

Agenda Date: June 26, 2014  
Item Number: A1  
**Docket:** UG-140721  
Company Name: Puget Sound Energy

Staff: Dave Gomez, Assistant Power Supply Manager, Energy Regulation

### **Recommendation**

Issue a Complaint and Order Suspending the Tariff Revisions filed by Puget Sound Energy, on April 25, 2014, and set the matter for hearing.

### **Background**

The tariff filing in this docket is identical to Puget Sound Energy's filing of August 28, 2013, in Docket No. UG-131589. In Docket No. UG-131589, the commission issued on October 30, 2013, a complaint and order suspending the tariff revisions filed by PSE and setting the matter for hearing. On April 10, 2014, the commission issued a second order lifting the suspension, dismissing the complaint against the company and granting the company's request to withdraw its proposed Schedule 54 for Optional Gas Service. PSE withdrew Docket No. UG-131589 on April 3, 2014.

The commission conducted a workshop on April 25, 2014, to explore procedural and policy issues arising from the provision of compressed natural gas (CNG) for fueling natural gas motor vehicles (NGV) from gas utilities regulated by the commission.<sup>1</sup> Participants in the workshop agreed that NGV transportation has environmental benefits, but this service should not be subsidized by the general body of customers in any manner.

On the same day as the workshop, April 25, 2014, Puget Sound Energy (PSE or company) filed with the Washington Utilities and Transportation Commission (commission) a revision to its natural gas tariff. The proposed tariff schedule is an optional service for non-residential natural gas customers. Under this schedule, PSE would install, own and operate gas compression facilities located on the gas customer's premise to enable the customer to fuel its NGV with CNG and/or offer retail sales of CNG for vehicle fuel to the public.<sup>2</sup>

### **Discussion**

At the workshop, the commission heard from a number stakeholders including PSE regarding their positions on the role regulated gas utilities and the commission should play in the development of NGV fueling infrastructure in Washington State. While parties to the workshop

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1 UG-140525 - Workshop on Compressed Natural Gas for Fueling Natural Gas Vehicles.

2 UG-140721, PSE's proposed Schedule 54 for Optional Gas Service, Original Page No. 154-F, Agreement, Section 1, Customer – General Request.

generally agreed on the environmental and economic benefits derived from increased use of natural gas as a vehicle fuel, they differed in their opinion as to the assignment of risk of stranded CNG service assets and whether it is more appropriate for a regulated utility to offer CNG service as an un-regulated subsidiary.

The company's recent filing, like the original filing in UG-131589, attempts to address concerns regarding the risk borne by non-CNG rate payers regarding the possibility of compensating the company for stranded CNG service assets. The company addresses this potential risk to non-CNG rate payers by falling back on its original assurances that it has mitigated these risks through its contracting and customer vetting process. Staff remains unconvinced that such measures proposed by the company will prevent PSE from seeking recovery someday for what is an unknown amount of CNG service assets which may become unwanted and un-redeployable in the marketplace, particularly if the price differential between natural gas and petroleum is lost due to higher natural gas prices or, possibly, lower petroleum prices. PSE belies its own assurances by refusing to include clear tariff language where it fully accepts the risk of a failed CNG investment.

In addition to the same policies and laws PSE claimed in its original filing that support the expansion by regulated utilities of CNG infrastructure for the transportation sector in Washington, PSE's current filing now also lists a number of commission decisions it claims provide precedence for the company proposed service. Staff's analysis of these claims finds the company's reliance on these policies and statutes is overstated and that the precedence cited is misplaced in relation to the real issues in this case. Staff looks forward to the opportunity to provide the commission with its arguments in the contrary.

The same unresolved policy issues which resulted in the commission suspending the last filing remain. These issues continue to merit review and analysis in a hearing. A full record on these issues is necessary to avoid possible adverse impacts on rate payers and the state's competitive natural gas refueling market and, as a result, harm the public interest.

### **Conclusion**

Given the limited information contained in this filing and the substantial policy issues surrounding this proposed tariff, staff recommends the commission issue a Complaint and Order Suspending the Tariff Revisions filed by Puget Sound Energy on April 25, 2014, and set the matter for hearing.