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August 28, 2013

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

RE: Advice No. 2013-16 – Natural Gas Tariff Filing – Filed Electronically

Dear Mr. King:

Pursuant to RCW 80.28.060, WAC 480-80-101 and -105, please find enclosed for filing the following proposed revisions to the WN U-2, tariff for natural gas service of Puget Sound Energy, Inc. (the “Company” or “PSE”):

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)

The purpose of this filing is provide an optional service to eligible non-residential PSE natural gas customers for PSE to install compression facilities located on the customer's premise that will enable customers to fuel natural gas motor vehicles. Natural gas fueled vehicles lower the environmental impact of transportation, including reducing carbon dioxide (CO₂) emissions. By increasing options for customers to have natural gas compression facilities on-site, where the customer's vehicles return at the end of the day to refuel, customers can increase their use of natural gas in transportation, traveling more miles on low-cost, low-emission natural gas.

PSE wants our customers to have improved choice in how they fuel their vehicles. Alternative fuels provide lower greenhouse gas and other emissions and lower costs than traditional fuels, benefitting customers directly as well as the region indirectly. Serving electricity and natural gas to over 1 million electric customers and over 750,000 natural gas customers in the Puget Sound Region, 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. This new optional program is one way in which the Company can provide these choices and benefits within its context as a utility that provides electricity and natural gas for use in homes and businesses, and increasingly as a transportation fuel.

Description of service

The proposed compressed natural gas service ("CNG Service", "CNG") consists of Company-provided natural gas conditioning/drying, compression and associated storage facilities to increase the pressure of the natural gas delivered to customer for the refueling of natural gas vehicles ("NGV"). This may include provision of fueling dispensers, if requested by the customer. This will provide customers with the opportunity for a turn-key solution for providing the gas pressure required for vehicle fueling without a significant upfront capital investment into compression facilities by the customer. Since PSE will own, operate and maintain the facilities, this should remove any concerns a customer may have with maintaining high pressure gas equipment. The Company or its contractor will perform scheduled maintenance to ensure the facilities continue to operate at optimal levels. CNG Service will be made available where PSE believes that CNG can be delivered safely, is technically feasible, where there is adequate system capacity, and subject to equipment availability and acceptability of commercial terms.

Target market

PSE anticipates that the customers most interested in this service will be fleet owners that operate medium to large vehicle fleets with regular and routine return-to-base operations. There are estimated to be more than 75 of these types of operations in PSE's natural gas service territory. The relatively high incremental cost for CNG vehicles combined with the capital cost of the fueling station creates a market where typically only relatively large fleets with high fuel consumption can achieve acceptable savings relative to the high cost of switching to CNG. Fleets such as waste haulers, regional delivery, package delivery, public transit, some school fleets, and cement providers are the most likely potential customers.

Pricing structure

The pricing for this service will vary for each installation and will be defined in the customer's Natural Gas Compression Service Agreement (as part of Schedule 54). The pricing for a

customer will be based on the costs of the customer-specific requested facilities and reflect aspects of constructing, operating and maintaining those facilities at the customer site.

The determination of price will occur using a CNG Pricing Model, an economic test based upon a discounted cash flow calculation with consideration of the estimated annual CNG service volume and the estimated Company costs and expenses of providing the CNG Service for the specific customer. The customer may elect to pay the contracted volume compression charge as a fixed monthly charge or as a volumetric charge subject to a minimum volume requirement. That one-time election will occur at the beginning of the term of service agreement. A copy of the CNG Pricing Model, in electronic medium, will be on file with the WUTC staff. The charges under this optional service will be in addition to the charges for natural gas service billed in accordance with the non-residential rate schedule on which the customer is served.

Because customers served under this service will pay the full incremental costs associated with the provision of this service to their site, the addition of this optional service offering should have no negative cost impact on other ratepayers. The program is also designed in such a manner as to mitigate any risks associated with providing a new utility service. For instance, participating customers will be required to have an credit rating acceptable to PSE prior to providing service. In addition, if the customer terminates service prior to the end of the term established in the service agreement, the customer shall be obligated to pay to the Company a make-whole amount equivalent to all of the Company's unrecovered capital. If service is terminated early, much of the equipment likely can be removed and redeployed to another customer site, or sold.

Consistent with support from national policy, state policy, and state laws

Washington State policy gives support for expanding the availability of CNG infrastructure. The State Energy Strategy 2012 makes the following observations:

“there is comparatively little use of CNG in by Washington State fleets”

“The availability of fueling infrastructure is a key concern to the further deployment of CNG vehicles”

By increasing the use of CNG in Washington State, greenhouse gas emissions can be reduced. Washington State Law recognized that the transportation sector is the leading contributor to greenhouse gases:

RCW 80.80.005

(c) Washington state greenhouse gases are substantially caused by the transportation sector of the economy;

There is national and state policy support for regulated natural gas companies providing CNG services to natural gas customers. NARUC fully supports natural gas companies participating in owning and operating CNG fueling equipment. The NARUC AFV Resolution states:

NARUC AFV Resolution

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NARUC supports a competitive AFV marketplace, where *utility companies*, businesses, governments, and third-party service providers are able to participate in the owning, leasing, operating, or maintenance of charging or fueling equipment. [emphasis added]

In RCW 80.28.280, Washington State Law encourages the investment in CNG refueling stations is in the public interest by stating that:

RCW 80.28.280

The development of compressed natural gas refueling stations are in the public interest.

In RCW 80.28.280, Washington State Law explicitly acknowledges that regulated natural gas companies should be encouraged to invest in CNG refueling infrastructure by the Commission:

RCW 80.28.290

Commission shall identify barriers to the development of CNG refueling stations and shall develop policies to remove such barriers.

Commission shall consider providing rate incentives to encourage natural gas companies to invest in refueling infrastructure.

The tariff sheets described herein reflect an issue date of August 28, 2013, and effective dates of November 1, 2013. 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.

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,



Lynn F. Logan, Tariff Consultant

for

Ken Johnson

Director, State Regulatory Affairs

Enclosure

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