## BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

SEATTLE CHILDREN'S HOSPITAL, a Washington nonprofit corporation; OVERLAKE HOSPITAL MEDICAL CENTER, a Washington nonprofit corporation; HOSPITAL CENTRAL SERVICES ASSOCIATION, a Washington nonprofit corporation; COSTCO WHOLESALE CORPORATION, a Washington corporation; NORTHWEST BAKING LIMITED PARTNERSHIP dba NORTHWEST BAKING COMPANY, a Washington limited partnership; FIRST CALL PLUS OF WASHINGTON, L.L.C., a Washington limited liability company; REPAUL TEXTILES LLC dba STERILE SURGICAL SYSTEMS, a Washington limited liability company; SHINING OCEAN, INC., a Washington corporation; TUCCI & SONS, INC., a Washington corporation; WESTROCK CP, LLC, a Delaware limited liability company; NUCOR STEEL SEATTLE INC., a Delaware corporation; ACE GALVANIZING, INC., a Washington corporation; GARDNER ASPHALT CORPORATION, a Delaware corporation; and WESTERN WOOD PRESERVING CO., a Washington corporation.,

Complainants,

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PUGET SOUND ENERGY.

Respondent.

**DOCKET UG-190857** 

PUGET SOUND ENERGY'S ANSWER TO FORMAL COMPLAINT

PUGET SOUND ENERGY'S ANSWER TO FORMAL COMPLAINT- 1

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## ANSWER TO FORMAL COMPLAINT

Puget Sound Energy ("PSE") herein answers the Formal Complaint ("Complaint") of
Seattle Children's Hospital, Overlake Medical Center, Hospital Central Services Association,
Costco Wholesale Corporation, Northwest Baking Limited Partnership dba Northwest
Baking Company, First Call Plus of Washington, L.L.C., Repaul Textiles dba Sterile Surgical
Systems, Shining Ocean, Inc., Tucci & Sons, Inc., Westrock CP, LLC, Nucor Steel Seattle
Inc., Ace Galvanizing, Inc., Gardner Asphalt Corporation, and Western Wood Preserving Co.
(hereinafter referred to collectively as "Customers") dated October 1, 2019. The Customers
are industrial and commercial customers who elected optional natural gas transportation
schedules that limit their consumption during constraint periods, including Curtailment
Periods and Overrun Entitlement Constraint Periods. As set forth in PSE's detailed answer,
below, these Customers failed to limit their delivered volumes during an Overrun Entitlement
Constraint Period after the Enbridge Pipeline rupture, and PSE appropriately billed customers
Penalties for Unauthorized Use of Gas during an Overrun Entitlement Constraint Period as
provided for in PSE's natural gas tariff schedules, rules and Transportation Service
Agreement. These Customers' failure to comply with the terms of their agreements imposes
a cost on PSE's sales customers. The cost imposed by the transportation service customers
not complying with the terms of their agreements is borne by PSE sales customers.

## **INTRODUCTION**

1. Answering paragraph 1 of the Complaint, PSE denies that the penalties it charged to customers were unlawful. PSE billed natural gas transportation service customers Penalties for Unauthorized Use of Gas during a declared Overrun Entitlement Constraint Period.

PUGET SOUND ENERGY'S ANSWER TO FORMAL COMPLAINT- 2

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- 2. Answering paragraph 2 of the Complaint, PSE denies that the imposition of penalties was unlawful under Washington law or that a refund is owed to Customers. PSE billed Customers Penalties for Unauthorized Use of Gas for a declared Overrun Entitlement Constraint Period.
- 3. Answering paragraph 3 of the Complaint, PSE admits the same. PSE further states that Customers have voluntarily elected to take this optional service that requires Customers to arrange for their own gas supply in a manner consistent with the tariff schedules and rules applicable to this service.
- 4. Answering paragraph 4 of the Complaint, PSE admits that Customers use the natural gas transported to operate various commercial and industrial facilities in the region but lacks sufficient information to admit or deny the remaining allegations in paragraph 4 and, therefore, denies the same.
- 5. Answering paragraph 5 of the Complaint, PSE admits that customers rely on PSE to provide natural gas transportation service as set forth in PSE's natural gas tariff, WN U-2, but deny that customers solely rely on PSE for reliable natural gas transportation service. PSE's gas distribution system and gas supply resource portfolio are designed to meet the needs of firm customers. However, optional interruptible service is made available, of which optional transportation service is a subset, at discounted rates. The characteristics of service on current interruptible transportation schedules include periods of constraint and the lowest priority of service. Rule No. 21: Firm Service Priority states, "No curtailment in firm gas service will be imposed by the company until all interruptible service customers in the area affected have been ordered to curtail to one hundred percent of their interruptible requirements." PSE's tariff outlines the responsibilities of PSE and customers regarding

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natural gas transportation service. Annually, a customer who elects the natural gas
interruptible transportation service is required to determine and contract with PSE of its firm
daily demand quantity, which sets forth the system capacity that PSE is obligated to reserve
for the customer on a daily basis for the transportation of the natural gas that the customer
purchases through third party. Natural gas transportation service customers also rely on their
authorized agent to inform NW Pipeline and PSE the amount of natural gas that the customer
plan to have transported daily to the NW Pipeline system and the PSE system. PSE lacks
sufficient information to address the economic viability of Customers' business operations
and, therefore, denies the same.

- 6. Answering paragraph 6 of the Complaint, PSE admits that its tariff sets forth the terms and conditions by which PSE offers utility service to the public as set forth in the first sentence of the Complaint. PSE further admits that the Commission reviews PSE's tariff rules and schedules and either approves them or allows them to go into effect. The last sentence of paragraph 6 sets forth a legal conclusion to which no answer is required.
- 7. Answering paragraph 7 of the Complaint, PSE admits the allegations in the first three sentences of paragraph 7. Answering the fourth sentence of paragraph 7, on information and belief, PSE admits the allegations are true for NW Pipeline, but with respect to PSE, customers were allowed to submit post-id (i.e., after the fact) nominations to adjust their supply to align with their demand. PSE admits the remaining allegations in paragraph 7.
- 8. Answering paragraph 8 of the Complaint, PSE admits that it declared "overrun entitlements" and that it charged Penalties for Unauthorized Use of Gas during a declared Overrun Entitlement Constraint Period consistent with its tariff. PSE lacks

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FORMAL COMPLAINT- 4

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actions are irrelevant to PSE; therefore, PSE denies the same.

Paragraph 13 of the Complaint states a legal conclusion to which no answer is

required. To the extent an answer is required, PSE denies that its actions violated its tariff.

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- 14. Answering the first sentence of paragraph 14 of the Complaint, PSE denies the allegation that its tariff does not allow for penalties under the facts of this case. Rule No. 29, Section 13 and Section 7 allow for penalties described in Rule No. 23 to be billed to transportation customers for Unauthorized Use of Gas during declared Overrun Entitlement Constraint Periods. The remainder of paragraph 14 states a legal conclusion to which no answer is required or cites to tariff language for which the tariff speaks for itself. To the extent a further answer is required, PSE denies that its actions violated PSE's tariff or were unlawful.
- 15. Answering paragraph 15 of the Complaint, PSE admits that the curtailment penalty in its tariff is intended to ensure that customers comply with an order to partially or totally reduce consumption, the failure of which can threaten the operational integrity of PSE's natural gas system. PSE also admits that penalties for Unauthorized Use of Gas during declared Overrun Entitlement Constraint Periods are intended to ensure that a natural gas transportation service customer delivered volumes are limited to less than or equal to the specified percentage of the Confirmed Nomination of the customer. As to all other or different allegations in paragraph 15, PSE denies the same.
- 16. Answering paragraph 16 of the Complaint, PSE admits that Curtailment and Overrun Entitlement are two types of Constraint Periods as described in PSE's tariff. PSE denies that the penalties imposed may only be applied during a Curtailment. Rule No, 29, Section 13 and Section 7, allow for penalties described in Rule No. 23 to be billed to Customers for Unauthorized Use of Gas during declared Overrun Entitlement Constraint

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Periods. The Exhibit "B" to Attachment "A" Transportation Service Agreement to all the
transportation service tariff schedules, highlights the applicable penalties to any
Unauthorized Use of Gas under PSE's Rule Nos. 21, 23 and 29 under the Exhibit "B"
customer Certification section.

- 17. Answering paragraph 17 of the Complaint, PSE denies that the imposition of penalties was inconsistent with its tariff and unlawful. Rule No. 29, Section 13 and Section 7, allow for penalties described in Rule No. 23 to be billed to a transportation service customer for Unauthorized Use of Gas during a declared Overrun Entitlement Constraint Period.
- 18. Answering paragraph 18 of the Complaint, PSE denies that the imposition of penalties was unjust and unreasonable in amount. Rule No. 29, Section 13 and Section 7, allow for penalties described in Rule No. 23 to be billed to a transportation service customer for Unauthorized Use of Gas during a declared Overrun Entitlement Constraint Period. Penalties for Unauthorized Use of Gas during declared Overrun Entitlement Constraint Periods are intended to ensure that a transportation service customer delivered volumes are limited to less than or equal to the specified percentage of the Confirmed Nomination of the customer. If customers fail to limit their delivered volumes during a declared Overrun Entitlement Constraint Period, penalties for Unauthorized Use of Gas are not unjust or unreasonable; furthermore, if customers fail to limit their delivered volumes for several days during Overrun Entitlement Constraint Periods, penalties for Unauthorized Use of Gas are not unjust or unreasonable. The Unauthorized Use of Gas sections in all the interruptible transportation service tariff Schedules 85T, 86T, and 87T and in Rule No. 29 all specify that any Unauthorized Use of Gas will be assessed penalties according to Rule No. 23, in addition to the Rule No. 29 penalties charge. Furthermore, Customers violated the provisions of

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1	PSE's tariff by not adhering to the Overrun Entitlement Constraint Period. The requirements
2	for interruptible transportation service is of a special nature, and consistent with Rule No. 3:
3	Application for Gas Service, requires a written contract. Under their Transportation Service
4	Agreements, Customers agreed to Overrun Entitlement Constraint Periods, adjusting their
5	consumption accordingly, and to Penalties for Unauthorized Use of Gas when they do not.
6	This is consistent with all interruptible service schedules which have penalty charges when
7	specific volumetric requirements are not met.
8	19. Answering paragraph 19 of the Complaint, PSE denies the penalties assessed
9	by PSE were unlawfully imposed. PSE lacks sufficient information to form a belief as to the
10	tariff requirements of other local distribution companies and, therefore, denies the same.
11	Further, the tariffs of those companies are irrelevant to the facts of this Complaint against
12	PSE, which is based on PSE's tariff. PSE admits the allegations about NW Pipeline's
13	overrun entitlement penalty amounts.
14	20. Paragraph 20 of the Complaint does not contain factual allegations but rather
15	sets forth legal conclusions and the relief requested by Customers, to which no answer is
16	required. To the extent an answer is required, PSE denies it violated Washington law or that a
17	refund is due to Customers.
18	21. Paragraph 21 of the Complaint does not contain factual allegations but rather

sets forth alternative relief requested by Customers, to which no answer is required.

Customers believe to be at issue, and, therefore, requires no answer.

Paragraph 22 does not contain factual allegations but cites statutes that

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1	PARTIES
2	23. Answering paragraph 23 of the Complaint, PSE admits the same.
3	24. Paragraph 24 of the Complaint sets forth Customer's counsel and does not
4	require an answer. Persons authorized on behalf of PSE to receive notices and
5 6 7 8 9 10 11 12 13	Jon Piliaris  Jon Piliaris  Director, Regulatory Affairs  Puget Sound Energy  P.O. Box 97034 PSE-08N  Bellevue, Washington 98009-9734  Phone: (425) 456-2142  Email: jon.piliaris@pse.com  Sheree Strom Carson  Perkins Coie LLP  10885 NE 4th Street, Suite 700  Bellevue, Washington 98004-5579  Phone: (425) 635-1422  Email: scarson@perkinscoie.com
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15	25. Answering paragraph 25 of the Complaint, PSE admits the same.
16	26. Answering paragraph 26 of the Complaint, PSE admits the same.
17	27. Answering paragraph 27 of the Complaint, PSE admits the same.
18	28. Answering paragraph 28 of the Complaint, PSE admits the same
19	PSE'S ANSWER TO JURISDICTION
20	29. Paragraph 29 of the Complaint sets forth a legal conclusion to which no
21	answer is required. To the extent an answer is required, PSE admits generally that the
22	Commission has jurisdiction over this Complaint and the parties.
23	30. Paragraph 30 of the Complaint sets forth a legal conclusion to which no
24	answer is required. To the extent an answer is required, PSE admits generally that the
25	Commission has jurisdiction to address costs, penalties and rates.

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Paragraph 31 sets forth a legal conclusion to which no answer is required. To

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constraint period can exist at any time.

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- 40. Answering the first two sentences of paragraph 40 of the Complaint, the language of PSE's tariff speaks for itself and no further answer is required. To the extent an answer is required, PSE admits the same. PSE denies the allegations in the last sentence of paragraph 40. The "contracted daily firm demand" as agreed to by PSE and a natural gas transportation service customer in the Transportation Service Agreement is the volume that PSE will deliver to the customer's interruptible gas metering facilities at all-times except as specified in Rule Nos. 21 and 23.
- 41. Answering paragraph 41 of the Complaint, the language of PSE's tariff speaks for itself and no further answer is required. To the extent an answer is require, PSE denies that the Overrun Entitlement language in Rule No. 29 noted, is in Section 13(2)(a), it is found in Section 13(2)(b), but PSE admits that it directs one to the Section 7 called Unauthorized Use of Gas.
- 42. Answering paragraph 42 of the Complaint, PSE denies the allegations in paragraph 42. The exact wording for the Section 13(2)(b) of Rule No. 29 is as following: "Overrun Entitlement: Allowable daily delivered volumes are limited to less than or equal to 103% of the Confirmed Nomination or some other larger percentage for a specific entitlement period determined by the Company that is uniformly applied to all Customers affected by that specific entitlement period. Volumes delivered in excess of 103% (or other percentage as determined above) of the Confirmed Nomination will be billed at the unauthorized use of gas rate described in Section 7 of this rule." (Emphasis added.) For the last sentence of paragraph 42, the term "Confirmed Nomination" as defined in PSE's Rule No. 2 is: "The Company's verification of a transportation Customer's report of the

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- been amended since 2009. With respect to the remainder of paragraph 45, the tariff speaks for itself and no further answer is required. To the extent an answer is required, PSE denies that the penalties apply only to Curtailment Period.
- 46. Answering paragraph 46 of the Complaint, PSE's tariff speaks for itself and no further answer is required. To the extent an answer is required, PSE denies that the Penalty for Unauthorized Use of Gas in an Overrun Entitlement Period applies only if there is a Curtailment Period.
- 47. Answering paragraph 47 of the Complaint, PSE admits the allegations in the first and second sentences. PSE denies the allegations in the third sentence of paragraph 47. The "contracted daily firm demand" as agreed to by PSE and a natural gas transportation service customer in the transportation service agreement is the volume that PSE will deliver to the customer's interruptible gas metering facilities at all-time except as specified in Rule Nos. 21 and 23. PSE admits the allegations in the fourth sentence of paragraph. PSE denies the allegations in the last sentence of paragraph 47. The term "Confirmed Nomination" as

imposed are not applicable to overrun entitlements. PSE further responds that the terms of

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1	PSE's tariffs speak for themselves and no further answer is required. To the extent an answer
2	is required, PSE denies that the tariff changes that took effect after the time period at issue in
3	this Complaint are relevant to the Complaint.
4	55. Answering the first sentence of paragraph 55 of the Complaint, PSE admits
5	that it bills customers on a monthly basis. Answering the second sentence of paragraph 55 of
6	the Complaint, PSE denies that it unlawfully billed customers for curtailment penalties on a
7	monthly basis prior to March 1, 2019. Answering the third sentence of paragraph 55 of the
8	Complaint, PSE admits some transportation service customers paid the Penalty for
9	Unauthorized Use of Gas under protest.
10	ANSWER TO FIRST CLAIM AGAINST PSE
11	56. Answering paragraph 56 of the Complaint, PSE realleges its answers to
12	paragraphs 1 through 55 above.
13	57. Paragraph 57 of the Complaint quotes a statute and contains no factual
14	allegations to which an answer is required.
15	58. Paragraph 58 of the Complaint quotes a statute and contains no factual
16	allegations to which an answer is required.
17	59. Answering paragraph 59 of the Complaint, PSE admits that it declared a
18	Curtailment Period which started on October 10, 2018. PSE denies that the Curtailment
19	Period lasted only for a single gas day. For all other allegations in paragraph 59, PSE denies
20	the same. Rule No. 23, Section 5 is titled as Penalty for Unauthorized Use of Gas.
21	60. Answering paragraph 60 of the Complaint, PSE denies the same. Rule No. 23,
22	Section 5 is titled as Penalty for Unauthorized Use of Gas and contains rates to charge for

1 Penalties for Unauthorized Use of Gas as defined in Rule No. 23, Section 2.2, including 2 volumes described in Rule No. 9, Section 7, Unauthorized Usage of Gas. ANSWER TO SECOND CLAIM AGAINST PSE 3 4 61. Answering paragraph 60 of the Complaint, PSE realleges its answers to 5 paragraphs 1 through 60 above. 6 62. Answering paragraph 62 of the Complaint, PSE denies the same. 7 63. Answering paragraph 63 of the Complaint, PSE admits there were 8 approximately six business days where daily usage reports were not provided on a daily 9 basis, and customers were not billed for Unauthorized Usage of Gas for days when usage 10 reports were not provided. 11 64. Paragraph 64 of the Complaint sets forth Customers' preferred procedure and contains no factual allegations to which an answer is required. To the extent an answer is 12 13 required, PSE denies that the Penalties for Unauthorized Use of Gas were excessive. 14 exorbitant, unjust, unreasonable, or not intended to yield a reasonable compensation for the 15 service rendered. 16 65. Paragraph 65 of the Complaint sets forth Customers requested relief and does not contain factual allegations to which an answer is required. To the extent an answer is 17 18 required, PSE denies the allegations in paragraph 65.

Paragraph 66 of the Complaint sets forth Customers alternative requested

relief and does not contain factual allegations to which an answer is required. To the extent

an answer is required, PSE denies the allegations in paragraph 66.

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Paragraph 67 of the Complaint sets forth Customers requested relief and does

and 29; and a commission-approved special contract with a large customer. These rules

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	and schedules outline the responsibilities of PSE and customers regarding the
	transportation service. Customers elected this optional natural gas transportation service
<u> </u>	chose to purchase natural gas from a third-party supplier, and manage to have their gas
	transported daily to PSE's system through Northwest Pipeline's system by working with
	their designated supply Agent or themselves. Customers agreed to limit their
	consumption during constraint periods, including Curtailment Periods and Overrun
	Entitlement Constraint Periods but failed to do so at a critical time after the Enbridge
	Pipeline rupture.
5.	Transportation service customers rely on themselves, their supplier and their Agent,
	Northwest Dineline and DSE in receiving reliable natural and transportation comities at

- Northwest Pipeline, and PSE in receiving reliable natural gas transportation service at their end use point. Annually, an 85T, 86T and 87T customer is required to determine and contract with PSE of its firm daily demand quantity, which sets forth the system capacity that PSE is obligated to reserve for the customer on a daily basis for the transportation of the natural gas that the customer purchases through third party.
- 6. All natural gas transportation service customers under the firm service of Schedules 31T and 41T and the interruptible service of 85T, 86T and 87T are required to follow the specified procedures outlined in Rule No. 29 for daily balancing between nominated levels of service and actual quantities. Interruptible transportation customers also agree to follow the additional service requirements outlines in Rule Nos. 2, 21, 23, and 29 during a constraint period.
- 7. The purpose of the Penalties for Unauthorized Use of Gas imposed for Overrun Entitlements is to encourage customers to follow the terms of their agreement; these Customers' failure to comply with the terms of their agreements imposes a cost on PSE's

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PUGET SOUND ENERGY'S ANSWER TO FORMAL COMPLAINT- 17

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1	sales customers. The cost imposed by the transportation service customers not
2	complying with the terms of their agreements is borne by PSE sales customers.
3	Therefore, the Penalties for Unauthorized use of Gas for Overrun Entitlement Periods
4	flows back to sales customers through the Purchased Gas Adjustment mechanism.
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6	PRAYER FOR RELIEF
7	PSE respectfully requests that the Commission issue an order dismissing Customers
8	Complaint with prejudice and determining that PSE appropriately billed Customers for
9	penalties for their Unauthorized Use of Gas during Overrun Entitlement Constraint Periods
10	resulting from the Enbridge pipeline rupture.
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12	DATED: November 12, 2019
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## CERTIFICATION

I, Jon A. Piliaris, Director, Regulatory Affairs, for Puget Sound Energy, declare under penalty of perjury under the laws of the State of Washington that the information contained in this Answer is true and correct to the best of my information and belief.

Dated this 12th day of November, 2019 at Bellevue, Washington.

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Ву

Jon A. Piliaris, Puget Sound Energy