

**EXHIBIT NO. ___(JKP-16T)
DOCKET NOS. UE-090704/UG-090705
2009 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-090704
Docket No. UG-090705**

**PREFILED SUPPLEMENTAL DIRECT TESTIMONY (NONCONFIDENTIAL)
OF
JANET K. PHELPS
ON BEHALF OF PUGET SOUND ENERGY, INC.**

AUGUST 3, 2009

PUGET SOUND ENERGY, INC.

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
JANET K. PHELPS**

CONTENTS

I. INTRODUCTION1

II. UPDATED PRO FORMA REVENUE, COST OF SERVICE AND RATE
SPREAD1

III. CONCLUSION.....7

1 **PUGET SOUND ENERGY, INC.**

2 **PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF**
3 **JANET K. PHELPS**

4 **I. INTRODUCTION**

5 **Q. Are you the same Janet K. Phelps who provided prefiled direct testimony in**
6 **this proceeding on May 8, 2009, on behalf of Puget Sound Energy, Inc.**
7 **(“PSE” or “the Company”)?**

8 **A. Yes.**

9 **Q. What is the purpose of your supplemental testimony?**

10 **A. I will present updated versions of the pro forma revenue from gas operations, the**
11 **gas cost of service study, and the rate spread for gas service. These updates**
12 **reflect the change to the revenue requirement related to the Everett Delta gas**
13 **pipeline (“Everett Delta”) lease revenues described by Mr. Michael J. Stranik in**
14 **his Prefiled Supplemental Direct Testimony, Exhibit No. ____ (MJS-8T).**

15 **II. UPDATED PRO FORMA REVENUE, COST OF SERVICE**
16 **AND RATE SPREAD**

17 **Q. What changes to pro forma revenue have been made?**

18 **A. Revised pro forma revenue is presented on page 2 of the First Exhibit to my**
19 **Prefiled Supplemental Testimony, Exhibit No. ____ (JKP-17). Column N contains**

1 an adjustment to decrease other operating revenue by \$3,209,260 related to
2 removal of the Everett Delta lease revenues. This adjustment reduces total pro
3 forma revenue at existing rates from \$1,228,490,778, as shown in column O of
4 page 2 of the Second Exhibit to my Prefiled Direct Testimony, Exhibit
5 No.__(JKP-3), to \$1,225,281,518, as shown in column P of page 2 of Exhibit
6 No.__(JKP-17).

7 **Q. Has the Company's cost of service study changed as a result of the updated**
8 **revenue requirement?**

9 A. Yes. The revenue requirement used in the cost of service study in this
10 supplemental filing has been revised from the revenue requirement set forth in my
11 prefiled direct testimony. The revenue requirement I use in this supplemental
12 filing is consistent with the revenue requirement presented by Mr. Stranik in his
13 Prefiled Supplemental Direct Testimony, Exhibit No. __(MJS-8T). Other
14 operating revenue changed from PSE's original filing on May 8, 2009, as
15 discussed in Exhibit No. __(MJS-8T), which resulted in changes to revenue-
16 sensitive items and the revenue deficiency. These changes flow through the cost
17 of service study.

18 **Q. Does the revised cost of service study use the same methodology as the cost of**
19 **service study the Company presented in its initial filing on May 8, 2009?**

1 A. Yes, the methodology is the same. The approach and allocation factors are
2 unchanged from those presented in my prefiled direct testimony, Exhibit
3 No. ____ (JKP-1T).

4 **Q. Please summarize the results of the updated cost of service study in this**
5 **supplemental filing.**

6 A. The parity percentages under current rates, excluding gas costs, are summarized
7 in Table 1 below. The parity percentage indicates what portion of the cost of
8 service customers pay under current rates, relative to other customer classes.
9 These results are also provided in the summary of results from the cost of service
10 study on page 1, line 36, of the Second Exhibit to my Prefiled Supplemental
11 Direct Testimony, Exhibit No. ____ (JKP-18). The Third Exhibit to my Prefiled
12 Supplemental Direct Testimony, Exhibit No. ____ (JKP-19), contains the cost of
13 service results including gas costs, and the Fourth and Fifth Exhibits to my
14 Prefiled Supplemental Direct Testimony, Exhibit Nos. ____ (JKP-20 and 21)
15 provide supporting details of the cost of service study.

16 As discussed in my Prefiled Direct Testimony, Exhibit No. ____ (JKP-1T) filed on
17 May 8, 2009, the Company has conducted four versions of its cost of service
18 study. The first column of Table 1 shows the parity percentages under the
19 Company's proposed cost of service study. The second column of Table 1 below
20 summarizes the results of the cost of service study using PSE's cost of service
21 methodology from its 2007 general rate case, Docket No. UG-072301. These

1 results excluding gas costs are provided in more detail in the Sixth Exhibit to my
2 Prefiled Supplemental Direct Testimony, Exhibit No.____(JKP-22), and results
3 including gas costs are provided in the Seventh Exhibit to my Prefiled
4 Supplemental Direct Testimony, Exhibit No.____(JKP-23). My Prefiled Direct
5 Testimony, Exhibit No. ____ (JKP-1T) discusses the change in methodology used
6 in the cost of service study in this proceeding as compared to the cost of service
7 study used in the Company's last general rate case. The final two columns in
8 Table 1 present the results of cost studies based on two different assumptions
9 regarding the cost responsibility of large customers for that portion of medium
10 and small main allocated based on average use, for comparison purposes. In the
11 “100 Percent to All Classes” scenario, small and medium-sized main are allocated
12 to all classes based on throughput, and in the “0 Percent to Large Classes”
13 scenario, Schedules 85, 85T, 87, 87T and contracts receive no costs associated
14 with the average portion of small and medium-sized main. A description of the
15 allocation of mains costs is provided in my Prefiled Direct Testimony, Exhibit
16 No.____(JKP-1T). All of these results reflect the updated revenue requirement.

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Table 1: Summary of Parity Percentages

Customer Class	Company Proposal	2007 Method	100% to All Classes	0% to Large Classes
Total System	100%	100%	100%	100%
Residential (Schedules 23, 16, 53)	99%	99%	100%	99%
Commercial & Industrial (Schedules 31, 61)	97%	97%	98%	96%
Large Volume (Schedules 41, 41T)	132%	131%	135%	129%
Interruptible (Schedule 85, 85T)	120%	138%	114%	155%
Limited Interruptible (Schedule 86)	162%	160%	167%	158%
Non-exclusive Interruptible (Schedule 87, 87T)	96%	97%	71%	108%
Special Contracts	80%	86%	62%	89%
Rentals (Schedules 71, 72, 74)	80%	80%	80%	80%

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Q. Were any changes made to the Company’s gas rate spread proposal based on the updated revenue requirement?

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A. No. Some of the parity ratios changed slightly, but not enough to modify the Company’s proposed rate spread. The proposed revenue allocation by rate class reflecting the updated revenue requirement is presented on page one of the Eighth Exhibit to my Prefiled Supplemental Direct Testimony, Exhibit No. ___(JKP-24), and is summarized in Table 2, below:

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Table 2: Proposed Rate Spread

Customer Class	Parity Percentages ¹	Percent of Average Increase	Proposed Rate Increase – Sales Customers ²	Proposed Rate Increase – Transportation Customers
Residential (Schedules 23, 16, 53)	99%	100%	2.8%	n/a
Commercial & Industrial (Schedules 31, 61)	97%	100%	2.5%	n/a
Large Volume (Schedules 41, 41T)	132%	50%	0.8%	4.4%
Interruptible (Schedule 85, 85T)	120%	50%	0.4%	4.1%
Limited Interruptible (Schedule 86)	162%	0%	0.0%	n/a
Non-exclusive Interruptible (Sched. 87, 87T)	96%	100%	0.5%	8.0%
Rentals (Schedules 71, 72, 74)	80%	100%	2.5%	n/a
System Total / Average	100%	100%	2.5%	n/a

¹At existing rates excluding gas costs.

²Including gas costs. The percentage increases vary slightly between the residential and commercial/industrial classes because gas costs are included. Their percentage increases to margin are equal.

Because total increase percentages include gas costs for sales customers but not for transportation customers, their total percentage increases differ even though their percentage increases to margin are equal. For example, Schedules 85 and 85T have the same percentage increase to margin and the same distribution rates, but because Schedule 85T has no gas costs in the denominator, the total percentage increases differ between 85 and 85T.

Q. Were any changes made to the Company’s proposed approach to rate design as a result of the updated cost of service study?

A. No.

III. CONCLUSION

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Q. Does this conclude your supplemental testimony?

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A. Yes, it does.