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March 30, 2004

STATE OF WASH.  
UTIL. AND TRANSP.  
COMMISSION

Ms. Carole J. Washburn, Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, Washington 98504-7250

RECEIVED BY FAX ON 3-30-04  
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Re: Compliance Filing – Docket No. UG-031216 – **Do Not Redocket**  
Natural Gas Tariff Filing – Advice No. 2004-08

Dear Ms. Washburn:

Pursuant to RCW 80.28.060 and WAC 480-80-101 and WAC 480-80-105, enclosed are an original and three copies of the following proposed revised tariff sheets:

WN U-2 (Natural Gas Tariff):

- First Revised Sheet No. 18-A – Rules and Regulations (Continued) – Rule No. 7, Extension of Distribution Facilities-Other Than Kittitas County (Continued)
- Third Revised Sheet No. 19-B– Rules and Regulations (Continued) – Rule No. 7, Extension of Distribution Facilities-Other Than Kittitas County (Continued)
- Third Revised Sheet No. 19-C– Rules and Regulations (Continued) – Rule No. 7, Extension of Distribution Facilities-Other Than Kittitas County (Continued)
- Third Revised Sheet No. 19-D– Rules and Regulations (Continued) – Rule No. 7, Extension of Distribution Facilities-Other Than Kittitas County (Continued)
- Third Revised Sheet No. 19-E– Rules and Regulations (Continued) – Rule No. 7, Extension of Distribution Facilities-Other Than Kittitas County (Continued)

The purpose of this filing is to submit the agreed upon changes to tariff sheets as reflected in Exhibits A through E of the Settlement Agreement attached to the Commission's Final Order Accepting And Adopting Proposed Settlement; Approving Tariff Revisions ("Order") in Docket No. UG-031216. Also in compliance with the Order the Company filed Sheet No. 1107 (Exhibit F to the Settlement Agreement) under Advice No. 2004-07.

In accordance with the Order each tariff sheet reflects an effective date of May 1, 2004. To identify the sheets as a "compliance filing" the Company added the notation: "By Authority of the Washington Utilities and Transportation Commission in Docket No. UG-031216" to each tariff sheet.

Posting of these proposed tariff changes, as required by law and the Commission's rules and regulations, is being accomplished immediately prior to or coincident with the date of this transmittal letter in accordance with WAC 480-90-193(1).

Please contact Lynn Logen at (425) 462-3872 for additional information about this filing. If you have any other questions please contact me at (425) 456-2797.

Very truly yours,

Karl R. Karzmar  
Director, Regulatory Relations

Enclosures

cc: Simon J. fitch  
Kirstin Dodge  
Paula Pyron

WN U-2

First Revised Sheet No. 18-A  
 Canceling  
 Original Sheet No. 18-A

PUGET SOUND ENERGY  
 RULES AND REGULATIONS (Continued)

RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued)

6. Qualification Payment: A nonrefundable payment by a Customer made in order to qualify for the New Customer Rate. The payment shall be equal to the Customer Advance determined by utilizing the 75% Threshold Rate Of Return in the FIA calculation. (T)
7. Target Rate Of Return: Current system average rate of return as authorized by the Washington Utilities and Transportation Commission.
8. 80% Threshold Rate Of Return: Eighty percent of Target Rate Of Return. (C)
9. 75% Threshold Rate of Return: Seventy-five percent of Target Rate Of Return (N)

**Section 3: General**

1. Unused facilities extensions. If the Company provides a facilities extension and the Customer fails to commence gas usage within twelve months from the date of installation the Company will bill the Customer the following costs as applicable:
  - a. the cost to cut and cap the service line,
  - b. all costs of providing the Customer's service line,
  - c. the costs of providing any main dedicated to the Customer,
  - d. the Customer's contribution toward any shared main costs.

If the Customer takes service within 5 years of the original installation, costs relating to b., c. and d. above will be refunded less the following charges, as applicable:

- a. the cost of reactivating the service line,
- b. any Customer Advance or Qualification Payment the Customer agreed to pay for the original extension (if such payment remains unpaid),
- c. any New Customer Rate the Customer agreed to pay for the original extension, calculated using the Customer's original estimated volumes for the period of time extending from the date the original facilities were installed to the actual date the Customer takes service (and then continuing for the remaining term),
- d. the amount of margin (revenue less revenue for gas costs) the Customer would have paid, calculated using the Customer's original estimated volumes for the period of time extending from the date the original facilities were installed to the actual date the Customer takes service.

If the charges exceed the refund the Customer shall pay balance.

(Continued on Sheet No. 19)

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 Issued By Puget Sound Energy

By:



Karl R. Karzmar

Title: Director, Regulatory Relations

WN U-2

Third Revised Sheet No. 19-B  
Canceling  
Second Revised Sheet No. 19-B

PUGET SOUND ENERGY  
RULES AND REGULATIONS (Continued)

RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued)

- b. incremental operating and maintenance expenses listed in Schedule No. 7;
- c. site-specific, non-standard permits, easements, or other costs described in Schedule No. 7.

In addition, the Facilities Investment Analysis will include the appropriate Target Rate Of Return as approved by the Washington Utilities and Transportation Commission.

In the case where additional facilities are installed as part of the Company's long-range system planning, the cost difference between installed and minimum required facilities shall be excluded from the Facilities Investment Analysis for the purpose of determining the Customer Advance or Qualification Payment.

**Section 7: Results of Test and Customer Advance**

If the results of the Facilities Investment Analysis meet or exceed the Company's Target Rate Of Return, the facilities extension or modification will be made without charge. However, if the extension is from a prior extension, a New Customer Rate may be required as described in Section 12 below.

If the results of the Facilities Investment Analysis indicate a rate of return below the Company's Target Rate Of Return, the facilities extension may proceed provided the marginal revenue shortfall is addressed by the Customer selecting to pay either:

- a. the Customer Advance, subject to review and refund as provided below; or
- b. the applicable New Customer Rate as listed in Supplemental Schedule No. 107, (T)  
provided the results of the Facilities Investment Analysis meet or exceed the (C)  
75% Threshold Rate Of Return stipulated in Section 2 above. However, if the results (C)  
of the Facilities Investment Analysis fail to meet the 75% Threshold Rate Of Return,  
the Customer(s) may choose to pay a Qualification Payment and the applicable New  
Customer Rate.

In cases where the Customer has elected to pay the New Customer Rate and subsequently sells the premises served by the facilities extension within the five-year term of the rate, the purchaser of the premises will be given the option of paying either:

- a. the applicable New Customer Rate for the remainder of the five-year term; or
- b. the pro-rata share of the originally required Customer Advance, subject to refund as provided in Section 8 below.

(Continued on Sheet No. 19-C)

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Title: Director, Regulatory Relations

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Third Revised Sheet No. 19-C  
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 Second Revised Sheet No. 19-C

PUGET SOUND ENERGY  
 RULES AND REGULATIONS (Continued)  
 RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued)

**Section 8: Review of Contribution and Refund**

Facilities extensions requiring a Customer Advance will be reviewed after five years from completion of construction; and refunds, if applicable, will be paid at that time. For the purpose of review, a new Facilities Investment Analysis will be performed using original cost and revenue estimates. However, estimated marginal revenues and costs (based on the version of Schedule No. 7 under which the facilities were constructed) attributable to additional new Customers not projected in the original analysis will be added. Estimated marginal revenues shall include New Customer Rate revenues from latecomers. No additional reviews will be performed after the fifth year. The Company will honor requests by Customers who paid a Customer Advance for reviews of facilities extensions prior to the expiration of the five-year period; and refunds, if applicable, will be made at that time.

In cases where review of the facilities extension indicates refunds are due, interest will be paid on a Customer Advance subsequently refunded at the rate established for Customer deposits in Rule No. 5. Refunds, excluding interest, will not be greater than the amount of the original Customer Advance(s). The total amount of any refund shall be refundable to the original contributor.

For the purposes of refunds, Customers will be treated in accordance with the version of Rule No. 7 or other rule governing extensions of facilities that was in effect and used for the purposes of charging the Customer the Customer Advance.

**Section 9: Application of Economic Test to New Construction Development Plats**

For new development plats, a Facilities Investment Analysis will be prepared based on the project build-out plan outlined in the developer agreement. If no Customer Advance is required, based on the Facilities Investment Analysis results, no New Customer Rate will be assessed; and the facilities will be extended at no charge. If the Facilities Investment Analysis indicates a Customer Advance is needed, the developer will have the option of paying either:

(C)

- a. the Customer Advance, subject to review and refund to the developer as provided in Section 8 above, as applicable, except that the review period shall be the lesser of seven years or the duration of the developer's build-out plan; or

(Continued on Sheet No. 19-D)

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Third Revised Sheet No. 19-D  
 Canceling  
 Second Revised Sheet No. 19-D

PUGET SOUND ENERGY  
 RULES AND REGULATIONS (Continued)

RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued)

- b. the nonrefundable Qualification Payment, if any. Initial subsequent Customers within the development will be given the option of paying either:
- (1) their prorata share of the required Customer Advance for the development (less the Qualification Payment paid by the developer), or
  - (2) the applicable New Customer Rate as listed in the Rates section of Supplemental Schedule No. 107. (C)

**Section 10: Security Deposit Required from Developers**

Regardless of the results of the Facilities Investment Analysis, a security deposit will be required from the builder/developer to ensure payment of potential contribution deficiencies resulting from delays in the build-out plan. The security deposit required shall be equivalent to the Customer Advance impact of a two-year delay in the original build-out plan. However, the amount of the security deposit shall not limit the remedies otherwise available to the Company under the developer agreement.

In lieu of cash payment of the security deposit, developers may provide a letter of credit, contractor's bond, or other credit instrument in form and substance satisfactory to the Company. No interest shall be charged or paid by the Company on the amount of the credit instrument. The full amount of any balance due shall be immediately due and payable by the issuer of the credit instrument or the Customer upon the expiration or earlier termination of the applicable credit instrument. The maximum term of any credit instrument shall be seven years.

**Section 11: Review of Development Build-out and Refunds to Developers and to Customers within Developments**

Upon the completion of build-out or at the end of the review period (whichever occurs first), a Facilities Investment Analysis will be run reflecting the actual build-out. Refunds or charges for any deficiency in the security deposit plus interest at the rate established for Customer deposits in Rule No. 5 will be made.

If the developer elected to contribute the required Customer Advance, the developer may be eligible for a refund. To determine if a refund is appropriate, the Facilities Investment Analysis will be reapplied to the project reflecting the timing of actual Customer additions. If a review indicates that a lower contribution would have been required than originally determined, a refund equal to the difference will be made to the developer. If the results of the Facilities Investment Analysis indicate a larger contribution would have been required, the developer's deposit will be applied to the difference. Any remaining deficiency will be recovered from the developer under the terms of the developer agreement.

(Continued on Sheet No. 19-E)

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WN U-2

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 Canceling Second Revised Sheet No. 19-E

PUGET SOUND ENERGY  
 RULES AND REGULATIONS (Continued)  
 RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued)

If a Customer within a development chooses to pay a Customer Advance, the Customer may be eligible for a refund. To determine if a refund is appropriate, the Facilities Investment Analysis will be reapplied to the project at the end of the review period reflecting the timing of actual Customer additions and original cost and revenue estimates. If a review indicates that a lower contribution than originally determined would have been required, a refund equal to the pro-rata share of the difference will be made to the Customer. If the results of the Facilities Investment Analysis indicate a larger contribution would have been required, the individual Customer shall not be charged or refunded.

If the developer opted not to contribute the required Customer Advance and the original build-out plan did not occur on schedule, the Facilities Investment Analysis will be reapplied to the project reflecting the timing of the actual Customer additions, as in the preceding paragraph. If the results of the Facilities Investment Analysis indicate a larger Qualification Payment would have been required, the developer's deposit will be applied to the difference. If the results of the FIA indicate that the higher NCR rate would apply, the developers deposit will be applied to make up any difference. Any remaining deficiency will be recovered from the developer under the terms of the developer agreement.

(N)  
(N)

**Section 12: Extensions from Extensions**

When the subsequent facilities extension requires a Customer Advance, the options under Section 7 above apply.

When the subsequent facilities extension

- a. required no Customer Advance, and
- b. will be constructed within the five-year installation review period for the existing facilities extension, and
- c. the existing facilities extension required a Customer Advance, Qualifying Payment, or New Customer Rate,

the Company will perform a Facilities Investment Analysis that combines the existing and subsequent facilities extensions to determine whether the Customer Advance or New Customer Rate, as applicable, remains necessary.

If the combined Facilities Investment Analysis:

- a. results in elimination of the Customer Advance on the existing facilities extension or the need to continue the New Customer Rate, the Customer Advance will be refunded to the original contributor(s) and/or the New Customer Rate will cease, as appropriate, and Customers located on the downstream extension make no payment, or
- b. results in a reduction of the New Customer Rate, the New Customer Rate shall be adjusted for existing customers if the applicable tariff contained such a provision at the time of construction, or
- c. does not result in elimination of the Customer Advance and/or the need to continue the New Customer rate on the existing facilities, Customers located on the downstream extension must pay the applicable New Customer Rate or the Customer may pay a Customer Advance as provided in Section 15. The duration of the New Customer Rate will be the remaining duration of the existing extension's New Customer Rate.

(N)  
(N)  
(T)

(Continued on Sheet No. 19-F)

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