



ATTORNEY GENERAL OF WASHINGTON

800 Fifth Avenue #2000 • Seattle WA 98104-3188

October 25, 2013

SENT VIA E-MAIL

Steven King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
P.O. Box 47250
Olympia, WA 98504-7250

Re: Puget Sound Energy Tariff WN U-2 Revision, RE: Natural Gas Compression Facilities, Docket UG-131589

Dear Mr. King:

Public Counsel submits this letter in response to Puget Sound Energy's (PSE) natural gas tariff filing regarding natural gas compression facilities, submitted on September 27, 2013. These comments address Public Counsel's concern regarding this proposal and our recommendations.

Public Counsel Recommendation

Public Counsel supports Staff's recommendation to suspend the tariff and set the matter for hearing.

PSE's tariff filing, if allowed to go into effect, would create a new service to customers that would install utility-owned compression facilities on the customer's premise for purposes of fueling natural gas vehicles (NGV). The Company's August 28 filing letter states:

Alternative fuels provide lower greenhouse gas and other emissions and lower costs than traditional fuels, benefitting customers directly as well as the region indirectly...PSE feels that providing clear choices around the use of these alternative transportation fuels is part of its role in serving its customers, both directly and indirectly.

While Public Counsel supports efforts to reduce greenhouse gases from the transportation sector, this proposal falls outside the scope of appropriate activity for a regulated natural gas utility. NGV fueling is not a part of the Company's role in providing its customers with retail natural gas utility service, creates additional risk for ratepayers, and may potentially harm the development of a competitive NGV fueling infrastructure.



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To: Steve King
Re: Docket No. UG-131589
October 25, 2013
Page 2

In June 2013, the National Association of Consumer Advocates (NASUCA) adopted a resolution addressing natural gas utility participation in the non-regulated vehicle refueling market.¹ For your convenience, this resolution is included as an attachment to this letter. The resolution discusses concerns associated with utility involvement in the type of activity proposed by PSE, including risks to ratepayers, direct or indirect cross-subsidies by traditional ratepayers, and monopolistic advantages relative to potential private sector competitors. With these concerns in mind, NASUCA resolved that natural gas refueling stations should be a competitive business, and should not be directly or indirectly subsidized by retail ratepayers. Additionally, NASUCA stated that any services or investments for NGVs or fueling infrastructure provided by a utility, beyond the distribution of natural gas, must be performed through an unregulated affiliate, governed by appropriate affiliate transaction rules.

Public Counsel shares the concerns expressed in the resolution, and supports Staff's recommendation to suspend the tariff and set the matter for hearing.

I will attend the Commission's October 30th, 2013, Open Meeting to address any questions regarding these comments.

Sincerely,



Stefanie Johnson
Regulatory Analyst
Public Counsel
(206) 389-3040

cc: Dave Gomez (E-mail)
Ken Johnson (E-mail)

¹ NASUCA Resolution 2013-04, *Urging Public Utility Commissions To Protect Against Retail Ratepayer Subsidization of Regulated Natural Gas Utility Participation In The Non-Regulated Natural Gas Vehicle Refueling Market*. (Included Attachment A).

**THE NATIONAL ASSOCIATION OF
STATE UTILITY CONSUMER ADVOCATES**

RESOLUTION 2013 - 04

Urging Public Utility Commissions To Protect Against Retail Ratepayer Subsidization Of Regulated Natural Gas Utility Participation In The Non-Regulated Natural Gas Vehicle Refueling Market.

WHEREAS, natural gas is increasingly being utilized to fuel cars and vehicle fleets as a domestically abundant, clean and cheap alternative to gasoline and diesel;

WHEREAS, the number of natural gas vehicle refueling stations is steadily growing throughout the United States with billions of dollars in private investment from non-utility businesses and over 40 private competitors

WHEREAS, gas distribution utilities are regulated since they operate as a legal monopoly and have a captive customer base within their prescribed service territory;

WHEREAS, regulated gas distribution utilities have increasingly begun to enter or advocate for permission to enter the natural gas vehicle refueling market so they may build, own, operate and maintain natural gas refueling stations;

WHEREAS, a regulated gas distribution utility's involvement in this market is outside the scope of its traditional monopoly service, namely, the distribution of natural gas to retail consumers;

WHEREAS, the ownership, operation and maintenance of natural gas refueling stations by gas distribution utilities puts traditional ratepayers at risk for revenue shortfalls from poorly performing stations;

WHEREAS, gas distribution utility ownership, operation or maintenance of natural gas refueling stations may result in cross-subsidies of the new services by traditional ratepayers either directly or indirectly due to the complex overlapping of monopoly and competitive utility roles;

WHEREAS, a utility's involvement in the natural gas refueling market gives it monopolistic advantages relative to potential private sector competitors, given the utility's low cost of capital, name brand equity, well-developed customer access within its respective service territory, ability to cross subsidize service offerings and other advantages the utility has as a monopoly provider; and

ATTACHMENT A

WHEREAS, these advantages will create an anti-competitive market that will discourage private investment, reduce competition and therefore impede the development of a robust natural gas vehicle refueling market.

NOW THEREFORE NASUCA RESOLVES

Natural gas refueling stations should be a competitive business. As such, retail ratepayers should not be required to subsidize, either directly or indirectly, any gas distribution utilities' natural gas refueling stations.

BE IT FURTHER RESOLVED that gas distribution utilities should not be allowed to provide any services or investments for natural gas vehicles or natural gas fueling infrastructure, beyond the distribution of natural gas, unless that function is performed through an unregulated affiliate governed by appropriate affiliate transaction rules. Such services and investments should include:

- Any work to build, own, maintain and operate natural gas refueling stations;
- The provision of compression equipment for refueling stations on customer property or downstream of the customer meter;
- Natural gas vehicle maintenance and conversions, and
- Any other natural gas refueling station related activity.

BE IT FURTHER RESOLVED that NASUCA authorizes its Executive Committee to develop specific positions and to take appropriate actions consistent with the terms of this resolution. The Executive Committee shall advise the membership of any proposed action prior to taking such action, if possible. In any event, the Executive Committee shall notify its membership of any action taken pursuant to this resolution.

Approved by NASUCA: 2013 NASUCA Mid Year Meeting

Submitted by:

Place: Seattle, WA

NASUCA Gas Committee

Date: June __, 2013