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June 26, 2012

**Submitted via Electronic Filing to
Records@wutc.wa.gov**

Mr. David W. Danner
Executive Director & Secretary
Washington Utilities & Transportation Commission
1300 South Evergreen Park Drive SW
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Docket No. UG-120680, Puget Sound Energy, Advice No. 2012-13
Comments of the Northwest Industrial Gas Users Requesting Filing Rejection or
Approval with Modification

Dear Mr. Danner:

In response to the filing by Puget Sound Energy (PSE) of a proposed new section 13 as part of its Schedule 183 Natural Gas Conservation Service tariff, the Northwest Industrial Gas Users (NWIGU) hereby submits its comments and request for service list inclusion.

NWIGU is a non-profit association comprised of thirty-eight large volume end-users of natural gas with major facilities in the states of Washington, Oregon and Idaho. NWIGU was incorporated in 1985 in Oregon as a non-profit trade association to address emerging natural gas issues of concern to industrial end users of natural gas as the industry unbundled the commodity sale at the well head for competitive access for all natural gas consumers. NWIGU members cover diverse industrial interests, including food processing, pulp and paper, aluminum, wood products, steel, chemicals, electronics, electric generation and aerospace and include both sales and transportation customers on PSE's distribution system. The association provides an informational service to its members and participates in various regulatory matters that affect member interests before the Federal Energy Regulatory Commission and the Washington Utilities and Transportation Commission (WUTC or Commission).

NWIGU accordingly requests that you include it on any distribution list for service in this docket as follows:

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PSE's proposed section 13 is being added to Schedule 183, Natural Gas Conservation Service, to clarify PSE's options that will be afforded a sales customer who has taken a grant pursuant to a written agreement with PSE under PSE's gas conservation programs under Schedules 205, 208, 217, 218, 251, or 261, and who chooses to receive "all or a portion" of its natural gas from another party before the measure life has ended for the particular conservation measure that is the subject of a payback requirement in the written conservation program agreement. If the conservation funding was for \$100 or more, the customer's repayment obligation is to be pro-rated over the life of the conservation measure and repaid to the company to be credited to the Schedule 120 gas conservation tracking account. PSE's filing also provides for an optional re-payment program and applies interest at the after tax rate of return authorized for Puget (currently 10.62%) to the balance owed in that program.

The gas conservation program's objective is to reduce consumption of PSE purchased gas, which benefits both the utility and its sales customers. NWIGU does not object to appropriate tariff provisions addressing a sales customer's obligations under a written payback agreement when that customer chooses transportation service from PSE, but finds that PSE's proposal is overreaching in some key aspects that create a potentially burdensome hurdle to a customer electing transport.

NWIGU's concerns are as follows:

1. PSE's proposal applies a buyout requirement at the \$100 grant level for any sales customer that chooses transportation service. In CRAG meetings and its previous discussions with PSE and Staff, NWIGU has objected to this \$100 level as just unreasonably low given the size of the large commercial and industrial sales customers that are impacted by this provision. It is NWIGU's understanding that PSE picked the \$100 threshold as an estimate of the average cost for reasonable efforts to try to recover the funds. For comparison, in Oregon, NW Natural

operates under a \$25,000 level in similar circumstances in its industrial demand side management offerings through the Energy Trust of Oregon (see attached Schedule 360). While \$100 may have made some sense if this proposal was made to capture all customers no longer taking service from PSE (e.g., a closed commercial location) and not to just those electing transport, \$100 does not make economic sense for program operation. Given that the point is to recoup funds from large project grants, NWIGU suggests that repayment be required under the tariff if more than several thousand dollars remains outstanding, e.g., \$10,000.

2. While NWIGU appreciates that the repayment over time option is extended as a customer service option, NWIGU has concerns with the proposed interest rate, as the option is one of having to pay a utility rate of return to other customers. NWIGU recommends that a more reasonable reflection of the cost of debt tied to a public index be applied.

3. Since other customer types are not being pursued for repayment (e.g., a large commercial operation that closes), it seems that these provisions if they are overly burdensome put an uneconomic burden on the customer's ability to make a service election. NWIGU understands that this filing only applies both historically and prospectively to a customer whose contract spells out the buyout requirement if that customer elects transportation service. NWIGU is concerned with adequate disclosure and requests that Puget be required to make the portion of the contract stating the repayment obligation in a bolded large font and that the template agreement for new project grants be provided as part of this tariff filing.

4. NWIGU requests that the Commission require the application of the buyout requirements be limited to a sales customer whose entire load is being transferred to transport service, in other words ceases paying into the program. It is not appropriate to trigger a payback requirement if a portion of a customer's service is still on sales service as that customer is still contributing financially to the sales conservation budget like any other sales customer.

NWIGU appreciates the opportunity to submit these additional issues for the Commission's consideration. NWIGU requests that the Commission reject the filing in its current form, or in the alternative approve it only if modified to address these concerns.

Very truly yours,



Tommy A. Brooks

Enclosure

cc w/enc via email:

Paula Pyron
Sheree Carson
Simon ffitc
Deborah Reynolds
David Nightingale

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 24

First Revision of Sheet 360-1
Cancels Original Sheet 360-1

SCHEDULE 360 INDUSTRIAL DEMAND SIDE MANAGEMENT (DSM) PROGRAMS

APPLICABLE:

Service under this Schedule is applicable to Industrial Customers, which for the purposes of this Schedule is defined as the following:

- 1) Industrial Firm Sales Customers, served on Rate Schedules 3, 31 or 32;
- 2) Industrial Interruptible Sales Customers served on Rate Schedule 31 or 32;
- 3) Commercial Sales Customers served on Rate Schedule 32; and
- 4) Combination Service Customers where neither service option is Transportation.

AVAILABLE:

In all territory served by the Company under the Tariff of which this program is a part.

PURPOSE:

This program is intended to provide an economical and effective means of conserving Natural Gas through the reduction of heat loss in certain commercial and industrial buildings.

INFORMATION TO CUSTOMERS:

The Company will provide to its Industrial Customers, general and technical information about energy efficiency services offered by the Company, and about energy efficiency programs available through the Energy Trust of Oregon (Energy Trust), that will improve the efficiency of natural gas usage. This information may be provided through various channels such as electronic newsletters, letters, direct communications, etc.

ENERGY EFFICIENCY PROGRAMS:

The Energy Trust of Oregon has been approved to deliver and administer energy efficiency programs to NW Natural's Customers. Customers may participate in such programs by contacting the Energy Trust directly, or a NW Natural representative will connect the Customer upon request.

PROGRAM COSTS

Program costs will be deferred annually and amortized for recovery through Schedule 188 of this Tariff.

SPECIAL PROVISIONS

If a Customer who chooses to receive service under this schedule switches any part of his/her service to a Transportation Service Type within two Years from the date the most recent incentive was issued, such Customer may incur a one-time charge equal to the two-year proration of the total incentive(s) amount received. The charge will be calculated as follows:

$$\text{Charge} = A \times B$$

A = the total amount of Energy Trust incentives paid to Customer

B = 24 minus the number of months that have elapsed since the last incentive was issued, divided by 24

(continue to Sheet 360-2)

Issued August 23, 2010
NWN Advice No. OPUC 10-10A

Effective with service on
and after September 8, 2010

Issued by: **NORTHWEST NATURAL GAS COMPANY**
d.b.a. NW Natural
220 N.W. Second Avenue
Portland, Oregon 97209-3991

**SCHEDULE 360
INDUSTRIAL DEMAND SIDE MANAGEMENT (DSM) PROGRAMS**

SPECIAL PROVISIONS (continued)

A charge will not be assessed when the total incentive amounts received by such customer are \$25,000 or less. This provision will not apply to Customers who committed to participating in Energy Trust programs prior to September 8, 2010.

The collections from this charge will offset program costs collected under Schedule 188.

When applicable, the charge must be paid in full as a condition of the Company's approval to change Service Type. The Customer must meet all other conditions for the change in Service Type as set forth in the respective Rate Schedule.

GENERAL TERMS

Service under this Schedule is governed by the terms of this Schedule, the General Rules and Regulations contained in this, any other schedules that by their terms or by the terms of this Schedule apply to service under this Schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

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