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July 18, 2014

Mr. Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

RE: Advice No. 2014-15 – Natural Gas Tariff Filing - **Do Not Redocket**
Substitute Tariff Filing – Filed Electronically

Dear Mr. King:

Puget Sound Energy, Inc. (“PSE”) hereby submits in connection with Docket No. UG-140721, the following substitute tariff sheets to replace the tariff sheets accompanying the Company’s April 25, 2014 filing which was submitted under PSE’s Advice No. 2014-15. This substitute filing is pursuant to RCW 80.28.060 and Chapter 480-80 WAC and includes the following portion of the Company’s WN U-2, tariff for natural gas service:

WN U-2, Natural Gas Service:

Original Sheet No. 154 – Schedule No. 54: Optional Gas Compression Service
Original Sheet No. 154-A – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-B – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-C – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-D – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-E – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-F – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-G – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-H – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-I – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-J – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-K – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-L – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-M – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-N – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-O – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-P – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-Q – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-R – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-S – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-T – Schedule No. 54: Optional Gas Compression Service (Continued)

Original Sheet No. 154-U – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-V – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-W – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-X – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-Y – Schedule No. 54: Optional Gas Compression Service (Continued)
Original Sheet No. 154-Z – Schedule No. 54: Optional Gas Compression Service (Continued)

The purpose of this substitute filing is to provide changes made to address concerns of the Commission and other parties who commented in this docket and to provide greater clarity about cost categories that are included in the determination of the various billing elements of Schedule No. 54, Optional Gas Compression Service (“Schedule No. 54” or “Compression Service”). In addition to these language changes, there are also formatting changes in the enclosed tariff sheets that have been made to improve readability, which extended the last tariff sheet number to Sheet No. 154-Z.

Prospective Schedule No. 54 Customers

The key changes to the tariff and the service agreement within are to clarify the availability of this new gas service. At the request of the Commission staff, PSE added language in the first paragraph of Section 1-Availability (Original Sheet No. 154) to emphasize the sections of Schedule 54 that contain the requirements and responsibilities that customers must satisfy to receive Compression Service. Schedule No. 54 is an optional gas service for fueling of commercial natural gas motor vehicles (“fleet”). PSE would like to make this service available to fleets that are converting to natural gas, but does not want to preclude potential fleets based on their size, ownership, or location. For that reason, PSE allows that the fleet may be owned or operated by a Schedule 54 customer or a Schedule 54 customer may have a contract or contracts to fuel this type of fleet. This would allow for fleets to share fueling facilities, though only one entity would be the PSE customer. This would also allow a customer who has excess compression capacity beyond what is needed for its controlled or contracted fleets to offer the service to the general public, making CNG available to more vehicles. PSE expects there would be limited companies that are interested and eventually qualified for this schedule in the near term due to the substantial capital investment for new natural gas vehicles or fleet conversion. Customers would be required to provide a list of fleets and equipment to be served and subject to credit checks, security deposits, and insurance requirements to ensure that the customers would have fleets fueling and remain viable during the term of their service agreement.

Cost Categories Included in Schedule No. 54 charges

The billing elements in Schedule No. 54 are designed to recover all costs that can be directly attributed and allocated to Schedule No. 54 customers. The proposed pricing ensures that Schedule No. 54 customers do not burden other ratepayers and that Schedule No. 54 customers contribute to their fair share of common general expenses and overheads and all costs related to each Compression Service facility.

- **Contract Administration Charge:** to recover, at the rate schedule level, Schedule No. 54 customers' share of PSE general operation expenses¹ such as administrative and general expenses and salaries, customer accounting and billing, customer assistance expenses, and the overhead allocated to these expenses. The revised proposed charge of \$44.71 is based upon the cost allocation from the latest cost of service study that was reviewed in a general rate case² but adjusted as reflected in PSE's 2013 fourth Quarterly Report³. Going forward, these costs will be directly tracked as they occur and this charge will be updated whenever there is a general rate case.
- **Contracted Volume Compression Charge (Fixed/Volumetric/Annual Minimum):** to recover costs associated with installation and O&M⁴ of individual compressed natural gas ("CNG") equipment. The capital costs consist of direct, indirect, and overhead costs of the equipment, equipment procurement, outside contractors, taxes, and related PSE labor and overhead for feasibility studies and CNG site evaluation. Additional turnkey capital project construction and corporate overhead is also applied to the total CNG capital costs. The O&M costs will be based on the cost of PSE's contract for the O&M services for individual customer CNG stations.
- **Incremental O&M Charge:** to recover increased O&M costs due to compression load above the contracted volume. The incremental O&M charge per therm will be also based on PSE's contract with the O&M service provider for the individual CNG site, including applicable taxes.

Safeguard Against Potential Customer Default

The design of the proposed tariff and service agreement within takes into consideration the potential for customer default. The proposed tariff includes the following provisions to address the consequences of customer default.

- The creditworthiness will help to ensure that a customer remains viable for the term of the contract.
- The CNG Customer is obligated to pay a make-whole amount equal to the balance of PSE's unrecovered capital costs with respect to the compression facilities if the customer terminates Compression Service prior to the end of the term of the service agreement.
- The CNG equipment may be redeployed after the unlikely event of customer default.

This substitution is provided for in WAC 480-80-111(a) as the revisions address concerns of the Commission with the pending tariff sheets. The tariff sheets described herein reflect an issue date of April 25, 2014, and an effective date of July 25, 2014. Posting of proposed tariff changes, as required by law and the Commission's rules and regulations, is being completed immediately prior to or coincident with the date of this transmittal letter through web, telephone and mail access in accordance with WAC 480-90-193.

¹ FERC accounts: 870, 880, 881, 901, 903, 904, 905, 908, 909, 910, 912, 913, 920, 921, 923, 924, 925, 926, 930, 931, and 932

² Docket No. UG-111049, Exhibit No. JPK-16

³ Docket No. UG-141022, filed on May 14, 2014

⁴ operation, preventative maintenance, and corrective maintenance

Please contact Ben Farrow at (425) 456-2541 or Eric Englert (425) 456-2312 for additional information about this filing. If you have any other questions please contact me at (425) 456-2110.

Sincerely,

E-E Englert
Manager, Regulatory Initiatives & Tariffs
for Ken Johnson
Director, State Regulatory Affairs

Enclosures

cc: Simon J. ffitich, Public Counsel
Sheree Carson, Perkins Coie