



CtHosea

STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250

(206) 753-6423 • (SCAN) 234-6423 • TDD (206) 586-8203 Ref: UG-950450

May 18, 1995

David S. Johnson, Attorney
Washington Natural Gas
815 Mercer Street
PO Box 1869
Seattle, Washington 98109

Carol S. Arnold, Attorney
Preston Gate & Ellis
5000 Columbia Center
701 5th Avenue
Seattle, Washington 98104-7078

Dear Mr. Johnson and Ms. Arnold,

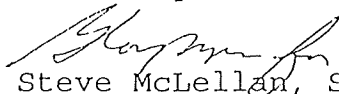
On April 11, 1995, the Commission received a petition for declaratory order from Washington Natural Gas Company, asking the Commission to declare the meaning of a tariff whose provisions were authorized by Commission order in Docket No. UG-920840.

The petition named several WNG customers as disputing the company's interpretation of the order and resulting tariff. Those customers answered the petition prior to the Commission's service of notice of the petition on affected persons pursuant to RCW 34.05.240(3). The Commission has identified the parties of record in Docket UG-920840 as persons that it believes desirable to serve under that statute, and provides that notice via a copy of this letter and a copy of pleadings received to date. Submissions from them will be timely if received by June 2, 1995; responses may be submitted if received before June 12, 1995.

The Commission understands the customers' answer to be a waiver of notice. The Commission also understands the answer to constitute consent to proceeding upon the declaratory order, pursuant to RCW 34.05.240(7). It requests that, if those understandings are correct, counsel for the responding customers so state in writing to the Commission by May 25, 1995, with a copy served upon the parties to Docket No. UG-920840.

Upon receipt of the written waiver and consent, the Commission will consider the petition. Pursuant to RCW 34.05.240(5)(c), it intends to enter an order within 90 days after receipt of the petition unless good cause requires it to extend that date. The Commission reserves the options, if after beginning its review it believes doing so to be necessary or appropriate, to extend the time for its action under RCW 34.05.240(6); to set the matter for specified proceedings under RCW 34.05.240(5)(b); or to decline to enter an order pursuant to RCW 34.05.(5)(d).

Sincerely,


Steve McLellan, Secretary





RECEIVED BY FAX ON 5/12/95
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PRESTON GATES & ELLIS
ATTORNEYS

May 12, 1995

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

VIA FACSIMILE; ORIGINAL TO BE MAILED

Steve McLellan, Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr, S.W.
P. O. Box 47250
Olympia, WA 98504-7250

Re: Docket No. UG-950450 -- Washington Natural Gas Company

Dear Mr. McLellan:

We represent the respondents in the above-referenced matter. Although we have filed a preliminary response on behalf of our clients, it is my understanding that the Commission will formally serve the respondents with copies of the Petition for Declaratory Order sometime this week.

The respondents request a hearing in this matter so that evidence may be presented to the Commission. In addition, we would like the opportunity to respond to the submission of the Commission Staff filed on May 10, 1995, and we request a schedule for filing responses.

Thank you for your attention to this matter.

Very truly yours,

PRESTON GATES & ELLIS

By

Carol S. Arnold

CSA:jal

cc: David Scott Johnson
Robert Cedarbaum
Donald Trotter

26908-00.00265L27X.DOC

A PARTNERSHIP INCLUDING A PROFESSIONAL CORPORATION

ANCHORAGE • COEUR D'ALENE • LOS ANGELES • PORTLAND • SPOKANE • TACOMA • WASHINGTON, D.C.
5000 COLUMBIA CENTER 701 FIFTH AVENUE SEATTLE, WASHINGTON 98104-7078 PHONE: (206) 623-7580 FACSIMILE: (206) 623-7022



Christine O. Gregoire

ATTORNEY GENERAL OF WASHINGTON

Utilities and Transportation Division

1400 S Evergreen Park Drive SW • PO Box 40128 • Olympia WA 98504-0128 • (206) 753-2281

May 10, 1995

RECEIVED
RECORDS MANAGEMENT
95 MAY 10 AM 2:49
STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

Mr. Steve McLellan, Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, Washington 98504

Re: Washington Natural Gas Company
Docket No. UG-950450

Dear Mr. McLellan:

On April 11, 1995, Washington Natural Gas Company filed a Petition for Declaratory Order interpreting the Minimum Annual Throughput Requirement provision of the Company's current Schedule 57. That provision requires the Company to assess a deficiency charge against a customer whose annual throughput is less than 750,000 therms.

An order is requested because of a dispute between the Company and five customers who refuse to pay deficiency charges the Company has assessed under Schedule 57. The Company interprets Schedule 57 to require an assessment based on each customer's site specific annual throughput, whether or not that customer's ability to meet the annual minimum threshold for transportation service was determined through aggregation of its meters at multiple sites. The customers interpret Schedule 57 to allow aggregation of meters at multiple sites for determining both qualification for transportation service and deficiency charges.

The Commission Staff has examined the arguments of both sides, along with the relevant tariff provisions and the record from Docket No. UG-920840, the proceeding in which the deficiency charge provision was established. Please be advised that Staff supports the Company's interpretation of Schedule 57. First, the tariff itself is clear. (Attachment.) While aggregation is allowed for determining the annual minimum threshold and for calculating any balancing service charges, the tariff makes no mention whatsoever of aggregation for purposes of calculating any deficiency charge.

Mr. Steve McLellan
May 10, 1995
Page 2

Second, this lack of a provision for aggregation is not an oversight. The Commission's order establishing Schedule 57 recognized that the principal purpose of aggregation was balancing, so that a customer would not be barred from transportation service by its failure to transport the minimum annual volume of 750,000 therms. (Docket No. UG-920840, 4th Supp. Order at 39 (Sept. 27, 1993).) There is no indication that the Commission intended the rates and charges assessed against a customer to be determined after aggregation of a customer's multiple meters. In fact, the Commission recognized that "economic consequences" would result if a customer fails to transport minimum volumes. (Id.) Such consequences would include deficiency charges. There is nothing unfair or inconsistent in allowing a customer access to transportation service based on aggregated volumes, while charging for that service based upon unaggregated, meter specific volumes.

Third, the customers' interpretation of Schedule 57 is directly contrary to the testimony of their own witness in Docket No. UG-920840 that the rates and charges for transportation service should be assessed on a site-by-site basis, regardless of aggregation. (See, Company Petition at 3-5.) The customers have given no reason now why a deficiency charge should be treated differently than other billing charges.

Finally, we see no basis for the estoppel argument raised by the customers. (See, Response at 3-4.) The Company has done nothing inconsistent with the position it has now taken. There is, therefore, no inconsistent Company position upon which the customers could have relied.

Moreover, there is no question that the Company must charge, and that customers must pay, the rates included in the tariff on file with the Commission. RCW 80.28.080. No variations from those rates are allowed, notwithstanding any basis in estoppel that might otherwise be available.

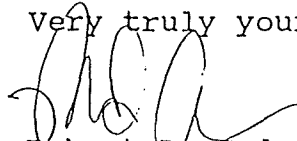
For these reasons, the Company's petition should be granted. This action can be taken by the Commission without hearing since the issue is purely one of tariff interpretation and the pleadings are complete in their reference to existing evidence from Docket

Mr. Steve McLellan
May 10, 1995
Page 3

No. UG-920840. Should the Commission set the matter for hearing, however, Staff will present a witness in support of the Company's position.

Thank you for your consideration of these comments.

Very truly yours,

A handwritten signature in black ink, appearing to read 'R. Cedarbaum', written over the typed name.

Robert D. Cedarbaum
Assistant Attorney General

cc: David Johnson
Carol Arnold

RECEIVED

SEP 01 1994

WASH. UT. & TRANS. COMM.

COPY

WASHINGTON NATURAL GAS COMPANY

SCHEDULE NO. 57

Large Volume Distribution System Transportation Service
(Firm and Interruptible)

AVAILABILITY:

This large volume distribution system transportation service is available throughout the territory served by the Company to nonresidential customers for transportation service whose requirements exceed 750,000 therms on an annual basis. This service through the Company's facilities is available from the point of receipt into the Company's distribution system to the customer's premise, provided that, in the sole judgment of the Company, there are adequate facilities in place to provide such service. A customer desiring transportation service under this schedule shall execute a service agreement.

A customer with meters at multiple sites may aggregate such meters for the purpose of meeting the annual minimum threshold for transportation service. Such aggregated meters must be served by a single city gate as determined by the Company, at its sole discretion, and will be specified in the customer's service agreement.

APPLICABILITY AND CHARACTER OF SERVICE:

1. Service under this schedule shall include:
 - (a) Receipt of gas and transportation through the Company's distribution facilities to a single delivery point specified in the service agreement.
 - (b) Measurement and delivery of customer's gas at the delivery point specified in the service agreement.
2. Service under this schedule, unless otherwise contracted for, is on an interruptible basis only. A customer contracting for firm transportation service under this schedule must specify by contract the daily amount, expressed in therms, of firm transportation desired.
3. Gas service supplied on this schedule shall not be interchangeable with any other gas service supplied by the Company.

(D)

(Continued on Sheet No. 157-A)

ADVICE NO. 699-F512

Issued September 1, 1994

Effective

With all service on
and after October 2, 1994

Issued By Washington Natural Gas Company, Seattle, Washington

By Ronald J. Amen *Ronald J. Amen* Title Director, Rates & Special Studies

COPY

WASHINGTON NATURAL GAS COMPANY

SCHEDULE NO. 57 (Continued)
Large Volume Distribution System Transportation Service
(Firm and Interruptible)

RATE:

For purposes of this rate, the measurement of service shall be expressed in therms, each equivalent to 100,000 British Thermal Units.

Customer Charge per month, \$500.00

Firm Distribution Capacity Reservation Charge (Contract Demand):

\$1.00 per therm of daily contract demand per billing period

Distribution System Transportation Service Commodity Charge For All Therms Delivered:

First 100,000 therms per month 9.982¢ per therm

All over 100,000 therms per month 4.600¢ per therm

(1)
(1)

Transportation costs as set forth in the service agreement will be billed to the customer's account.

Minimum Monthly Bill hereunder is \$4,516 plus the customer charge, the firm distribution capacity reservation charge, and amounts otherwise due under this schedule.

Minimum Annual Throughput Requirement hereunder is 750,000 therms. If a customer's actual annual throughput is less than 750,000, the customer is considered to be in a deficiency position. A customer's annual deficiency throughput shall be calculated by subtracting such customer's actual annual throughput from 750,000 therms. Such calculated annual deficiency throughput amount shall be billed to the customer at a rate of 9.900¢ per therm.

(1)

(Continued on Sheet No. 157-B)

ADVICE NO. 681-F508

Issued May 31, 1994

Effective

With all service on

and after June 4, 1994

By Authority of the Washington Utilities and Transportation Commission's Fourth Supplemental Order in Docket No. UG-931405

Issued By Washington Natural Gas Company, Seattle, Washington

Ronald J. Amen

Ronald J. Amen

Title

Director, Rates & Special Studies

Sub Second Revision Sheet No. 157-B
Cancelling
First Revision Sheet No. 157-B

COPY

WASHINGTON NATURAL GAS COMPANY

SCHEDULE NO. 57 (Continued)
Large Volume Distribution System Transportation Service
(Firm and Interruptible)

(C)
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(N)

Balancing Service will be provided except during periods when the Company is subject to distribution or pipeline restrictions. During such periods, the daily volume delivered to the customer is limited to the customer's daily confirmed nomination. The daily volume delivered in excess of the daily confirmed nomination will be billed at the unauthorized use of gas rate described in this schedule.

Daily delivered volumes will be accumulated at the end of the current billing period and shall be equal to the customer's total confirmed nominations for the current billing period. For any usage not equal to confirmed nominations, the following balancing charges apply:

The accumulated daily delivered volumes for the current billing period in excess of the accumulated confirmed nominations for the current billing period shall be billed at the following authorized billing period imbalance rates.

<u>Percentage of Excess Accumulated Daily Delivered Volumes</u>	<u>Percentage of WNG's Commodity Cost of Gas Shown on Schedule No. 101</u>
Greater than 0% and up to 5%	No charge
Greater than 5% and up to 8%	150%
Greater than 8% and up to 10%	200%
Greater than 10% and above	\$2.00 per therm

The customer will be given the subsequent billing period to balance the excess accumulated delivered volumes between zero and five percent. In the event that the customer remains out of balance at the end of the subsequent billing cycle, the customer shall be billed an amount equal to the remaining excess accumulated daily delivered volumes at a rate of \$2.00 per therm. When the customer's excess accumulated daily delivered volumes has reached zero during that subsequent billing period, that balancing period will be deemed over; no balancing charges will be assessed.

(N)

(Continued on Sheet No. 157-C)

(K) denotes material moved to Sheet Nos. 157-D and 157-E

ADVICE NO. 597-F502

With all service on

Issued October 4, 1993

Effective and after October 9, 1993

By Authority of the Washington Utilities and Transportation Commission In Docket No. UG-920840

Issued By Washington Natural Gas Company, Seattle, Washington

Sub First Revision Sheet No. 157-C
Cancelling
Original Sheet No. 157-C

COPY

WASHINGTON NATURAL GAS COMPANY

SCHEDULE NO. 57 (Continued)
Large Volume Distribution System Transportation Service
(Firm and Interruptible)

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

Title to the accumulated confirmed nominations for the current billing period in excess of the accumulated daily delivered volumes for the current billing period shall automatically transfer to the Company, and the Company shall credit the customer's account for such volumes at the following authorized billing period imbalance rates.

<u>Percentage of Excess Accumulated Daily Confirmed Nominations</u>	<u>Percentage of WNG's Commodity Cost of Gas Shown on Schedule No. 101</u>
Greater than 0% and up to 5%	No charge
Greater than 5% and up to 8%	67%
Greater than 8% and up to 10%	50%
Greater than 10% and above	Zero cost

The customer will be given the subsequent billing period to balance the excess accumulated confirmed nominations between zero and five percent. In the event that the customer remains out of balance at the end of the subsequent billing cycle, the Company will take title to the remaining excess accumulated confirmed nomination volumes at zero cost. If at any time the customer's excess accumulated confirmed nominations has reached zero during that subsequent billing period, that balancing period will be deemed over; no balancing charges will be assessed.

If the delivery of the customer's gas supply is delayed by Company-imposed curtailment of service, the period for balancing the volume delivered to the customer with the customer's confirmed nomination shall be extended by the number of days service was curtailed.

A customer with meters at multiple sites may aggregate such meters for the purpose of determining the calculation of any balancing service charges. Such aggregated meters must be served by a single city gate as determined by the Company, at its sole discretion, and will be specified in the customer's service agreement.

(N)

(Continued on Sheet No. 157-D)

(K) denotes material moved to Sheet No. 157-F

ADVICE NO. 597-F502

Issued October 4, 1993

Effective With all service on
and after October 9, 1993

By Authority of the Washington Utilities and Transportation Commission in Docket No. UG-920840

Issued By Washington Natural Gas Company, Seattle, Washington

WN U-2

Original Temporary Sheet No. 157-D
Cancelling
Original Sheet No. 157-D

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WASH. UT. & TRANS. COMM.

COPY

WASHINGTON NATURAL GAS COMPANY

SCHEDULE NO. 57 (Continued)
Large Volume Distribution System Transportation Service
(Firm and Interruptible)

TERM:

Customers receiving service under this schedule shall execute a service agreement for a period of time not less than one year. The agreement shall state the maximum daily volume of gas to be transported. Provisions for cancellation or renewal of the aforesaid service agreement shall be set forth in the agreement.

PAYMENT:

Bills are issued net, are due and payable when rendered, and become past due after fifteen days from date of bill.

GENERAL RULES AND REGULATIONS:

Service under this schedule is subject to the rules and regulations contained in the Company's tariff and is subject to changes from time to time as allowed by the Washington Utilities and Transportation Commission.

SPECIAL TERMS AND CONDITIONS:

1. The rates named herein are subject to conditions and increases as set forth in Schedule No. 1 and in supplemental schedules when applicable.
2. Billing and payment arrangements for supply and pipeline transportation of volumes under this schedule are the sole responsibility of the customer.
3. The minimum monthly bill shall not be subject to cancellation or reduction for seasonal or temporary periods as long as service is provided under this schedule. (D) (T)
4. Transportation service under this schedule, unless otherwise contracted for, is on an interruptible basis. A customer, electing to transport its firm gas requirements under this schedule, waives its right to receive firm system supply gas as back-up for such requirements if the transported volumes are not delivered to the Company's system. Customer-owned gas usage shall be reduced to the extent that any customer-owned gas is not delivered into the Company's distribution system. (T)

(Continued on Sheet No. 157-E)

ADVICE NO. 699-F512

Issued September 1, 1994

Effective

With all service on

and after October 2, 1994

Issued By Washington Natural Gas Company, Seattle, Washington

By Ronald J. Amen *Ronald J. Amen* Title Director, Rates & Special Studies

First Revised Original Temporary Sheet No. 157-E
Cancelling
Original Temporary Sheet No. 157-E

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COPY

WASHINGTON NATURAL GAS COMPANY

SCHEDULE NO. 57 (Continued)
Large Volume Distribution System Transportation Service
(Firm and Interruptible)

- 5. The Company shall not be responsible for charges or fees incurred by the customer due to imbalances on customer's supply and/or transportation contracts with others that result from interruption or curtailment of customer's interruptible transportation volumes by the Company for any reason. Customer shall reimburse the Company for extra costs, charges, and penalties assessed against the Company but attributable to customer. (T)
 - 6. An existing customer not served under this schedule who desires large volume distribution system transportation service must notify the Company in writing by July 1 for such service beginning October 1 of that year. A customer currently served under this schedule who desires to switch to sales service must notify the Company in writing by July 1 to receive sales service effective October 1 of that year. (T)
 - 7. The Company, at its sole discretion, shall determine if it has adequate capacity to transport gas hereunder. (T)
 - 8. End-use taxes, fees and/or charges levied on customer-owned gas transported by others or by the Company shall be the responsibility of the customer. (T)
 - 9. On and after January 1, 1994, service under this schedule for new and existing customers shall require Company-specified metering/telemetering equipment or data transmission equipment as specified in the large volume distribution system transportation service agreement. The Company may, if good cause is shown, grant extensions not to exceed ninety days for the installation of operable Company-specified equipment. The Company shall report in writing to the Washington Utilities and Transportation Commission when granting any extension of time for the installation of required equipment, stating the reason for such extension and, if the customer has received an earlier extension, what exceptional circumstances justify further extension. (T)
- The cost of metering/telemetering equipment or data transmission equipment and associated service cost initially installed at the customer's facility will be charged to the customer. Any subsequent change in the customer's requirements necessitating a change in metering/telemetering equipment or data transmission equipment and associated service cost will be charged to the customer. After the above-described installation, any Company-ordered changes or additions in metering/telemetering equipment, data transmission equipment, and any associated facilities required for the installation shall be acquired and installed at the Company's expense.
- 10. For purposes of this rate schedule, entitlement or curtailment for any portion of a twenty-four hour day shall be considered one day's entitlement or curtailment. The gas delivery day is defined as that twenty-four hour period beginning and ending at the times specified in the large volume distribution system transportation service agreement. (T)

(Continued on Sheet No. 157-F)

ADVICE NO. 699-F512

Issued September 1, 1994

Effective

With all service on

and after October 2, 1994

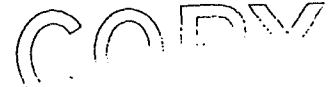
Issued By Washington Natural Gas Company, Seattle, Washington

By Ronald J. Amen *Ronald J. Amen* Title Director, Rates & Special Studies

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WASH. UT. & TRANS. COMM.



WASHINGTON NATURAL GAS COMPANY

SCHEDULE NO. 57 (Continued)
Large Volume Distribution System Transportation Service
(Firm and Interruptible)

- 11. In the event the customer desires to convert to sales service before the end of its one-year term for large volume distribution system transportation service, the Company will determine if it has adequate capacity and gas supply available to permit the customer's conversion to sales service. If permitted, the customer is required to execute a sales service agreement for the remaining transportation service term through the next September 30. In addition to sales service costs, the customer shall continue to be responsible for the minimum monthly bill for the remaining term of its large volume distribution transportation service agreement through September 30. (T)
- 12. For purposes of this rate schedule, services will be provided in the following sequence: (T)
 - (a) Gas purchased by the customer and transported by the customer as customer-owned gas as specified in the transportation service agreement.
 - (b) Balancing service.
 - (c) Unauthorized use of gas.

UNAUTHORIZED USE OF GAS:

If customer fails to comply with the Company's request to curtail or interrupt its use of gas in accordance with the provisions herein set forth under APPLICABILITY AND CHARACTER OF SERVICE and SPECIAL TERMS AND CONDITIONS, all gas used in excess of such curtailment shall be billed at the applicable Rate Schedule No. 87 demand and commodity rates; and, in addition, the customer shall pay its pro rata share of any penalties imposed upon the Company by its supplier(s) on the day(s) of violation or at the penalty rate of two dollars (\$2.00) per therm, whichever is greater. The provisions of this paragraph are exclusive of, and in addition to, the Company's right to enforce compliance with its curtailment or interruption request by immediate suspension of all gas service to the customer.

ADVICE NO. 699-F512

Issued September 1, 1994

Effective

With all service on

and after October 2, 1994

Issued By Washington Natural Gas Company, Seattle, Washington

By Ronald J. Amen *Ronald J. Amen* Title Director, Rates & Special Studies



David S. Johnson
Attorney

May 8, 1995

VIA COURIER

Mr. Steve McLellan, Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr SW
P.O. Box 47250
Olympia, WA 98504-7250

Re: Docket No. UG-950450
Washington Natural Gas Company

Dear Mr. McLellan:

Enclosed are an original and nineteen copies of the Company's Request for Permission to file a Reply in the above-referenced docket. Also enclosed are an original and nineteen copies of the Company's Reply. Please accept these documents for filing.

Very truly yours,

David S. Johnson

DSJ/jcv
cc w/enc: Carol Arnold, Esq.

RECEIVED
RECORDS MANAGEMENT
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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

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BEFORE THE WASHINGTON UTILITIES
AND TRANSPORTATION COMMISSION

WASHINGTON NATURAL GAS COMPANY,)	Docket No. UG-950450
)	
Petitioner,	)	CERTIFICATE OF SERVICE
)	
EVERETT GENERAL HOSPITAL, HOSPITAL)	
CENTRAL SERVICES, LANGENDORF BAKING)	
CO., INC., SISTERS OF CHARITY OF)	
PROVIDENCE, and PROVIDENCE HOSPITAL)	
EVERETT,)	
)	
Respondents.)	
)	

I hereby certify that on this day I served the Request by Washington Natural Gas Company for Permission to File a Reply, and the Company's proposed Reply, upon the following counsel of record, by delivery via facsimile transmission and by United States Mail, postage prepaid:

Carol Arnold, Esq.
5000 Columbia Center
701 Fifth Avenue
Seattle, WA 98104-7078

DATED: May 8, 1995.

WASHINGTON NATURAL GAS COMPANY
By David S. Johnson
David S. Johnson
Attorney

RECEIVED
GENERAL INVESTIGATIVE
DIVISION
MAY - 8 PM 4: 11
STATE OF WASH.
OFF. AND TRANSP.
COMMISSION

BEFORE THE WASHINGTON UTILITIES
AND TRANSPORTATION COMMISSION

WASHINGTON NATURAL GAS COMPANY,	)	Docket No. UG-950450
)	
Petitioner,)	
	)	REQUEST BY WASHINGTON
EVERETT GENERAL HOSPITAL, HOSPITAL	)	NATURAL GAS COMPANY FOR
CENTRAL SERVICES, LANGENDORF BAKING	)	PERMISSION TO FILE A
CO., INC., SISTERS OF CHARITY OF	)	REPLY TO RESPONSE TO
PROVIDENCE, and PROVIDENCE HOSPITAL	)	PETITION FOR DECLARATORY
EVERETT,	)	ORDER
)	
Respondents.)	

Pursuant to WAC 480-09-420(9)(b), Washington Natural Gas Company requests permission to file a Reply to the Response to the Company's Petition for Declaratory Order.

1. The Response claims in part that the Company is "estopped" from seeking a decision on the merits. But this argument is fatally flawed in several respects. The Company has prepared a Reply that refutes the estoppel claim. The Reply would assist the Commission in reviewing this claim. We respectfully ask the Commission to accept the Reply.

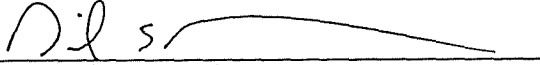
2. In accordance with WAC 480-09-425(3)(b), the Company would normally wait to file the Reply until after the Commission sets a time for filing. However, under the Commission's

REQUEST BY WNG FOR PERMISSION TO FILE
A REPLY TO RESPONSE TO PETITION FOR
DECLARATORY ORDER -1

1 declaratory order rule (WAC 480-09-230), affirmative action is
2 required on the Petition within 30 days from filing, or by May 11,
3 1995. This date is just a few days away. To permit the Commission
4 to fully analyze the estoppel argument by May 11, the Company has
5 submitted a proposed Reply coincident with this request.

6 DATED: May 8, 1995.

7
8 WASHINGTON NATURAL GAS COMPANY

9 By 
10 David S. Johnson
11 Attorney

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27 REQUEST BY WNG FOR PERMISSION TO FILE
28 A REPLY TO RESPONSE TO PETITION FOR
DECLARATORY ORDER -2

DAVID S. JOHNSON
815 MERCER STREET (P.O. BOX 1859)
SEATTLE, WASHINGTON 98111
TELEPHONE (206) 622-6767

RECEIVED
RECORDS MANAGEMENT

MAY -8 PM 4: 11
STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

BEFORE THE WASHINGTON UTILITIES
AND TRANSPORTATION COMMISSION

WASHINGTON NATURAL GAS COMPANY,)
)
) Petitioner,)
)
) EVERETT GENERAL HOSPITAL, HOSPITAL)
) CENTRAL SERVICES, LANGENDORF BAKING)
) CO., INC., SISTERS OF CHARITY OF)
) PROVIDENCE, and PROVIDENCE HOSPITAL)
) EVERETT,)
)
) Respondents.)

Docket No. UG-950450

REPLY BY WASHINGTON NATURAL
GAS COMPANY TO RESPONSE TO
PETITION FOR DECLARATORY
ORDER

The Customers have filed a response to Washington Natural Gas Company's Petition for Declaratory Order ("Petition"). They claim in part that, since the Company objected to an earlier petition filed by the Partnership for Equitable Rates for Commercial Customers (PERCC), the Company is allegedly estopped from bringing the Petition.

1. Equitable estoppel requires three essential elements: 1) a statement or act that is inconsistent with a party's later position; and 2) action by the other party in reasonable reliance on the faith of such statement or act; and 3) injury resulting from the repudiation of the statement or act (by the later position). McDaniels v. Carlson, 738 P.2d 254, 108 Wash. 2d 299 (1987);

REPLY BY WASHINGTON NATURAL GAS
COMPANY TO RESPONSE TO PETITION
FOR DECLARATORY ORDER -1

1 Liebergesell v. Evans, 613 P.2d 1170, 93 Wash. 2d 881 (1980).
2 Since the estoppel doctrine is not favored under Washington law,
3 all of these elements must be proved by clear, cogent, and
4 convincing evidence. Mercer v. State, 739 P.2d 403, 48 Wash. App.
5 496 (1987).

6 2. In this proceeding, the Customers' estoppel argument
7 fails for several reasons. First, the Company has not made an
8 affirmative statement or act that could remotely be viewed as
9 inconsistent with the Petition. The Company never took the
10 position that a deficiency penalty -- as required by Schedule 57 --
11 would not be imposed. To the contrary, the Company merely objected
12 last year to the untimely and inappropriate review of the
13 deficiency issue by way of PERCC's earlier petition. It is
14 impossible to infer from the objection that the Company did not
15 intend to enforce the deficiency penalty provisions contained in
16 Schedule 57.

17 3. Second, there has been no reliance by the Customers --
18 much less reasonable reliance -- on any inconsistent Company
19 action. In fact, the Customers were aware of the Company's
20 position on the deficiency issue as long ago as January 1994 (when
21 PERCC filed the earlier petition). According to that petition
22 (attached to the Response as Exhibit C):

23 ...WNG has recently advised its aggregation
24 customers that in addition to the minimum
25 bill, the Company intends to impose an annual
26 throughput deficiency penalty.

27 (P. 2 1. 11-12)(Emphasis added). The petition also stated:

28 REPLY BY WASHINGTON NATURAL GAS
COMPANY TO RESPONSE TO PETITION
FOR DECLARATORY ORDER -2

1
2 This penalty is charged at the end of the
3 transportation contract year, which currently
4 falls on or about September 30, 1994.

5 (P. 2 l. 15-16)(Emphasis added). Thus, the Customers knew very
6 early last year how the Company interpreted Schedule 57 and when
7 the Company would charge the penalty. The Company followed through
8 on its advice to the Customers and billed a penalty at the end of
9 the contract year, just as it said it would do (and just as
10 Schedule 57 requires it to do). Therefore, the Customers could not
11 have reasonably relied to their detriment on a Company position
12 from early 1994, when that position is the same as the position now
13 asserted by the Company.

14 4. Third, the Customers have not shown by clear, cogent, and
15 convincing evidence that they have been injured by any Company
16 action. The penalty is based upon the Customers' decision not to
17 meet the minimum annual throughput requirement, after they were
18 fully aware of the consequences of this decision. Further, the
19 Customers cannot claim injury as a result of estoppel, since they
20 didn't file the petition that gives rise to their claim. Although
21 the Response does state that "several" Customers were members of
22 PERCC (p.3, l.21), this wording suggests that some Customers were
23 not PERCC members. The Response fails to show how non-PERCC
24 members can claim injury stemming from PERCC's filing.

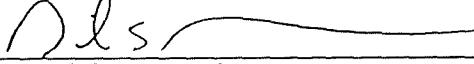
25 5. The deficiency penalty issue is now ripe for resolution.
26 An actual controversy clearly exists under RCW 34.05.240; the

27 REPLY BY WASHINGTON NATURAL GAS
28 COMPANY TO RESPONSE TO PETITION
FOR DECLARATORY ORDER -3

1 Company has billed the penalty to the Customers, and the Customers
2 refuse to pay the penalty. The deficiency issue should therefore
3 be resolved on the merits, and the estoppel argument should be
4 rejected.

5
6 DATED: May 8, 1995.

7
8 WASHINGTON NATURAL GAS COMPANY

9 By 
10 David S. Johnson
11 Attorney

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27 REPLY BY WASHINGTON NATURAL GAS
28 COMPANY TO RESPONSE TO PETITION
FOR DECLARATORY ORDER -4



PRESTON GATES & ELLIS
ATTORNEYS

April 27, 1995

VIA FEDERAL EXPRESS

Steve McLellan, Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive S.W.
P. O. Box 47250
Olympia, WA 98504-7250

Re: Docket No. UG-950450
Washington Natural Gas

Dear Mr. McLellan:

Enclosed for filing are the original and 20 copies of the Response to Petition by Washington Natural Gas Company for Declaratory Order in the above-referenced docket. Please return one file-stamped copy of the Response to us in the enclosed envelope. Thank you for your attention to this matter.

Very truly yours,

PRESTON GATES & ELLIS

By *Carol Arnold*
E. Thum
Carol S. Arnold

CSA:jal
Enclosure
cc: Ronald J. Amen
30410-00.001155L26P.DOC

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

A PARTNERSHIP INCLUDING A PROFESSIONAL CORPORATION

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON NATURAL GAS
COMPANY

Petitioner,

v.

PROVIDENCE MT. ST. VINCENT
RETIREMENT CENTER; PROVIDENCE
GENERAL MEDICAL CENTER/COLBY
CAMPUS; HOSPITAL CENTRAL
SERVICES ASSOCIATION;
LANGENDORF BAKING CO. OF
SEATTLE, INC.; and PROVIDENCE
GENERAL MEDICAL CENTER/PACIFIC
CAMPUS,

Respondents.

DOCKET NO. UG-950450

RESPONSE TO PETITION BY
WASHINGTON NATURAL GAS
COMPANY FOR DECLARATORY
ORDER

Providence Mt. St. Vincent Retirement Center, Providence General Medical Center/Colby
Campus, Hospital Central Services Association, Langendorf Baking Company of Seattle, Inc., and
Providence General Medical Center/Pacific Campus ("Respondents") for their response to the
Petition By Washington Natural Gas Company for Declaratory Order ("Petition"), state as follows:

1. Respondents are ratepayers and customers of Washington Natural Gas ("WNG" or
"Company"). Respondents were transportation customers taking service under WNG Rate
Schedule 57 for the period from November 1, 1993 to October 1, 1994.

RESPONSE TO PETITION BY
WASHINGTON NATURAL GAS
COMPANY FOR DECLARATORY
ORDER - 1

PRESTON GATES & ELLIS
5000 COLUMBIA CENTER
701 FIFTH AVENUE
SEATTLE, WASHINGTON 98104-7078
TELEPHONE: (206) 623-7580
FACSIMILE: (206) 623-7022

7060930

1 2. During the relevant period, Schedule 57 contained an annual minimum throughput
2 requirement of 750,000 therms per year. Schedule 57 permitted a customer, with meters at
3 multiple sites, to aggregate those meters for the purpose of meeting the annual minimum threshold
4 for transportation service. Respondents were eligible for this service, and they aggregated meters
5 at different sites to meet the annual requirement of 750,000 therms per year.

6 3. Schedule 57, during this period, required payment of a monthly minimum bill of
7 \$4,516.00 per meter, plus a monthly customer charge of \$500.00 per meter. Even though
8 Respondents' volumes were aggregated for purposes of meeting the minimum volume threshold,
9 they were not aggregated for billing purposes, and each meter was billed separately. Respondents
10 were required to pay and did pay at a minimum the monthly minimum bill of \$4,516.00, plus the
11 monthly customer charge of \$500.00, for each site served. Because of the minimum bill and the
12 customer charge, Respondents paid substantially more than a comparable customer taking the
13 same service at one site. For example, during the relevant period, the Sisters of
14 Providence/Everett paid customer charges, service charges, and minimum bills for transportation
15 service to their two Everett hospitals totaling approximately \$137,0000. The comparable charges
16 for a customer taking exactly the same volume of transportation service at a single site would have
17 been approximately \$77,000. (See, Exhibit A.)

18 4. Respondents thus have already paid charges for aggregated service far in excess of
19 the charge for equivalent transportation service to a single site. The Company has not suffered any
20 "deficiency" as a result of the fact that these customers aggregated volumes for transportation on
21 Schedule 57. To the contrary, the Company recovered substantially more than if Respondents had
22 taken transportation service at a single site. The Company's attempt to collect additional
23 "deficiency" payments is unwarranted and will result in excess revenues.¹

24 _____
25 ¹ Moreover, because the combined monthly payment of customer charge and minimum bill
26 of \$5,016.00 is all margin, the Company in some cases collected substantially more contribution to
margin than if Respondents had been sales customers. For an example, see Exhibit B.

1 5. The Petition mischaracterizes the nature of this controversy. The issue is not
2 whether or not the bill for transportation service should be calculated on a site-by-site basis. Both
3 the Partnership for Equitable Rates for Commercial Customers ("PERCC") and Doug Betzold,
4 president of Cost Management Services, Inc. ("CMS"), advocated billing customers on a site-by-
5 site basis, notwithstanding aggregation. (See, e.g., Testimony of D. Betzold, quoted at Petition, p.
6 4.) As explained above, Respondents paid the minimum bill and customer charges on a site-by-site
7 basis. In addition, Respondents paid WNG's block rates on an unaggregated, site-by-site basis. The
8 issue is not whether aggregation customers should pay on a site-by-site basis, but whether
9 Respondents should pay an additional annual "deficiency" payment because their annual volumes
10 for individual sites did not total 750,000 therms.

11 6. Nothing in Schedule 57 justifies imposing an annual "deficiency" payment on
12 Respondents. No Respondent transported less than 750,000 therms per year on an aggregated
13 basis.² The "Minimum Annual Throughput Requirement" provides that "if a customer's actual
14 annual throughput is less than 750,000, the customer is considered to be in a deficiency position."
15 As discussed above, the tariff also permits "a customer" with meters at multiple sites to aggregate.
16 It would be grossly unfair to interpret the tariff in such a way that "a customer" that aggregated
17 automatically became subject not only to the monthly minimum bill, but also to an annual
18 "deficiency" penalty. Such an interpretation would be a trap for every customer who in good faith
19 exercised the aggregation provision, and this would be grossly unfair.

20 7. The Company is estopped from asserting a "deficiency" penalty against
21 Respondents. PERCC, an organization of which several respondents were members, sought a
22 declaratory order from the Commission on the "deficiency" penalty issue over a year ago on
23 January 24, 1994. See, Exhibit C, "Petition By Partnership for Equitable Rates for Commercial
24

25 ² During the relevant period, Gai's Bakery/Langendorf transported 1,459,695 therms, the
26 Sisters of Providence hospitals in Seattle transported 1,750,139 therms, and the Sisters of
Providence hospitals in Everett transported 979,438 therms. Petition, p. 3.

1 Customers for a Declaratory Order." At that time, Respondents had been transporting under the
2 aggregation provisions of Schedule 57 for only about one month, and the issue could have been
3 resolved before most of the alleged "deficiency" accrued. However, the Company objected, and
4 the Commission declined to issue a declaratory order. See, "Commission Decision and Order
5 Dismissing Petition for Declaratory Order," Docket No. UG-940326, Apr. 11, 1994. Due to
6 WNG's refusal to have the matter resolved in time, Respondents continued to transport under the
7 aggregation provisions for almost a year, accruing what WNG now claims are "deficiency"
8 penalties. Under these circumstances, WNG should be estopped from collecting "deficiency"
9 penalties caused in large part by its own refusal to refer the matter to the Commission in a timely
10 manner.

11 8. Respondents wish to be fully heard on the matters raised in the Petition and request
12 that the Commission (1) enter a declaratory order stating that no further payments are due from
13 Respondents for transportation service for the period from November 1, 1993 to October 1, 1994
14 or (2) set a reasonable time and place for a hearing upon the matter pursuant to WAC 480-09-
15 2320.

16 DATED this 27th day of April, 1995

17 PRESTON GATES & ELLIS

18
19 By Carol Arnold by E Thomas

20 Carol S. Arnold
21 Attorney for Providence Mt. St. Vincent
22 Retirement Center, Providence General Medical
23 Center/Colby Campus, Hospital Central Services
24 Association, Langendorf Baking Company of
25 Seattle, Inc., and Providence General Medical
26 Center/Pacific Campus

RESPONSE TO PETITION BY
WASHINGTON NATURAL GAS
COMPANY FOR DECLARATORY
ORDER - 4

PRESTON GATES & ELLIS
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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding, by depositing a copy of same in the United States mail at Seattle, Washington, postage prepaid, to:

Ronald J. Amen
Director - Rates and Special Studies
Washington Natural Gas Company
815 Mercer Street. P. O. Box 1869
Seattle, WA 98109

DATED at Seattle, Washington this 27th day of April, 1995.

Carol Arnold by E Thomas
Carol S. Arnold
Attorney for Providence Mt. St. Vincent
Retirement Center, Providence General Medical
Center/Colby Campus, Hospital Central Services
Association, Langendorf Baking Company of
Seattle, Inc., and Providence General Medical
Center/Pacific Campus

Exhibit A

Bill Comparison: Customer Aggregation vs. Service to Single Site

1. Customer Sisters of Providence -- Everett: Aggregation for Transportation of 979,438 Therms To Two Sites

Minimum bill	\$108,384
($\$4,516/\text{mo.} * 2 \text{ sites} * 12 \text{ months}$)	
Transportation charge for therms in excess of minimum bill	16,577
($229,438 \text{ therms} @ \0.0775)	
Customer charge	12,000
($\$500/\text{mo.} * 2 \text{ sites} * 12 \text{ months}$)	
TOTAL	\$136,961

2. Customer Taking 979,438 Therms At One Site

Transportation charge	
($979,438 \text{ therms} @ \0.07225)	\$70,764
Customer charge	
($\$500/\text{mo.} * 12 \text{ months}$)	6,000
TOTAL	\$76,764

Exhibit B

Contribution to Margin : Aggregated Transportation vs. Sales

1.	<u>Mt. St. Vincent -- Schedule 86 Sales Service (11/93-9/94)</u>		
	Total therms	316,051	
	Schedule 86 Charge	\$130,645	
	Gas Cost @ \$.29778	\$94,114	
	Total Contribution to Margin		\$36,531
2.	<u>Mt. St. Vincent -- Schedule 87 Transportation (11/93-9/94)</u>		
	Transportation Charge @ \$.07225	\$22,834	
	Minimum Bill "Penalty"	\$26,837	
	Customer Charge @ \$500	\$6,000	
	Total Contribution to Margin		\$55,672

RECORDED & INDEXED

JAN 24 1991

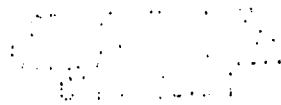


Exhibit C

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,	)	No. UG920840
)	
Complainant,	)	PETITION BY PARTNERSHIP FOR
	)	EQUITABLE RATES FOR
v.	)	COMMERCIAL CUSTOMERS FOR A
	)	DECLARATORY ORDER
WASHINGTON NATURAL GAS COMPANY,)	
)	
Respondent.)	

The Partnership for Equitable Rates for Commercial Customers ("PERCC") petitions the Commission pursuant to WAC 480-09-230 for a declaratory order as follows:

1. PERCC requests the Commission to issue a declaratory order resolving a dispute regarding the interpretation of certain provisions of Washington Natural Gas Company ("WNG") Schedule 57.

Specifically, PERCC requests an order declaring that the minimum annual throughput requirement of Schedule 57 is satisfied when a customer with meters at multiple sites aggregates such meters to meet the annual minimum threshold for transportation service.

2. In its September 27, 1991 order, the Commission directed WNG to permit customers with multiple sites served through a single city gate to aggregate volumes to meet the annual minimum threshold for transportation. Fourth Supplemental Order Rejecting Tariff Filing (Docket No. UG-920840), p. 39. Accordingly, Schedule 57 provides:

ORIGINAL

1 A customer with meters at multiple sites may aggregate such meters for the purpose of
2 meeting the annual minimum threshold for transportation service. Such aggregated meters
3 must be served by a single city gas as determined by the Company, at its sole discretion,
4 and will be specified in the customer's service agreement.

5 Ninth Revision Sheet No. 157 (effective Oct. 9, 1993).

6 2. As a result of the Commission's order, several PERCC member hospitals with
7 multiple sites aggregate their volumes to meet the annual minimum transportation threshold under
8 Schedule 57. WNG provides transportation service for these customers, billing each meter
9 separately for purposes of the minimum bill. Although the minimum bill imposes an economic
10 penalty on smaller facilities whose loads are aggregated to meet the annual minimum
11 transportation threshold, aggregation customers still benefit from the opportunity to purchase and
12 transport market priced gas.

13 3. However, WNG has recently advised its aggregation customers that in addition to
14 the minimum bill, the company intends to impose an annual throughput deficiency penalty. The
15 minimum annual throughput requirement of Schedule 57 is 750,000 therms per year. If a
16 customer's annual throughput is less than this amount, WNG charges an "annual deficiency
17 throughput amount" of 8,400¢ per therm. This penalty is charged at the end of the transportation
18 contract year, which currently falls on or about September 30, 1994. However, it is inconsistent
19 for WNG to charge a deficiency throughput penalty on a customer who meets the annual minimum
20 transportation threshold by using the aggregation provisions of Schedule 57.

21 4. Aggregation is allowed under the terms of the tariff for the purpose of meeting the
22 "annual minimum threshold for transportation." To make the tariff consistent, aggregation must
23 also be allowed to meet the minimum annual throughput requirement. Customers whose
24 aggregated load meets the minimum threshold to qualify for transportation should also be deemed
25 to meet the "required minimum annual throughput" and not be required to pay the deficiency
26 penalty.

5. According to WNG's workpapers filed with its compliance filing, the deficiency
charge is not considered to have revenue effect. See, Revenue Calculations, p. 4. (A copy of this

1 workpaper is attached hereto as Exhibit A.) Not imposing the deficiency penalty on aggregation
2 customers, therefore, would not impact the company's revenues. Aggregation customers would
3 still pay the minimum bill for each of their sites. Allowing WNG to impose the deficiency charge
4 on aggregation customers, however, would create a double-penalty on these customers, create the
5 probability of excess revenues, and defeat the purpose of aggregation.

6 For these reasons, PERCC urges the Commission to issue an order declaring that the
7 minimum annual throughput requirement of Schedule 57 shall be satisfied when a customer with
8 meters at multiple sites aggregates such meters to meet the annual minimum threshold for
9 transportation service.

10 DATED this 24 day of January, 1994.

11 PRESTON THORGRIMSON SHIDLER
12 GATES & ELLIS

13 

14 By _____
15 Carol S. Arnold

16 Attorneys for Partnership for Equitable Rates for
17 Commercial Customers

CERTIFICATE OF SERVICE

1 I hereby certify that I have this day served the foregoing documents upon all parties of record in
2 this proceeding, by depositing a copy of same in the United States mail, postage prepaid, to the
3 following:

4 Robert D. Cedarbaum and Jeffrey D. Goltz
5 Assistant Attorney General
6 1400 S. Evergreen Park Dr. S.W.
7 P. O. Box 40128
8 Olympia, WA 98504-0128

9 Charles F. Adams and Robert F. Manifold
10 Assistant Attorney General
11 Public Counsel Division
12 900 Fourth Avenue, 2000 Bank of California Center
13 Seattle, WA 98164-1012

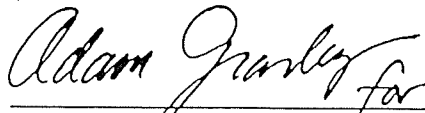
14 Frederick O. Frederickson
15 Graham & Dunn
16 1420 Fifth Avenue, 33rd Floor
17 Seattle, WA 98101-2390

18 Marion V. "Mick" Larson
19 Riddell, Williams, Bullitt & Walkinshaw
20 Suite 4400, 1001 Fourth Avenue Plaza
21 Seattle, WA 98154

22 Edward A. Finklea and Paula Pyron
23 Ball, Janik & Novack
24 101 S. W. Main, Suite 1100
25 Portland, OR 97204

26 D. Scott Johnson and Timothy J. Hogan
Washington Natural Gas Company
815 Mercer Street, P. O. Box 1869
Seattle, WA 98111

Dated at Seattle, Washington, this 24 day of January, 1994.



Carol S. Arnold
Counsel for Intervenors PERCC

EXHIBIT A

WASHINGTON NATURAL GAS COMPANY
REVENUE CALCULATIONS

PROPOSED RATES

	CONSUMPTION	UG-820848 RATES	MARGINAL REVENUE		
RATE 23					
BILLS	1,243,432	\$4.00	\$4,973,728.00		
First 25 Therms	24,452,440	\$0.47746	\$11,675,062.00		
All over	59,885,170	\$0.47746	\$28,583,224.07		
Calculated Total	84,317,610		\$45,232,014.07		
Total Revenue			\$47,754,327.00		
Adjustment Factor			1.03684		
RATE 24					
BILLS	2,776,061	\$4.00	\$11,104,244.00		
First 30 Therms	65,463,100	\$0.47746	\$31,256,011.73		
All over	189,521,559	\$0.47746	\$90,466,963.56		
Calculated Total	254,984,659		\$132,849,219.29		
Total Revenue			\$136,718,621.00		
Adjustment Factor			1.03515		
RATE 55					
BILLS	3,926	\$4.00	\$15,704.00		
All Therms	4,321,281	\$0.47746	\$2,063,236.63		
Calculated Total	4,321,281		\$2,078,942.63		
Total Revenue			\$2,061,363.00		
Adjustment Factor			1.01882		
TOTAL RESIDENTIAL			\$186,535,299.35	TARGET	DIFFERENCE
				\$186,534,341.00	(\$958)
RATE 11					
BILLS	47,342	\$1,32906	\$62,946.76		
First 2 Therms	94,684		\$0.00		
All over	479,824	\$0.66483	\$319,001.39		
Calculated Total	574,508		\$381,950.15	TARGET	DIFFERENCE
Total Revenue			\$420,549.00	\$381,953	\$3
Adjustment Factor			1.10105		
RATE 18					
	Mantles				
First 4 Therms @	2,211	\$8.65000	\$19,125.15		
5 through 9 Therms	688	\$8.40000	\$5,779.20		
All over	667	\$8.15000	\$5,436.05		
	3,566				
Calculated Total	68,799 Therms		\$30,340.40	TARGET	DIFFERENCE
Total Revenue			\$31,411.00	\$30,285	(\$1,126)
Adjustment Factor			1.03718		
TOTAL THERMS		TOTAL REVENUE		TOTAL DIFFERENCE	
344,266,857		\$186,986,301		(\$1,011)	

WASHINGTON NATURAL GAS CO. W.
REVENUE CALCULATIONS

PROPOSED RATES

RATE 31	CONSUMPTION	UG-920848 RATES	MARGINAL REVENUE		
BILLS	378,028	\$4.50	\$1,701,117.00		
First 100 Therms	23,629,178	\$0.49354	\$11,061,944.51		
All Over 100 Therms	98,511,858	\$0.49354	\$48,619,541.41		
Calculated Total	122,141,034		\$61,962,602.92	TARGET	DIFFERENCE
Total Revenue			\$65,076,268.00	\$61,963,301	\$308
Adjustment Factor			1.04990		
RATE 36					
BILLS	49,899	\$4.50	\$224,543.50		
First 100 Therms	4,258,989	\$0.47035	\$2,003,215.48		
All Over 100 Therms	30,256,123	\$0.47035	\$14,230,967.45		
Calculated Total	34,515,112		\$16,458,728.43	TARGET	DIFFERENCE
Total Revenue			\$17,120,093.00	\$16,458,937	\$209
Adjustment Factor			1.04017		
RATE 41					
BILLS	5,230	\$225.00	\$1,176,750.00		
First 500 Therms	2,821,683		\$0.00		
Next 4,500 therms	9,189,905	\$0.45000	\$4,135,457.25		
All over 5,000 therms	4,348,747	\$0.43000	\$1,890,981.21		
Low Load Factor Consumption	2,619,422	\$0.51250	\$1,342,453.78		
Calculated Total	18,779,757		\$8,524,622.24	TARGET	DIFFERENCE
Total Revenue			\$10,229,741.00	\$8,524,713	\$91
Adjustment Factor			1.20001		
RATE 43					
Bills	12	\$240.00	\$0.00		
First 2,000 Therms	24,000	\$0.48580	\$11,659.20		
Next 8,000 therms	78,300	\$0.48580	\$38,038.14		
All over 2,000 therms	0	\$0.48580	\$0.00		
Calculated Total	102,300		\$49,697.34	TARGET	DIFFERENCE
Total Revenue			\$51,530.00	\$49,704	\$7
Adjustment Factor			1.03673		
RATE 51					
BILLS	4,987	\$4.50	\$22,441.50		
First 25 Therms	114,950	\$0.46950	\$53,969.03		
All Over 25 Therms	273,434	\$0.46950	\$128,377.26		
Calculated Total	388,384		\$204,787.79	TARGET	DIFFERENCE
Total Revenue			\$209,899.00	\$204,728	(\$60)
Adjustment Factor			1.02526		

TOTAL THERMS	TOTAL THERMS	TOTAL DIFFERENCE
175,926,587	\$92,687,531	\$945

WASHINGTON NATURAL GAS CO
REVENUE CALCULATIONS

PROPOSED RATES

RATE #5	CONSUMPTION	UQ-920844 RATES	MARGINAL REVENUE		
BILLS	3,067	0.00000	\$0.00		
Demand Units	597,000	\$1.50	\$895,500.00		
First 25,000 Therms	26,564,428	\$0.39750	\$10,559,390.13		
Next 25,000 Therms	10,954,629	\$0.38725	\$4,242,180.08		
Next 50,000 Therms	4,563,696	\$0.37675	\$1,719,372.47		
Next 100,000 Therms	412,867	\$0.37675	\$155,547.64		
All over 200,000 Therms	0	\$0.37675	\$0.00		
Calculated Total	42,495,620		\$17,571,980.32	TARGET	DIFFERENCE
Total Revenue			\$18,379,780.00	\$17,572,499	\$539
Adjustment Factor			1.04594		

RATE #6	CONSUMPTION	UQ-920844 RATES	MARGINAL REVENUE		
BILLS	17,853	0.00000	\$0.00		
Demand Units	333,600	\$1.50	\$500,400.00		
First 1,000 therms	11,197,755	\$0.41970	\$4,699,697.77		
All over 1,000 therms	29,838,628	\$0.40350	\$12,039,886.40		
Calculated Total	41,036,363		\$17,239,984.17	TARGET	DIFFERENCE
Total Revenue			\$18,220,304.00	17,239,548	(\$438)
Adjustment Factor			1.05689		

RATE #7	CONSUMPTION	UQ-920844 RATES	MARGINAL REVENUE		
BILLS	746	0.00000	\$0.00		
Demand Units	415,680	\$1.50	\$623,520.00		
First 100,000 therms	30,016,917	\$0.27575	\$8,277,164.86		
All over 100,000 therms	37,152,766	\$0.23575	\$8,758,764.58		
Contract Volume Charge	73,116,852	\$0.02500	\$1,827,921.30		
Calculated Total	67,169,683		\$19,487,370.74	TARGET	DIFFERENCE
Total Revenue			\$20,333,221.00	\$19,486,905	(\$466)
Adjustment Factor			1.04343		

TOTAL THERMS	TOTAL REVENUE	TOTAL DIFFERENCE
150,701,666	\$56,933,305	(\$365)

WASHINGTON NATURAL GAS CO. CITY
REVENUE CALCULATIONS

PROPOSED RATES

RATE 58	CONSUMPTION	UO-820848 RATES	MARGINAL REVENUE		
BILLS	180	\$200.00	\$36,000.00		
Demand Units	89,400	\$1.00	\$89,400.00		
First 25,000 Therms	2,406,181	\$0.15500	\$372,958.06		
Next 25,000 therms	3,233,566	\$0.13000	\$420,367.48		
Next 50,000 therms	530,367	\$0.11000	\$58,340.37		
Next 100,000 therms	594,969	\$0.11000	\$65,446.59		
All over 200,000 therms	57,545	\$0.11000	\$6,329.95		
Calculated Total	6,822,658		\$1,048,842.45	TARGET	DIFFERENCE
Total Revenue			\$1,097,166.00	\$1,048,876	\$33
Adjustment Factor			1.04604		

RATE 57					
BILLS	480	\$500.00	\$240,000.00		
Demand Units	787,920	\$1.00	\$787,920.00		
First 100,000 therms	26,812,815	\$0.07225	\$1,937,225.88		
All over 100,000 therms	135,807,091	\$0.04300	\$5,839,730.71		
Calculated Total	162,620,506		\$8,804,876.59	TARGET	DIFFERENCE
Total Revenue			\$9,178,632.00	\$8,605,372	\$496
Adjustment Factor			1.04239		

TOTAL THERMS	TOTAL REVENUE	TOTAL DIFFERENCE
169,443,164	\$10,275,796	\$529
GRAND TOTAL	GRAND TOTAL	GRAND TOTAL
840,338,294	\$346,882,935	\$98



RECEIVED
RECORDS MANAGEMENT

95 APR 11 PM 4: 20

STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

UG-950450
(P)

April 11, 1995

Advice No. 814

VIA COURIER

Mr. Steve McLellan, Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

RE: Petition for Declaratory Order
Washington Natural Gas Company

Dear Mr. McLellan:

Enclosed herewith for filing are an original and nineteen copies of Washington Natural's Petition for Declaratory Order relating to a specific provision of the company's transportation Rate Schedule No. 57.

Yours very truly,

Ronald J. Amen
Director
Rates and Special Studies

Enclosures

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RECORDS MANAGEMENT

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

BEFORE THE WASHINGTON UTILITIES
AND TRANSPORTATION COMMISSION

7	WASHINGTON NATURAL GAS COMPANY,	)	Docket No. _____
)	
8	Petitioner,)	
		)	PETITION BY WASHINGTON
9	EVERETT GENERAL HOSPITAL, HOSPITAL	)	NATURAL GAS COMPANY FOR
	CENTRAL SERVICES, LANGENDORF BAKING	)	DECLARATORY ORDER
10	CO., INC., SISTERS OF CHARITY OF)	
	PROVIDENCE, and PROVIDENCE HOSPITAL)	
11	EVERETT,)	
)	
12	Respondents.)	
)	

Pursuant to WAC 480-09-230 and RCW 34.05.240, Washington Natural Gas Company ("the Company") petitions the Commission for a declaratory order as follows:

1. The Company's address is: 815 Mercer Street, Seattle, WA 98109.

2. The Petition seeks a declaratory order interpreting a provision in the Company's current Rate Schedule No. 57. An actual controversy exists concerning service under the rate schedule to certain of the Company's customers (referred to collectively as "Customers" in this Petition):

- Everett General Hospital
- Hospital Central Services
- Langendorf Baking Co., Inc.
- Sisters of Charity of Providence
- Providence Hospital Everett

1 3. Schedule 57 provides in part as follows:

2 Minimum Annual Throughput Requirement
3 hereunder is 750,000 therms. If a customer's
4 actual annual throughput is less than 750,000
5 the customer is considered to be in a
6 deficiency position. A customer's annual
7 deficiency throughput shall be calculated by
8 subtracting such customer's actual annual
9 throughput from 750,000 therms. Such
10 calculated annual deficiency throughput amount
11 shall be billed to the customer at a rate of
12 9.900¢ per therm.

13 4. Each of the Customers failed to meet the minimum annual
14 throughput requirement as set forth in Schedule 57. The Company
15 billed the Customers for deficiency charges in the following
16 amounts:

17	<u>Customer</u>	<u>Therm Consumption</u>	<u>Deficiency Charge</u>
18	Everett General Hospital	536,530.5	\$18,564.13
19	Hospital Central Services	694,907.3	4,803.72
20	Langendorf Baking Co., Inc.	590,157.3	13,937.22
21	Sisters of Charity	379,850.8	32,274.55
22	Providence Hospital Everett	570,305.8	15,626.90

23 Copies of the deficiency billings are collectively attached to this
24 Petition as Exhibit "A."

25 5. Cost Management Services, Inc. ("CMS") purports to act as
26 the Customers' agent in certain matters involving natural gas
27 service. Through its President, Doug Betzold, CMS informed the
28 Company that the Customers refuse to pay the deficiency amounts.
CMS aggregated Customer gas volumes with gas volumes consumed by
other customers, in order to achieve the minimum throughput level
-- 750,000 therms -- for a particular "group" of customers:

1	<u>Customer Group</u>	<u>Aggregated Therm Consumption</u>
2	1) Providence Hospital Seattle	1,750,139.3
3	Sisters of Charity	
	Hospital Central Services	
4	2) Gais Bakery	1,459,695.3
5	Langendorf Baking Co.	
6	3) Providence Hospital Everett	979,438.3
	Everett General Hospital	

7 The CMS letter that took this position is attached to this Petition
8 as Exhibit "B."

9 6. The Company disagrees with CMS' interpretation of
10 Schedule 57. The annual throughput deficiency is determined on a
11 customer-by-customer basis, rather than on the basis claimed by
12 CMS. Rule 2B in the Company's tariff defines "customer":

13 Any person, firm, or corporation purchasing
14 gas service from the Company under these Rules
15 and Regulations at one location under one rate
classification.

16 (Emphasis added). When determining the deficiency, therefore, the
17 Company measures a single customer's usage at one location, not the
18 aggregated consumption of multiple customers who purchase and
19 receive gas at several locations.

20 7. Mr. Betzold testified as a witness before this Commission
21 in Docket No. UG-920840 (the proceeding that established the
22 minimum throughput requirement). During his examination, Mr.
23 Betzold acknowledged that the Company counts customers by meter and
24 bills them individually for transportation service:

1 Q. (By Mr. Johnson) Can you give me a
2 ballpark estimate of how many customers of the
3 Company are also customers of CMS at this
4 time?

5 A. (By Mr. Betzold) Well, we count them a
6 little differently. The Company counts
7 customers by meter, at least for the
8 transportation service part, and we count them
9 by individual customers, so this particular
10 time I should say we probably have 65
11 customers.

12 (Hearing Transcript 2709)(Emphasis added). Copies of pertinent
13 transcript pages from Docket No. UG-920840 are collectively
14 attached to this Petition as Exhibit "C."

15 8. On behalf of the Partnership for Equitable Rates for
16 Commercial Customers ("PERCC"), a party-intervenor in Docket No.
17 UG-920840, Mr. Betzold proposed aggregation of usage for
18 transportation customers. Upon examination, he clarified his
19 proposal and agreed that the service bill should be calculated on
20 a site-by-site basis notwithstanding aggregation:

21 Q. (By Mr. Adams) Is it your proposal that
22 the actual transportation bill would be
23 calculated on a site by site basis using the
24 appropriate rate block structure, whatever
25 that may be, or would it be as a single bill
26 for all the gas transported to the multiple
27 sites at the rates as though it was a single
28 meter?

29 A. (By Mr. Betzold) . . .[I] would think that
30 you would keep those customers in the rate
31 blocks that they were prior to aggregation.

32 Q. (By Mr. Adams) Well, let's just use an
33 example, just to flesh that out a little bit.
34 Assume a declining rate block at 10 cents per
35 therm for the first 50,000 therms and five
36 cents a therm for all additional therms and
37 assume ten schools, each using 25,000 therms
38 per month.

1 Now, would the school district pay ten cents
2 per therm, plus five cents per therm for all
3 the additional 200,000 therms or would it be
4 priced on a site by site basis which would
5 mean each school would be billed at ten cents
6 a therm?

7 A. (By Mr. Betzold) Site by site.

8 (Tr. 2723-2724)(Emphasis added).

9 9. Based on Mr. Adams' colloquy with Mr. Betzold, Public
10 Counsel supported aggregation under limited circumstances:

11 In cross-examination of Mr. Betzold, we
12 clarified that he expected that multiple
13 customers might be permitted to aggregate for
14 the purpose of meeting the threshold for
15 transportation service, but that they should
16 still expect to pay the minimum charge and
17 block rate structure on a site by site basis.
18 (Tr. 2724). With that clarification, we can
19 support aggregation of commonly owned meters
20 served by a single city gate, as proposed by
21 Mr. Lazar.

22 See Brief of Public Counsel in Docket No. UG-920840, at page 51
23 (Emphasis added). A copy of the page excerpt from Public Counsel's
24 Brief is attached to this Petition as Exhibit "D."

25 10. As Public Counsel argued on brief, eligibility for
26 transportation service (meeting the aggregated threshold for
27 service) must be distinguished from payment for that service (which
28 is calculated on a site by site or individual customer basis).
With this distinction in mind, Public Counsel supported aggregation
of commonly owned meters -- i.e., meters owned by one customer --
but opposed PERCC's proposal to aggregate nominations for multiple
unrelated customers:

1
2 The other form of aggregation involved a
3 single broker aggregating nominations for
4 multiple unrelated customers to satisfy the
5 minimum threshold. We are opposed to this
6 form of aggregation, because the broker is not
7 the customer, and it is the customer who must
8 ultimately understand transportation service,
9 secure gas supplies, and (hopefully) get
10 sufficient benefit to justify the staff
11 training needed to fully comprehend
12 transportation service.

13 See Exhibit "D." (Emphasis added).

14 11. In the Fourth Supplemental Order in Docket No. UG-920840,
15 the Commission approved Public Counsel's aggregation proposal:

16 Aggregation is approved as proposed by Public
17 Counsel. This will permit customers with
18 multiple sites served through a single city
19 gate to aggregate volumes to meet the annual
20 minimum threshold and for calculation of any
21 balancing charges.

22 See Fourth Supplemental Order in Docket No. UG-920840, at page 39
23 (Emphasis added).

24 12. The Fourth Supplemental Order then stated:

25 Balancing is the principal benefit offered by
26 this aggregation, as a customer would not be
27 barred from transportation service by the
28 failure to transport minimum volumes. That
 failure, however, would have economic
 consequences under the tariff that could
 render transportation uneconomic.

Id. at n. 17 (Emphasis added). The reference to "economic
consequences" can only mean the deficiency charge, since no other
consequences occur when an individual customer fails to transport
minimum volumes after first aggregating volumes to qualify for
service. The billing for a deficiency charge, therefore, is

1 entirely consistent with the Commission's statement in the Fourth
2 Supplemental Order.

3 13. RCW 34.05.240 imposes certain requirements with respect
4 to the issuance of a declaratory order. These requirements have
5 been met:

- 6 a. The Customers' position creates uncertainty with respect
7 to the interpretation and enforcement of Rate Schedule
8 57.
- 9 b. The Customers' position creates an actual controversy
10 regarding charges billed to each Customer.
- 11 c. The Customers' position adversely affects the Company
12 because they refuse to make payments that are due and
13 owing.
- 14 d. There will not be an adverse effect on others or on the
15 general public if the Commission issues the declaratory
16 order. In fact, the declaratory order will facilitate
17 billing under Rate Schedule 57 in a consistent and
18 appropriate fashion.

19 14. On January 24, 1994, PERCC filed a Petition in Docket No.
20 UG-920840 which sought a declaratory order respecting the
21 throughput requirement. A declaratory order was inappropriate at
22 that time, however, since 1) the Company had not yet billed a
23 customer for a deficiency charge, and 2) no customer had refused to
24 pay such a charge. Therefore, an actual controversy did not exist
25 as required by RCW 34.05.240. By contrast, there is now an actual
26 controversy between the Company and the Customers that needs to be
27 resolved.

28 For the above reasons, the Company requests that the
Commission issue a declaratory order affirming the Company's

1 interpretation of the minimum throughput requirement under Schedule
2 57.

3
4 DATED: April 11, 1995.

5 WASHINGTON NATURAL GAS COMPANY

6 By Ronald J. Amen
7 Ronald J. Amen
8 Director - Rates and Special Studies

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RATE 57 ANNUAL SETTLEMENT BILLING

OCTOBER 1994

EVERETT HOSPITAL ID# 2392
 ACCOUNT NBR 8907-1370-001

SETTLEMENT YEAR PRORATION
 11/1/93 - 10/1/94 = 334
 FULL YEAR = 365
 PERCENT YEAR 91.5068%
 MINIMUM THERMS 750,000.0
 PRORATED MINIMUM 686,301.0

DATE	THERMS
10/1/94	33,805.9
9/1/94	32,225.9
8/1/94	32,836.4
7/1/94	34,829.0
6/1/94	38,644.6
5/1/94	38,816.8
4/1/94	45,262.8
3/1/94	51,165.7
2/1/94	48,634.9
1/1/94	59,273.5
12/1/93	57,336.0
11/1/93 TO	
TOTAL	472,831.5

RATE CHANGE INFORMATION			
PERIOD	DAYS	%	PRICE / THERM
11/1/93 - 12/21/93	50	14.9701%	0.035
12/21/93 - 6/4/94	166	49.7006%	0.084
6/4/94 - 10/1/94	118	35.3293%	0.099
	334	1	
DEFICIENCY THERMS	PRICE / THERM	%	TOTAL
213,469.5	0.035	14.9701%	\$1,118.48
213,469.5	0.084	49.7006%	\$8,912.03
213,469.5	0.099	35.3293%	\$7,466.31
			\$17,496.82
EVERETT TAX	6.10%		\$1,067.31
TOTAL SETTLEMENT BILLING			\$18,564.13

RATE 57 ANNUAL SETTLEMENT BILLING

OCTOBER 1994

HOSPITAL SERVICES ID# 0359
ACCOUNT NBR 8941-9720-001

SETTLEMENT YEAR PRORATION
11/1/93 - 10/1/94 = 334
FULL YEAR = 365
PERCENT YEAR 91.5068%
MINIMUM THERMS 750,000.0
PRORATED MINIMUM 686,301.0

DATE	THERMS
10/1/94	47,621.0
9/1/94	47,034.8
8/1/94	57,356.4
7/1/94	59,332.0
6/1/94	59,032.7
5/1/94	57,951.6
4/1/94	63,476.6
3/1/94	58,057.4
2/1/94	61,940.2
1/1/94	61,095.9
12/1/93	58,309.7
11/1/93 TO	
TOTAL	631,208.3

RATE CHANGE INFORMATION

PERIOD	DAYS	%	PRICE / THERM
11/1/93 - 12/21/93	50	14.9701%	0.035
12/21/93 - 6/4/94	166	49.7006%	0.084
6/4/94 - 10/1/94	118	35.3293%	0.099
	334	1	

DEFICIENCY THERMS	PRICE / THERM	%	TOTAL
55,092.7	0.035	14.9701%	\$288.66
55,092.7	0.084	49.7006%	\$2,300.04
55,092.7	0.099	35.3293%	\$1,926.92
			\$4,515.62
SEATTLE TAX	6.38%		\$288.10

TOTAL SETTLEMENT BILLING \$4,803.72

RATE 57 ANNUAL SETTLEMENT BILLING

OCTOBER 1994

SISTERS OF CHARITY	ID# 0775	SETTLEMENT YEAR PRORATION	
ACCOUNT NBR	8933-6859-001	11/1/93 - 10/1/94 =	334
		FULL YEAR =	365
		PERCENT YEAR	91.5068%
		MINIMUM THERMS	750,000.0
		PRORATED MINIMUM	686,301.0
 		RATE CHANGE INFORMATION	
DATE	THERMS	PERIOD	DAYS % PRICE / THERM
10/1/94	15,960.8	11/1/93 - 12/21/93	50 14.9701% 0.035
9/1/94	15,435.8	12/21/93 - 6/4/94	166 49.7006% 0.084
8/1/94	15,918.1	6/4/94 - 10/1/94	118 35.3293% 0.099
7/1/94	18,530.9		334 1
6/1/94	21,822.6		
5/1/94	27,600.9		
4/1/94	35,912.9		
3/1/94	39,675.4		
2/1/94	39,577.9		
1/1/94	44,574.5		
12/1/93	41,142.0		
11/1/93 TO			
 		DEFICIENCY	PRICE / THERM % TOTAL
		370,149.2	0.035 14.9701% \$1,939.41
		370,149.2	0.084 49.7006% \$15,453.18
		370,149.2	0.099 35.3293% \$12,946.34
TOTAL	316,151.8		\$30,338.93
		SEATTLE TAX	6.38% \$1,935.62
		TOTAL SETTLEMENT BILLING	\$32,274.55

RATE 57 ANNUAL SETTLEMENT BILLING

OCTOBER 1994

PROVIDENCE-EVERETT ID# 0704
 ACCOUNT NBR 8944-8808-001

SETTLEMENT YEAR PRORATION
 11/1/93 - 10/1/94 = 334
 FULL YEAR = 365
 PERCENT YEAR 91.5068%
 MINIMUM THERMS 750,000.0
 PRORATED MINIMUM 686,301.0

DATE	THERMS
10/1/94	33,375.8
9/1/94	59,463.6
8/1/94	29,147.2
7/1/94	33,612.3
6/1/94	41,547.8
5/1/94	42,374.1
4/1/94	46,194.1
3/1/94	51,657.8
2/1/94	53,291.7
1/1/94	60,717.7
12/1/93	55,224.7
11/1/93 TO	
TOTAL	506,606.8

RATE CHANGE INFORMATION			
PERIOD	DAYS	%	PRICE / THERM
11/1/93 - 12/21/93	50	14.9701%	0.035
12/21/93 - 6/4/94	166	49.7006%	0.084
6/4/94 - 10/1/94	118	35.3293%	0.099
	334	1	

DEFICIENCY THERMS	PRICE / THERM	%	TOTAL
179,694.2	0.035	14.9701%	\$941.51
179,694.2	0.084	49.7006%	\$7,501.96
179,694.2	0.099	35.3293%	\$6,284.99
			\$14,728.46
EVERETT TAX	6.10%		\$898.44
TOTAL SETTLEMENT BILLING			\$15,626.90

CMS

Cost Management Services, Inc.

4210 - 85th Avenue S.E, Mercer Island, Washington 98040

Phone (206) 236-8808 Fax (206) 236-8807

October 24, 1994

Ms. Elaine Kaspar
WASHINGTON NATURAL GAS COMPANY
815 Mercer Street
Seattle, Washington 98111

Dear Elaine:

Enclosed is a check in the amount of \$54,348.41, which is the total due for services provided by WNG to the following locations for the month of September 1994.

✓0665	Providence Medical Center	\$ 5,431.77
✓0359	Hospital Central Services Association ✕	\$ 6,956.35
✓0704	Providence Hospital/Everett	\$ 5,555.40
✓0290	Gai's Seattle French Baking Company ✕	\$11,565.10
2392	Everett General Hospital	\$ 5,321.97
✓0775	Mount Saint Vincent Nursing ✕	\$ 5,348.80
✓0475	Langendorf Baking Company ✕	\$ 8,127.43
✓0656	St. Joseph Hospital & Healthcare Center	\$ <u>6,041.59</u>
	TOTAL	\$ <u>54,348.41</u>

The additional amounts invoiced in WNG's "Rate 57 Annual Settlement Billing's" are not due under the terms and conditions set forth in the Rate Schedule 57. These locations achieved the annual minimum throughput volume of 750,000 therms through aggregation, and as such, are not subject to the deficiency penalty which has been invoiced.

For the eleven month period ending September 30, 1994, during which these locations have been receiving transportation service, I show their aggregated volumes as follows:

Group Locations


CMS-1		THERMS
0290	Gai's Bakery	933,237.6
0475	Langendorf Bakery	<u>526,458.3</u>
		1,459,695.9
CMS-2		
0665	Providence/Seattle	802,779.2
0775	Mount Saint Vincent	316,151.8
0359	Hospital Central Services	<u>631,208.3</u>
		1,750,139.3
CMS-3		
0704	Providence Hospital/Everett	506,606.8
2392	Everett General Hospital	<u>472,831.5</u>
		979,438.3

As you can see, in each case the eleven month totals exceed the minimum annual throughput requirement of 750,000 therms.

Please correct your accounts receivable totals to reflect a zero balance for these locations after the enclosed check is applied to CMS' customers accounts.

Thank you very much for your assistance in correcting this error.

Very truly,


Doug Betzold, President
Cost Management Services, Inc.

DB:gb

enclosure

1 that CMS was responsible for handling all aspects of
2 our customers' gas transportation. Do you see that?

3 A. Yes, I do.

4 Q. And by our customers you mean customers of
5 your company, correct?

6 A. That is correct.

7 Q. And those customers are also transportation
8 customers of Washington Natural Gas; is that right?

9 A. That is correct.

10 Q. Can you give me a ballpark estimate of how
11 many customers of the company are also customers of
12 CMS at this time?

13 A. Well, we count them a little differently.
14 The company counts customers by meter, at least for
15 the transportation service part, and we count them by
16 individual customers, so this particular time I would
17 say we probably have 65 customers.

18 Q. Does the company bill you for the
19 transportation service that these customers take or
20 does the company bill the individual customers?

21 A. Washington Natural Gas bills the individual
22 customer for the transportation service.

23 Q. So when you say that you handle all aspects
24 of your customers' gas transportation, that does not
25 include billing, correct?

CONTINENTAL REPORTING SERVICE
SEATTLE, WA 206-624-DEPS(3377)

1 customers.

2 Q. So you would be willing to look at an
3 aggregation by city gate; is that correct?

4 A. Yes.

5 Q. Is it your proposal that the actual
6 transportation bill would be calculated on a site by
7 site basis using the appropriate rate block structure,
8 whatever that may be, or would it be as a single bill
9 for all the gas transported to the multiple sites at
10 the rates as though it was a single meter?

11 A. Once again, I don't think we've gotten that
12 far into the analysis of that, but I would -- at first
13 blush I would think that you would keep those
14 customers in the rate blocks that they were prior to
15 aggregation.

16 Q. Well, let's just use an example, just to
17 flesh that out a little bit. Assume a declining rate
18 block at 10 cents per therm for the first 50,000
19 therms and five cents a therm for all additional
20 therms and assume ten schools, each using 25,000
21 therms per month.

22 Now, would the school district pay ten
23 cents per therm for the first 50,000 therms plus five
24 cents per therm for all the additional 200,000 therms
25 or would it be priced on a site by site basis which

1 would mean each school would be billed at ten cents a
2 therm?

3 A. Site by site.

4 Q. Thank you.

5 MR. ADAMS: That's all I have.

6 JUDGE ANDERL: Commissioner Casad, do you
7 have any questions?

8 COMMISSIONER CASAD: No questions.

9 JUDGE ANDERL: Anything on redirect?

10 MS. ARNOLD: Just one.

11

12 REDIRECT EXAMINATION

13 BY MS. ARNOLD:

14 Q. Mr. Johnson asked you whether it was your
15 understanding that a customer would be ineligible for
16 transportation if they didn't meet the 240,000 therms
17 a year. And I believe you answered that as the
18 company has interpreted the tariff the customer would
19 be eligible. Did I understand your testimony right?

20 A. You did. What I mean to say is the
21 customer would be eligible but the customer would not
22 make the decision to transport because it's
23 uneconomic, and when I say that I think you have to
24 understand that they pay the same amount under the
25 minimum for the service but they would be getting less

The Commission should adopt a single transportation rate with an annual minimum usage of 240,000 therms.

- E. Aggregation of transportation for multiple locations served through a single city gate should be permitted to meet the threshold for transportation service.

PERCC witness Betzold proposed that aggregation of usage be permitted for transportation customers operating jointly. He defined two categories; the first was ratepayers with multiple commonly-owned meters, like the Tacoma School District. The second was for customers who "pool" their nominations through a broker. [T-302, P. 8]

Public Counsel supports a limited form of aggregation. Mr. Lazar testified that one problem with transportation service is that customers must take much greater responsibility for their gas supply than with sales service, and must therefore derive sufficient benefits from transportation to justify the staff and training needed to fully understand the service. He indicated that savings of \$12,000 per year, as he estimated likely under Schedule 58, would satisfy that threshold. [T-279, P. 50]

In cross-examination of Mr. Betzold, we clarified that he expected that multiple customers might be permitted to aggregate for the purpose of meeting the threshold for transportation service, but they should still expect to pay the minimum charge and block rate structure on a site by site basis. [Tr. 2724] With that clarification, we can support aggregation of commonly owned meters served by a single city gate, as proposed by Mr. Lazar.

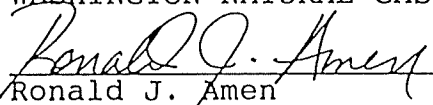
The other form of aggregation involved a single broker aggregating nominations for multiple unrelated customers to satisfy the minimum threshold. We are opposed to this form of aggregation, because the broker is not the customer, and it is the customer who must ultimately understand transportation service, secure gas supplies, and (hopefully) get sufficient benefit to justify the staff training needed to fully comprehend transportation service. A broker acting on behalf of customers is not the Company's

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- 3. Langendorf Baking Co., Inc.
Attn: Dan Wingle
2901 6th Ave. S.
Seattle, WA 98134
and
4210 85th Ave. SE
Mercer Island, WA 98040
- 4. Sisters of Charity of Providence
Attn: Keith Chalcraft
4831 35th Ave. SW
Seattle, WA 98126
and
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