

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket Nos. UE-090704 and UG-090705
Puget Sound Energy, Inc.'s
2009 General Rate Case**

ICNU DATA REQUEST NO. 02.19

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With regard to the Prefiled Supplemental Testimony of R. Clay Riding, page 4 lines 7 through line 16, please explain if PSE has ever been unable to acquire the needed gas supplies at Sumas or expects to have this difficulty in the future.

Response:

Puget Sound Energy, Inc. ("PSE") has generally been able to acquire needed gas supplies at Huntingdon/Sumas. However, in recent years PSE has also acquired gas supplies at Station 2, so it is unknown whether all of the B.C. gas supplies could have been acquired at Sumas.

Historically, producers and marketers have held T-South capacity to enable gas sales at Huntingdon/Sumas, but that landscape has changed dramatically. Over the past several years, there has been a significant reduction in the quantity of contracted T-South firm pipeline capacity. As much as 40% of T-South firm capacity has not been under contract.

The recent pace and volume of decontracting by upstream producers on the T-South system concerns PSE. Liquidity of firm natural gas supplies at the Sumas trading hub is likely to decline as a result of this recent decontracting. As the proportion of natural gas supplies at Sumas shifts from supplies transported on firm capacity to supplies transported on non-firm capacity the underlying firmness or liquidity of the Sumas hub is likely to decrease, creating a reliability of supply risk for PSE.

Rather than simply continuing to rely on the possible existence of a liquid market for firm purchases at Sumas, PSE is proactively diversifying the supply of natural gas for its power generation assets. By acquiring a small incremental portion of T-South transport, PSE is mitigating the risk that could well develop should the Sumas market become less liquid on a daily or spot basis.

For example, during cold-weather periods full capacity to Huntingdon/Sumas has been utilized by firm and interruptible shippers. Thus, a substantial portion of gas available

for purchase at Huntingdon/Sumas during cold-weather periods has been transported under interruptible capacity. Westcoast Energy is under no obligation to maintain or operate its system under critical conditions in order to guarantee interruptible transportation service. For this reason, reliance on supply purchases solely at Huntingdon/Sumas would introduce the risk that some of the supply might not be available when most needed.

Finally, with Northern B.C. pipeline expansions being introduced to export B.C, supplies into Alberta and/or to the proposed Kitimat LNG export facility, PSE needs to be positioned in a way that will enable it to access and compete for supplies.