

BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET NO. UG-031216

NARRATIVE

1 Puget Sound Energy, Inc. (PSE) and Staff of the Washington Utilities and
Transportation Commission (Staff) urge adoption the Settlement Agreement filed
under this docket for the reasons set forth in this Narrative.

The Scope of the Underlying Dispute

2 In the original tariff revisions filed on July 25, 2003, Staff objected to the
disparate rates assigned to new customers. Specifically, a new customer in a new
development is assigned a different rate than a new customer in an existing
neighborhood.

3 The background for the rate structure is as follows. PSE has two methods to
receive additional cash flow from a new customer when a gas line extension project
does not pass the test for free extension: the payment of a refundable customer
advance, or the agreement to pay a “new customer rate” for five years coupled with
a nonrefundable qualification payment, if necessary. Under the customer advance
option, a new customer in a new development and a new customer in an existing

neighborhood are treated in an identical manner. However, under the “new customer rate” option, a new residential customer in a new development pays a “new customer rate” of 11.5 cents per therm for five years and the developer pays any required qualification payment. On the other hand, a new small commercial customer in a new development or in an existing neighborhood, and a new residential customer in an existing neighborhood pay a new customer rate of seventeen cents per therm, for five years, and any required qualification payment. The result of the rate structure is that similarly situated customers may be treated differently.

The Scope of the Settlement and the Settlement’s Principle Aspects

4 Exhibits A through F to the Settlement Agreement embody the resolution of the underlying dispute between Staff and PSE. The proposal ties application of the “new customer rate” to the rate of return for the particular project rather than the condition of the neighborhood (new versus existing) at the time of installation. Table A, located on page 3 of this Narrative summarizes the settlement’s principle aspects.

Summary of Legal Points and Public Interest

5 The proposal results in rates that are fair, just, and reasonable and in the public interest. Since rates resulting from the proposal are based on the rate of return of a new customer project rather than the condition of the neighborhood (new versus existing), similarly situated customers are treated similarly. In addition, no significant change in annual revenue results from the proposal. For all of the above reasons, Staff and PSE support the proposal contained in the Settlement Agreement.

Table A

Determination of Rate	Change as a result of Settlement
Rate paid by current customers	Unchanged.
Qualifying payment requirement	Unchanged (projects resulting in a rate of return of seventy-five percent or less of PSE’s allowed rate of return are required to make a qualifying payment).
Option of paying a refundable customer advance (all customers)	Unchanged.
Cost of Extension	<ol style="list-style-type: none"> 1. Unchanged (no cost) for new customer projects resulting in a rate of return at or above PSE’s allowed rate of return. 2. The “new customer rate” of 11.5 cents per therm applies to new customer projects resulting in a rate of return of eighty to one hundred percent of the company’s allowed rate of return. 3. The rate of 17 cents per therm applies to new customer projects resulting in a rate of return below eighty percent of the company’s allowed rate of return.

WASHINGTON UTILITIES &
TRANSPORTATION COMMISSION

PUGET SOUND ENERGY

MERTON LOTT
Energy Industry Coordinator

KARL R. KARZMAR
Director Regulatory Relations

Date Signed: _____

Date signed: _____