

**REVISED EXHIBIT NO. __ (JKP-1T)
DOCKET NO. UE-06 __/UG-06 __
2006 PSE GENERAL RATE CASE
WITNESS: JANET K. PHELPS**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**Docket No. UE-06 ____
Docket No. UG-06 ____**

**REVISED PAGES 29, 30, 36 AND 37 OF
PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
JANET K. PHELPS
ON BEHALF OF PUGET SOUND ENERGY, INC.**

APRIL 3, 2006

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classes?

A. PSE's long-term goal is to move its rates toward cost of service levels for each class, but to move all the way to cost based rates in a single step would cause larger impacts on certain customers than may be reasonable. The Company proposes to allocate the predominant share of the revenue increase to those classes that are currently paying between 85 percent and 115 percent of their allocated cost of service, with the following constraints: (1) no class should receive more than 150 percent of the system average increase; and (2) all classes contribute to the recovery of the revenue increase at some level if contractually allowed. The proposed revenue allocation by rate class is presented on page 1 of Exhibit No. ___(JKP-7) and is summarized in the following table:

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Customer Class	Parity Ratio¹	Proposed Rate Increase
Residential	86%	4.95%
Commercial & Industrial	85%	4.10%
Large Volume	114%	0.82%
Compressed Natural Gas	2%	7.37%
Interruptible	138%	0.36%
Limited Interruptible	167%	0.30%
Non Exclusive Interruptible	134%	0.19 <u>0.17%</u>
Transportation	165%	1.37 <u>1.43%</u>
Contracts	101%	0.10 <u>0.00%</u>
Rentals	56%	14.60%
System Total / Average	100%	4.21%

¹At existing rates

1 In terms of how these proposals interact to impact customers, increasing the
2 customer charge reduces the variability in customers' bills even with a decoupling
3 mechanism, because more fixed costs are recovered on a fixed charge basis. The
4 closer the customer charge is to cost of service levels, the smaller the decoupling
5 adjustment will be, and the less variability in customers' bills.

6 If the Company's decoupling proposal is not accepted, it would be appropriate for
7 the customer charge to be increased by a greater amount than has been proposed
8 as part of the Company's overall filing in this case.

9 **Q. If the Company's decoupling proposal is not implemented, how high should**
10 **the customer charges be?**

11 A. If the Company's decoupling proposal is rejected, a residential customer charge of
12 \$17.00 per month would be warranted, consistent with the cost of service study
13 results. The customer charges for other customer classes also could be increased
14 to the cost of service levels indicated in the table at the end of Section IV of my
15 testimony.

16 **D. Additional Rate Schedule Comments**

17 **Q. What changes are being proposed to the PGA Mechanism-allocation factors**
18 **rates?**

19 A. The Company proposes to revise the allocation of gas costs among the customer

1 classes served under Schedules 101 and 106. Also, the Company's analysis in this
2 case showed that the adjustment to the rates in Schedules 101 and 106 for revenue
3 sensitive items should be changed from the current 1.04599% to 1.04569%.

4 **Q. Why is the Company proposing to change these allocation of gas costs among**
5 **customer classes?**

6 A. During the Company's annual PGA Mechanism filings, the Schedule 101 and 106
7 rates are adjusted up or down without changing the allocation of total costs to the
8 customer classes. The allocation factors have not been reviewed in relation to
9 cost of service study results for a number of years. The Company proposes to
10 revise the rates based on the results of the cost of service study in this case. The
11 analysis supporting the revised rates is presented in Exhibit No. ___ (JKP-9), and
12 the revised tariffs are included in Exhibit No. ___ (JKP-11).

13 **Q. Have you prepared a tariff sheet to implement PSE's Depreciation Tracker**
14 **proposal?**

15 A. Yes, Schedule 124 is filed with an effective date of January 1, 2007. The
16 methodology used to calculate the rate is provided in Exhibit No. ___ (JKP-10).

17 **Q. Please describe the rate design associated with the Depreciation Tracker.**

18 A. The revenue requirement to be included in the tracker is allocated to each class
19 according to the allocation of transmission and distribution depreciation expense