

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKET NOS. UE-190529, UG-
190530, UE-190274, UG-190275
(*Consolidated*)

EXH. AEW-05

**PSE RESPONSE TO NVEC DATA REQUEST NO. 002
ATTACHMENT D**

ON BEHALF OF

NW ENERGY COALITION

November 22, 2019

WN U-2

Eighth Revised Sheet No. 18
 Canceling
 Seventh Revised Sheet No. 18

PUGET SOUND ENERGY
 RULES AND REGULATIONS (Continued)
 RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County

Section 1: Purpose

The purpose of this rule is to make natural Gas Service available to prospective Customers outside Kittitas County, based on long-term economic benefits consistent with prudent utility practices. However, service may not be provided, extended or modified for reasons described in WAC 480-90-123, Refusal of Service. (N)
 (T)

This rule defines the terms and conditions under which Distribution Facilities will be extended to new residential, commercial, or industrial Customers outside Kittitas County. It also defines the terms and conditions for modifying existing Distribution Facilities to meet changed requirements for Customers outside of Kittitas County. (C)
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 (C)

Section 2: Definitions

1. Customer Advance: A potentially refundable prepayment (see Sections 8 and 11 for details) by a Customer for the extension of Distribution Facilities. The amount of the advance will be calculated using the Facilities Investment Analysis. The Customer Advance will be equal to the difference between the present value of estimated future incremental net operating income from the Customer and estimated costs of construction, as described within this Rule 7 and Schedule 7. The Customer Advance shall include the effect of applicable federal income taxes as per Rule 28. (C)
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 (C)
2. Distribution Facilities: Mains, service piping, meters, regulators, valves, and associated fittings.
3. Estimated Annual Consumption: Estimated gas usage based on the usage parameters specified in Rate Schedule No. 7.
4. Facilities Investment Analysis ("FIA"): A discounted cash flow calculation for determining the rate of return, Customer Advances, and Qualification Payments related to facilities extensions. (A copy of the Facilities Investment Analysis computer algorithm on electronic medium is on file with the Washington Utilities and Transportation Commission.) (T)
 (D)
5. New Customer Rate: A rate to be applied in addition to a Customer's underlying sales rate for the purpose of recovering the marginal revenue shortfall. (C)
 (C)

(Continued on Sheet No. 18-A)

Issued: July 25, 2003
Advice No.: 2003-17

Effective: September 1, 2003

Issued By Puget Sound Energy

By:  Karl Karzmar Title: Director, Regulatory Relations

WN U-2

First Revised Sheet No. 18-A
 Canceling
 Original Sheet No. 18-A

PUGET SOUND ENERGY
 RULES AND REGULATIONS (Continued)

RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued)

6. Qualification Payment: A nonrefundable payment by a Customer made in order to qualify for the New Customer Rate. The payment shall be equal to the Customer Advance determined by utilizing the 75% Threshold Rate Of Return in the FIA calculation. (T)
7. Target Rate Of Return: Current system average rate of return as authorized by the Washington Utilities and Transportation Commission.
8. 80% Threshold Rate Of Return: Eighty percent of Target Rate Of Return. (C)
9. 75% Threshold Rate of Return: Seventy-five percent of Target Rate Of Return (N)

Section 3: General

1. Unused facilities extensions. If the Company provides a facilities extension and the Customer fails to commence gas usage within twelve months from the date of installation the Company will bill the Customer the following costs as applicable:
 - a. the cost to cut and cap the service line,
 - b. all costs of providing the Customer's service line,
 - c. the costs of providing any main dedicated to the Customer,
 - d. the Customer's contribution toward any shared main costs.

If the Customer takes service within 5 years of the original installation, costs relating to b., c. and d. above will be refunded less the following charges, as applicable:

- a. the cost of reactivating the service line,
- b. any Customer Advance or Qualification Payment the Customer agreed to pay for the original extension (if such payment remains unpaid),
- c. any New Customer Rate the Customer agreed to pay for the original extension, calculated using the Customer's original estimated volumes for the period of time extending from the date the original facilities were installed to the actual date the Customer takes service (and then continuing for the remaining term),
- d. the amount of margin (revenue less revenue for gas costs) the Customer would have paid, calculated using the Customer's original estimated volumes for the period of time extending from the date the original facilities were installed to the actual date the Customer takes service.

If the charges exceed the refund the Customer shall pay balance.

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Issued: March 30, 2004

Effective: May 1, 2004

Advice No.: 2004-08

By Authority of the Washington Utilities and Transportation Commission in Docket No. UE-031216

Issued By Puget Sound Energy

By:



Karl R. Karzmar

Title: Director, Regulatory Relations

WN U-2

Sixth Revised Sheet No. 19
Canceling
Fifth Revised Sheet No. 19

PUGET SOUND ENERGY
RULES AND REGULATIONS (Continued)

RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued)

- 2. Gas Service Agreement. Upon requesting Gas Service, the Customer shall complete, sign, and submit to the Company a Gas Service Agreement in the form of a gas service agreement or developer agreement which are attached to this schedule as Attachments A through D. (K)
(N)
|
(N)
 - 3. Rights of way. Adequate legal rights for construction of the facilities installed across all property, including property not owned by the Customer, shall be obtained by the Company prior to the commencement of construction.
 - 4. Ownership of facilities. All extensions of the distribution system will remain the property of the Company.
 - 5. Underground fuel line. Company owned and maintained underground fuel line will be installed beyond the Customer's meter by the Company only for the Company's operational convenience. (T)
 - 6. Twin services. Twin service lines will be provided, if, in the Company's sole judgment, such system configuration is economical, safe, and otherwise feasible. No more than two single-family residences may be connected on a twin service line. (T)
(T)(N)
(N)
- (K)

(Continued on Sheet No. 19-A)

(K) Transferred to Sheet No. 18-A

Issued: July 25, 2003
Advice No.: 2003-17

Effective: September 1, 2003

Issued By Puget Sound Energy

By:



Karl R. Karzmar

Title: Director, Regulatory Relations

WN U-2

Second Revised Sheet No. 19-A
Canceling
First Revised Sheet No. 19-A

PUGET SOUND ENERGY
RULES AND REGULATIONS (Continued)

RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued) (T)

Section 4: Facilities Investment Analysis--An Economic Test of Viability

All applications to extend Distribution Facilities to new Customers will be subject to a Facilities Investment Analysis to determine economic viability. The economic test will be used to determine if a Distribution Facilities extension or modification is justified without contribution and will determine the level of contribution, if required. The Company will estimate the annual consumption and all costs relating to the line extension (including operating and maintenance costs) associated with a Customer or group of Customers requesting facilities extensions or modifications, as provided within this Rule No. 7 and as described in Schedule 7. The margin (revenue less revenue for gas costs) resulting from the Estimated Annual Consumption will be compared with all costs relating to the line extension as described above. In the case of existing facilities modified at the Customer's request in order to provide for increased usage, the Facilities Investment Analysis will be based on the incremental margin. The Company shall have the right to verify all information that is supplied by a Customer and used as input into the Facilities Investment Analysis, including the rating and number of gas consuming devices.

(C)
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(C) (N)
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(N)

Section 5: Facilities Investment Analysis--Revenue Projections

The revenue projection will take into consideration the estimated number and type of gas appliances used and the age and square footage of the premises, as listed in Rate Schedule No. 7. Only those Customers completing a request for facilities extension, or expected to connect to the facilities extension in accordance with a developer agreement, will be considered.

The projected revenue to be used in the economic test will be determined by:

- a. the number of Customers to be served by the facilities extension;
- b. establishing consumption estimates for each Customer;
- c. projecting when the Customers will be connected to the facilities extension; and
- d. applying the appropriate revenue margins for each Customer's consumption.

Section 6: Facilities Investment Analysis--Cost Calculations

The total costs relating to the line extension to be used in the Facilities Investment Analysis include: (T)

- a. the full labor, material, and other costs as included in the standard costs listed in Schedule No. 7, including appropriate overhead costs and taxes associated with the facilities extension; (T)
(T)

(Continued on Sheet No. 19-B)

Issued: July 25, 2003
Advice No.: 2003-17

Effective: September 1, 2003

Issued By Puget Sound Energy

By:



Karl R. Karzmar

Title: Director, Regulatory Relations

WN U-2

Third Revised Sheet No. 19-B
 Canceling
 Second Revised Sheet No. 19-B

PUGET SOUND ENERGY
 RULES AND REGULATIONS (Continued)
 RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued)

- b. incremental operating and maintenance expenses listed in Schedule No. 7;
- c. site-specific, non-standard permits, easements, or other costs described in Schedule No. 7.

In addition, the Facilities Investment Analysis will include the appropriate Target Rate Of Return as approved by the Washington Utilities and Transportation Commission.

In the case where additional facilities are installed as part of the Company's long-range system planning, the cost difference between installed and minimum required facilities shall be excluded from the Facilities Investment Analysis for the purpose of determining the Customer Advance or Qualification Payment.

Section 7: Results of Test and Customer Advance

If the results of the Facilities Investment Analysis meet or exceed the Company's Target Rate Of Return, the facilities extension or modification will be made without charge. However, if the extension is from a prior extension, a New Customer Rate may be required as described in Section 12 below.

If the results of the Facilities Investment Analysis indicate a rate of return below the Company's Target Rate Of Return, the facilities extension may proceed provided the marginal revenue shortfall is addressed by the Customer selecting to pay either:

- a. the Customer Advance, subject to review and refund as provided below; or
- b. the applicable New Customer Rate as listed in Supplemental Schedule No. 107, (T)
 provided the results of the Facilities Investment Analysis meet or exceed the (C)
 75% Threshold Rate Of Return stipulated in Section 2 above. However, if the results (C)
 of the Facilities Investment Analysis fail to meet the 75% Threshold Rate Of Return,
 the Customer(s) may choose to pay a Qualification Payment and the applicable New
 Customer Rate.

In cases where the Customer has elected to pay the New Customer Rate and subsequently sells the premises served by the facilities extension within the five-year term of the rate, the purchaser of the premises will be given the option of paying either:

- a. the applicable New Customer Rate for the remainder of the five-year term; or
- b. the pro-rata share of the originally required Customer Advance, subject to refund as provided in Section 8 below.

(Continued on Sheet No. 19-C)

Issued: March 30, 2004
Advice No.: 2004-08

Effective: May 1, 2004

By Authority of the Washington Utilities and Transportation Commission in Docket No. UE-031216
Issued By Puget Sound Energy

By: 

Karl R. Karzmar

Title: Director, Regulatory Relations

WN U-2

Third Revised Sheet No. 19-C
 Canceling
 Second Revised Sheet No. 19-C

PUGET SOUND ENERGY
 RULES AND REGULATIONS (Continued)
 RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued)

Section 8: Review of Contribution and Refund

Facilities extensions requiring a Customer Advance will be reviewed after five years from completion of construction; and refunds, if applicable, will be paid at that time. For the purpose of review, a new Facilities Investment Analysis will be performed using original cost and revenue estimates. However, estimated marginal revenues and costs (based on the version of Schedule No. 7 under which the facilities were constructed) attributable to additional new Customers not projected in the original analysis will be added. Estimated marginal revenues shall include New Customer Rate revenues from latecomers. No additional reviews will be performed after the fifth year. The Company will honor requests by Customers who paid a Customer Advance for reviews of facilities extensions prior to the expiration of the five-year period; and refunds, if applicable, will be made at that time.

In cases where review of the facilities extension indicates refunds are due, interest will be paid on a Customer Advance subsequently refunded at the rate established for Customer deposits in Rule No. 5. Refunds, excluding interest, will not be greater than the amount of the original Customer Advance(s). The total amount of any refund shall be refundable to the original contributor.

For the purposes of refunds, Customers will be treated in accordance with the version of Rule No. 7 or other rule governing extensions of facilities that was in effect and used for the purposes of charging the Customer the Customer Advance.

Section 9: Application of Economic Test to New Construction Development Plats

For new development plats, a Facilities Investment Analysis will be prepared based on the project build-out plan outlined in the developer agreement. If no Customer Advance is required, based on the Facilities Investment Analysis results, no New Customer Rate will be assessed; and the facilities will be extended at no charge. If the Facilities Investment Analysis indicates a Customer Advance is needed, the developer will have the option of paying either:

(C)

- a. the Customer Advance, subject to review and refund to the developer as provided in Section 8 above, as applicable, except that the review period shall be the lesser of seven years or the duration of the developer's build-out plan; or

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Issued: March 30, 2004

Effective: May 1, 2004

Advice No.: 2004-08

By Authority of the Washington Utilities and Transportation Commission in Docket No. UE-031216

Issued By Puget Sound Energy

By:



Karl R. Karzmar

Title: Director, Regulatory Relations

WN U-2

Third Revised Sheet No. 19-D
 Canceling
 Second Revised Sheet No. 19-D

PUGET SOUND ENERGY
 RULES AND REGULATIONS (Continued)
 RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued)

- b. the nonrefundable Qualification Payment, if any. Initial subsequent Customers within the development will be given the option of paying either:
- (1) their prorata share of the required Customer Advance for the development (less the Qualification Payment paid by the developer), or
 - (2) the applicable New Customer Rate as listed in the Rates section of Supplemental Schedule No. 107. (C)

Section 10: Security Deposit Required from Developers

Regardless of the results of the Facilities Investment Analysis, a security deposit will be required from the builder/developer to ensure payment of potential contribution deficiencies resulting from delays in the build-out plan. The security deposit required shall be equivalent to the Customer Advance impact of a two-year delay in the original build-out plan. However, the amount of the security deposit shall not limit the remedies otherwise available to the Company under the developer agreement.

In lieu of cash payment of the security deposit, developers may provide a letter of credit, contractor's bond, or other credit instrument in form and substance satisfactory to the Company. No interest shall be charged or paid by the Company on the amount of the credit instrument. The full amount of any balance due shall be immediately due and payable by the issuer of the credit instrument or the Customer upon the expiration or earlier termination of the applicable credit instrument. The maximum term of any credit instrument shall be seven years.

**Section 11: Review of Development Build-out and Refunds to
 Developers and to Customers within Developments**

Upon the completion of build-out or at the end of the review period (whichever occurs first), a Facilities Investment Analysis will be run reflecting the actual build-out. Refunds or charges for any deficiency in the security deposit plus interest at the rate established for Customer deposits in Rule No. 5 will be made.

If the developer elected to contribute the required Customer Advance, the developer may be eligible for a refund. To determine if a refund is appropriate, the Facilities Investment Analysis will be reapplied to the project reflecting the timing of actual Customer additions. If a review indicates that a lower contribution would have been required than originally determined, a refund equal to the difference will be made to the developer. If the results of the Facilities Investment Analysis indicate a larger contribution would have been required, the developer's deposit will be applied to the difference. Any remaining deficiency will be recovered from the developer under the terms of the developer agreement.

(Continued on Sheet No. 19-E)

Issued: March 30, 2004

Effective: May 1, 2004

Advice No.: 2004-08

By Authority of the Washington Utilities and Transportation Commission in Docket No. UE-031216

Issued By Puget Sound Energy

By:



Karl R. Karzmar

Title: Director, Regulatory Relations

WN U-2

Third Revised Sheet No. 19-E
 Canceling Second Revised Sheet No. 19-E

PUGET SOUND ENERGY
 RULES AND REGULATIONS (Continued)
 RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued)

If a Customer within a development chooses to pay a Customer Advance, the Customer may be eligible for a refund. To determine if a refund is appropriate, the Facilities Investment Analysis will be reapplied to the project at the end of the review period reflecting the timing of actual Customer additions and original cost and revenue estimates. If a review indicates that a lower contribution than originally determined would have been required, a refund equal to the pro-rata share of the difference will be made to the Customer. If the results of the Facilities Investment Analysis indicate a larger contribution would have been required, the individual Customer shall not be charged or refunded.

If the developer opted not to contribute the required Customer Advance and the original build-out plan did not occur on schedule, the Facilities Investment Analysis will be reapplied to the project reflecting the timing of the actual Customer additions, as in the preceding paragraph. If the results of the Facilities Investment Analysis indicate a larger Qualification Payment would have been required, the developer's deposit will be applied to the difference. If the results of the FIA indicate that the higher NCR rate would apply, the developers deposit will be applied to make up any difference. Any remaining deficiency will be recovered from the developer under the terms of the developer agreement. (N)

(N)
(N)

Section 12: Extensions from Extensions

When the subsequent facilities extension requires a Customer Advance, the options under Section 7 above apply.

When the subsequent facilities extension

- a. required no Customer Advance, and
- b. will be constructed within the five-year installation review period for the existing facilities extension, and
- c. the existing facilities extension required a Customer Advance, Qualifying Payment, or New Customer Rate,

the Company will perform a Facilities Investment Analysis that combines the existing and subsequent facilities extensions to determine whether the Customer Advance or New Customer Rate, as applicable, remains necessary.

If the combined Facilities Investment Analysis:

- a. results in elimination of the Customer Advance on the existing facilities extension or the need to continue the New Customer Rate, the Customer Advance will be refunded to the original contributor(s) and/or the New Customer Rate will cease, as appropriate, and Customers located on the downstream extension make no payment, or
- b. results in a reduction of the New Customer Rate, the New Customer Rate shall be adjusted for existing customers if the applicable tariff contained such a provision at the time of construction, or
- c. does not result in elimination of the Customer Advance and/or the need to continue the New Customer rate on the existing facilities, Customers located on the downstream extension must pay the applicable New Customer Rate or the Customer may pay a Customer Advance as provided in Section 15. The duration of the New Customer Rate will be the remaining duration of the existing extension's New Customer Rate. (T)

(N)
(N)

(Continued on Sheet No. 19-F)

Issued: March 30, 2004

Effective: May 1, 2004

Advice No.: 2004-08

By Authority of the Washington Utilities and Transportation Commission in Docket No. UE-031216

Issued By Puget Sound Energy

By:



Karl R. Karzmar

Title: Director, Regulatory Relations

WN U-2

Second Revised Sheet No. 19-F
Canceling
First Revised Sheet No. 19-F

PUGET SOUND ENERGY
RULES AND REGULATIONS (Continued)
RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued) (T)

Section 13: Latecomers

Any Customer who connects a new service line to an existing facilities extension during the facilities extension review period and that existing extension required a Customer Advance, Qualification Payment or New Customer Rate, the latecomer will be required to pay the applicable New Customer Rate for at least the remainder of the original facilities extension review period or the latecomer may pay a Customer Advance as provided in Section 15. If the Facilities Investment Analysis result for the Customer's service line requires a Customer Advance, the provisions of the Customer Advance under Section 7 above apply in addition to the New Customer Rate as described herein. (C)

Section 14: Option to Terminate the New Customer Rate (N)

Any Customer who is paying the New Customer Rate may terminate the New Customer Rate by paying the Company an additional Qualifying Payment. Such payment shall be calculated by multiplying the applicable rate in Schedule 107 of this tariff by the terms from Schedule 7 of this tariff that were used as input to the original Facilities Investment Analysis times the remaining number of years (with up to 2 decimals) that the New Customer Rate would be applicable.

Section 15: Option to Choose Customer Advance for Latecomers or Extension from Extension Customers

Any Customer required to pay the New Customer Rate under Section 12 or 13 of this Rule may have the option of paying their pro-rata share of the original Customer Advance as if they had been part of the original extension in lieu of the New Customer Rate. (N)

Section 16: Extensions for Large Commercial or Industrial Loads (T)

The request for facilities extensions by large commercial or industrial Customers whose maximum hourly connected load exceeds 1,100 cubic feet per hour shall be assessed in the following manner:

A Facilities Investment Analysis will be performed. If a Customer Advance is required, the Customer may elect either to pay a refundable Customer Advance or to pay a New Customer Rate pursuant to a special contract. The review and refund procedures are as outlined in Section 8 above. However, subsequent incremental load will be included in the review process.

Section 17: Rule 28 (N)

The installation of facilities under the provisions of this rule and Schedule 7 shall be subject to the provisions of Rule 28, Income Tax Rider, Contributions In Aid of Construction. (N)

Issued: July 25, 2003
Advice No.: 2003-17

Effective: September 1, 2003

Issued By Puget Sound Energy

By: 

Karl R. Karzmar

Title: Director, Regulatory Relations