

**EXH. JDT-1T
DOCKET UG-230393
WITNESS: JOHN D. TAYLOR**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

Docket UG-230393

PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF

JOHN D. TAYLOR

ON BEHALF OF PUGET SOUND ENERGY

MAY 25, 2023

PUGET SOUND ENERGY
PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
JOHN D. TAYLOR

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PUGET SOUND ENERGY

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
JOHN D. TAYLOR**

LIST OF EXHIBITS

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1 **PUGET SOUND ENERGY**

2 **PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF**
3 **JOHN D. TAYLOR**

4 **I. INTRODUCTION**

5 **Q. Please state your name, business address, and position with Puget Sound**
6 **Energy.**

7 A. My name is John D. Taylor, and I am employed by Atrium Economics, LLC
8 (“Atrium”) as a Managing Partner. My business address is 10 Hospital Center
9 Commons, Suite 400, Hilton Head Island, South Carolina 29926.

10 **Q. On whose behalf are you appearing in this proceeding?**

11 A. I am appearing on behalf of Puget Sound Energy (“PSE” or the “Company”).

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

14 A. Yes, I have. It is Exhibit JDT-2.

15 **Q. What is your assignment in this proceeding?**

16 A. PSE requested Atrium to support allocation to the rate classes of the revenue
17 requirement associated with the Tacoma LNG Tracker through a new
18 “Schedule 141LNG”, explain the rate design associated with this tracker, and
19 demonstrate the associated bill impacts. In addition, I am supporting the design

1 for a newly proposed Schedule 88T, including related changes to Schedule 141D
 2 and Schedule 141N.

3 **II. TACOMA LNG TRACKER**

4 **Q. What method was utilized to allocate the revenue requirement associated**
 5 **with the Tacoma LNG Tracker to the rate classes?**

6 A. The revenue requirement associated with the Tacoma LNG Tracker is described
 7 in the Prefiled Direct Testimony of Susan E. Free, Exh. SEF-1T. Since these are
 8 storage costs, the costs were allocated to the customer classes using the average
 9 winter sales that exceed average summer sales allocator in alignment with how
 10 storage costs were allocated in PSE’s gas cost of service study filed in Docket
 11 UG-220067 and in alignment with WAC 480-85-060. The results of this
 12 allocation are presented in Table 1 below.

13 **Table 1 – Allocation of Tacoma LNG Tracker Revenue Requirement**

Line No.	Rate Class	Schedules	UG-220067 Incremental Winter Sales Allocator	Allocated Revenue Requirement ⁽¹⁾
	(a)	(b)	(c)	(d)
1	Residential	16, 23, 53	70.04%	\$ 33,364,877
2	Commercial & Industrial	31	22.87%	\$ 10,894,557
3	Large Volume	41	4.35%	\$ 2,072,205
4	Interruptible	85	1.24%	\$ 591,174
5	Limited Interruptible	86	0.54%	\$ 254,857
6	Non-exclusive Interruptible	87	0.96%	\$ 458,267
7	Total		100.00%	\$ 47,635,937
8				
9	Proposed Revenue Requirement			\$ 47,635,937
	⁽¹⁾ Allocated based on Incremental Winter Sales from most recent approved cost of service study (UG-220067).			

1 **Q. How were the rates designed for recovery of this allocated revenue**
2 **requirement from each rate class?**

3 A. The revenue requirement for each class associated with the Tacoma LNG Tracker
4 was designed for recovery in volumetric per therm charges, which reflect the
5 current declining block structure for those classes with existing block rates (i.e.,
6 Schedule 41, Schedule 85, Schedule 86, and Schedule 87). The details of these
7 calculations and resulting rates are provided in Exh. JDT-3 - Schedule 141LNG
8 Tracker Rate Design.

9 **III. SCHEDULE 88T RATE DESIGN**

10 **Q. Currently how are the costs associated with the four-mile 16-inch main**
11 **recovered from PSE customers?**

12 A. As detailed in the quote below from the Final Order in Docket UG-220067, the
13 Commission required PSE to recover the costs of this four-mile section of 16-inch
14 main on a provisional basis. As such, PSE is recovering these costs in Schedule
15 141D from sales customers only with a total annual revenue requirement of \$2.99
16 million in 2023 and \$2.91 million in 2024.

17 In PSE's compliance filings for rates under the MYRP authorized
18 by this Order, PSE must include the \$30 million for the four miles
19 of distribution pipe in rates on a provisional basis, subject to
20 consideration of the appropriate allocation of costs to Puget LNG
21 and the method of recovery of these costs when the Company
22 requests recovery of the Tacoma LNG Facility costs when
23 submitting its 2023 PGA filing. PSE must defer the revenues
24 associated with the provisional recovery of the \$30 million for the

1 four miles of distribution pipe for supporting proper allocation in the
2 2023 PGA filing.¹

3 **Q. What is PSE’s proposal relating to the recovery of costs associated with the**
4 **four-mile 16-inch main moving forward?**

5 A. PSE is proposing to assign a portion of the four-mile 16-inch line to
6 Schedule 88T, a new rate schedule through which Puget LNG will take service.
7 Schedule 88T will be assigned 38.3 percent of the costs based on the calculation
8 for contributions in aid of construction described in the Prefiled Direct Testimony
9 of William F. Donahue, Exh. WFD-1T. This results in approximately
10 \$1.1 million of the revenue requirement associated with Schedule 141D being
11 allocated to Schedule 88T. To achieve revenue neutrality, PSE proposes to
12 reduce the Schedule 141D revenue requirement to be recovered from all other
13 customer classes such that the total revenue recovery associated with this four-
14 mile 16-inch line segment matches the compliance filing in Docket UG-220067.
15 This is shown below in Table 2 and provided in Exh. JDT-4 - Proposed Changes
16 to Schedule 141D.

¹ *WUTC v. PSE*, Dockets UE-220066, UG-220067, & UG-210918 (Consolidated), Order 24/10 at ¶410 (December 22, 2022).

Table 2 – Proposed Changes to Schedule 141D

			UG-220067 Sch. 141D	UG-220067 Sch. 141D	Allocated Revenue	Allocation of	Proposed
Line			Revenue	Percent to	Requirement	Remaining	Sch. 141D
No.	Rate Class	Schedules	Requirement	Each Class	to Sch. 88T	Portion	Rev Req
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Residential	16, 23, 53	\$ 2,016,093	69.2%		\$ 1,244,938	\$ 1,244,938
2	Commercial & Industrial	31	\$ 710,343	24.4%		\$ 438,637	\$ 438,637
3	Large Volume	41	\$ 147,397	5.1%		\$ 91,018	\$ 91,018
4	Interruptible	85	\$ 19,895	0.7%		\$ 12,285	\$ 12,285
5	Limited Interruptible	86	\$ 2,696	0.1%		\$ 1,665	\$ 1,665
6	Non-exclusive Interruptible	87	\$ 16,901	0.6%		\$ 10,436	\$ 10,436
7	Contracts		\$ 1,439	0.0%		\$ 889	\$ 889
8	Interruptible	88T			\$ 1,114,897		\$ 1,114,897
9	Total		\$ 2,914,765	100.0%	\$ 1,114,897	\$ 1,799,867	\$ 2,914,765
10							
11			Portion Allocated to Sch. 88T		38.3%		

Q. In addition to Schedule 141D rates, what base rates will be charged to Schedule 88T?

A. Until the next general rate case PSE is proposing to recover the same level of revenue from Puget LNG under Schedule 88T as would be recovered from Puget LNG if it was served under Schedule 87T. This provides that the proposals relating to the newly proposed Schedule 88T and changes to Schedule 141D are revenue neutral between the Company and its customers. Under Schedule 87T, Puget LNG would be charged \$1.3 million during the calendar year 2024 based on forecasted usage. As discussed above, Schedule 88T will be charged \$1.1 million to recover the costs of the four-mile 16-inch line associated with Schedule 141D. The \$200,000 difference between the expected revenues of \$1.3 million under Schedule 87T and \$1.1 million from Schedule 141D that will be charged under Schedule 88T will be recovered from Puget LNG in base rates through the combination of a fixed monthly facility charge and volumetric rates.

1 Exh. JDT-5 - Proposed Schedule 88T Rate Design details these calculations and
2 resulting proposed rates.

3 **Q. How was the increase in load growth and associated increase in revenue from**
4 **Puget LNG treated in PSE's compliance filing in Docket UG-220067?**

5 A. The increase in revenues associated with Puget LNG was credited to all customers
6 through the Company's Schedule 141N. As such, the base distribution rates
7 charged to each customer class were reduced by the incremental revenues
8 associated with Puget LNG. The credit to Schedule 141N relating to the increase
9 in base distribution margin from load growth across all classes totaled
10 \$1.5 million in 2023 and \$1.9 million in 2024.

11 **Q. Is an adjustment required to achieve full revenue neutrality?**

12 A. Yes. Given the proposed changes to Schedule 141D outlined above and the
13 decreased base distribution margin recovered from Puget LNG, the credit to
14 Schedule 141N requires an adjustment to achieve full revenue neutrality across
15 Schedule 141D, base distribution margin, and Schedule 141N. The revenue credit
16 for load growth for 2024 should be reduced by the same \$1.1 million of Schedule
17 141D revenues that will be recovered from Schedule 88T, as this represents a
18 decrease in base distribution margin. Table 3 below provides a summary of the
19 changes required to Schedule 141N, with details provided in Exh. JDT-6 -
20 Calculation of Schedule 141N Supplemental Rates. PSE is making this
21 adjustment through the creation of a separate supplemental surcharge that is

1 included on new tariff Sheet Nos. 141N-D and 141N-E, which have been filed
 2 with the Commission in this docket.

3 **Table 3 – Change in Schedule 141N Required for Revenue Neutrality**

Line No.	Rate Class	Schedules	UG-220067 Sch. 141D Revenue Requirement	UG-220067 Sch. 141D Percent to Each Class	Reduction in Revenues for Sch. 88T Decrease in Margin	Proposed Sch. 141N Supp. Rev Req
	(a)	(b)	(c)	(d)	(e)	(f)
1	Residential	16, 23, 53	\$ 2,016,093	69.2%		\$ 771,156
2	Commercial & Industrial	31	\$ 710,343	24.4%		\$ 271,706
3	Large Volume	41	\$ 147,397	5.1%		\$ 56,379
4	Interruptible	85	\$ 19,895	0.7%		\$ 7,610
5	Limited Interruptible	86	\$ 2,696	0.1%		\$ 1,031
6	Non-exclusive Interruptible	87	\$ 16,901	0.6%		\$ 6,465
7	Contracts		\$ 1,439	0.0%		\$ 550
8	Exclusive Interruptible	88T			\$ (1,114,897)	
9	Total		\$ 2,914,765	100.0%	\$ (1,114,897)	\$ 1,114,897

4
 5 **IV. CONCLUSION**

6 **Q. Have you prepared customer rate impacts associated with these proposals?**

7 A. Yes. Exh. JDT-7 - Rate Impacts, provides rate impacts associated with
 8 implementing the Tacoma LNG Tracker including the changes relating to the
 9 newly proposed Schedule 88T, and changes to Schedule 141D and
 10 Schedule 141N (new tariff sheets 141N-D and 141N-E).

11 **Q. Does that conclude your prefiled direct testimony?**

12 A. Yes, it does.