8.8 million difference between Staff's and PSE's allocation of the portion of the pipeline that is not directly assigned to PSE distribution (the "common portion")[2] is shown in BAE-1T at 26, lines 2 and 4, (col. (i), row 5 in each table). The $8.8 million decrease in rate base is calculated by subtracting Staff's $8.11 million from PSE's $16.92 million.

   <u>Allocation of the common portion of the pipeline</u>:

   - Staff's 8% allocation of the common portion of the pipe cost to PSE's sales customers is shown on BAE-1T at 26, line 4, col. (b), row 3 (Staff's table). Staff calculated this by modifying tab "Exh. WJD-3 p.1" in Attachment A, cells B14 and B15.

[1] *See* Table 2 below.
[2] BAE-1T at 21, lines 14-21 describes the 12-inch pipeline that was upgraded to a 16-inch pipeline. The use of the term "common portion" is referring to the cost of the 12-inch pipeline. The incremental cost to upgrade to 16-inch pipe was allocated directly to PSE.

- The calculation of the 8% used by staff is provided in Exh. BAE-11, line 9.
- The use of Staff's 8% factor results in allocating $8.1 million in rate base (Staff's table, col. (i), row 5) instead of PSE's proposal of allocating $16.92 million in rate base (PSE's table, col. (i), row 5) to PSE sales customers for the cost of the four-mile pipeline.

Allocation of the total cost of the pipeline:
The difference in the allocation of the common portion of the pipeline mentioned above results in a higher overall percent allocation of the total four-mile pipeline cost to Puget LNG (Sch. 88T).

- PSE recommends allocating 38.3% of rate base (BAE-1T, at 26, line 2, col. (j), row 6 of PSE's table), for a total allocation of $1.1 million in revenue requirement (Table 1 below, col. (d), row 8), to Puget LNG.
- Staff recommends 70.4% of rate base (BAE-1T at 26, line 4, col. (j), row 6 of Staff's table), for a total allocation of $2 million in revenue requirement (Table 1 below, col. (c), row 8), to Puget LNG.

This was calculated by updating the workpaper in this docket titled NEW-PSE-WP-JDT-4-5-6-GAS-RATE-DESIGN-SCH-141D-141N-88T-05-25-23, which has been included as Attachment A to this Bench Request Response. Tab Exh. WJD-3 p.1, cell B15, the allocation of the common portion to PSE, was updated to use Staff's 8% allocation factor and cell B14, the allocation of the common portion to Puget LNG was updated to use Staff's 92% allocation factor.

- The impact is that instead of $16.92 million (61.8%) being allocated to PSE sales customers, 8.1 million (29.6%) is allocated to PSE sales customers.
- Thus, the allocation of costs to Puget LNG increases from 38.3% to 70.4%.

Following this through Attachment A, tab Rate Spread (Sch. 141D), cell F22 using the Staff proposed allocation to Puget LNG of 70.4% results in $2 million (F19) in annual revenue requirement that should have been allocated to Schedule 88T-Exclusive Interruptible which is the rate schedule under which Puget LNG will take service in this tariff filing. These changes will correct prospective rates in this proceeding. A summary of the impacts is shown below and included in Attachment A, tab "BR6 Response-Table 1".

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Table 1 – Comparison of Staff's and PSE's Rate Spread for Schedule 141D

			Staff's Position	PSE's Position	Difference
Line No.	Rate Class	Schedules	Proposed Sch. 141D Rev Req	Proposed Sch. 141D Rev Req	Proposed Sch. 141D Rev Req
	(a)	(b)	(c)	(d)	(e)
1	Residential	16, 23, 53	$ 597,167	$ 1,244,938	$ (647,771)
2	Commercial & Industrial	31	$ 210,404	$ 438,637	$ (228,233)
3	Large Volume	41	$ 43,659	$ 91,018	$ (47,359)
4	Interruptible	85	$ 5,893	$ 12,285	$ (6,392)
5	Limited Interruptible	86	$ 799	$ 1,665	$ (866)
6	Non-exclusive Interruptible	87	$ 5,006	$ 10,436	$ (5,430)
7	Contracts		$ 426	$ 889	$ (462)
8	Exclusive Interruptible	88T	$ 2,051,411	$ 1,114,897	$ 936,514
9	Total		$ 2,914,765	$ 2,914,765	$ -

Additionally, the rates under 141D are provisional.[3] Workpapers were filed on December 27, 2022 supporting the compliance filing in Dockets UE-220066, UG-220067 and UG-210918. In that filing, workpaper New-PSE-WP-JDT-6-GAS-BILL-IMPACTS-22GRC-01-2022, tab Rate Impacts_RY#1, cell O23 shows that Schedule 87T, the rate schedule under which Puget LNG is currently taking service, paid none of the $2,999,203 in total revenue requirement from Schedule 141D as demonstrated below. This is included as Attachment B and shown below in Table 2.

[3] Dockets UE-220066, UG-220067 and UG-210918, Order 24/10 at 139, ¶ 510.

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Table 2 – Rate Spread for Schedule 141D from 2022 General Rate Case Recovery of the four-mile distribution pipeline

Puget Sound Energy			
2022 Gas General Rate Case Filing			
Rate Change Impacts by Rate Schedule of Proposed Rate '			
Proposed Rates Effective January 1, 2023			
		Sch. 141D	Sch. 141D
	Rate	Pipeline	Pipeline
Rate Class	Schedule	Revenue Change	% Change
A	B	J	K = J/C
Residential	23,53	$ 2,074,564	0.28%
Residential Gas Lights	16	$ 29	0.28%
Commercial & Industrial	31	$ 732,009	0.28%
Large Volume	41	$ 151,915	0.32%
Interruptible	85	$ 20,469	0.33%
Limited Interruptible	86	$ 2,789	0.08%
Non-exclusive Interruptible	87	$ 17,428	0.16%
Commercial & Industrial Transporta	31T		0.00%
Large Volume Transportation	41T		0.00%
Interruptible Transportation	85T		0.00%
Limited Interruptible Transportation	86T		0.00%
Non-exclusive Interruptible Transpo	87T		0.00%
Contracts			0.00%
Total		$ 2,999,203	0.27%

If the Commission accepts Staff's recommendation, then a refund should be provided from Puget LNG to PSE sales customers for the amount that Staff advocates should have been paid by Puget LNG in the general rate case. The refund would be based on the $2.1 million in Table 1, col. (c), row 8 above representing approximately $171,000 per month which would be applied from January 2023 when rates from PSE's GRC became effective until rates go into effect in this proceeding. This interclass refund could occur over a period of longer than 12 months.

PSE's filing proposes an overall revenue neutral approach (see JDT-1T at 4). To achieve Staff's proposed allocation to shift costs in Schedule 141D from sales customers to Puget LNG, no change should be made to Schedule 88T base rates and Schedule 141N rates filed by PSE in this proceeding.