

Agenda Date: July 7, 2016
Item Number: A1

Docket: UG-160748
Company: Puget Sound Energy

Staff: Elizabeth O'Connell, Regulatory Analyst.

Recommendation

Staff recommends rejecting Docket UG-160748, PSE's special contract filing concerning the injection of biomethane into PSE's natural gas system.

Background

On November 12, 2015, Puget Sound Energy (PSE or Company) filed Schedule 88R with the Washington Utilities and Transportation Commission (commission) in Docket UG-152164 (Prior Petition). In the Prior Petition, "biomethane customers" (producers of biomethane) would be allowed to inject the gas into PSE's distribution system and sell it directly to end-user. PSE also sought to establish technical requirements for specific Constituents of Concern (COCs) that are found in biomethane. King County's South Wastewater Treatment Plant (WTP), which has been producing and injecting biomethane into PSE's natural gas pipelines for over twenty-five years, expressed support for the tariff. However, after receiving comments from other members of the biomethane industry opposing approval of schedule 88R, PSE withdrew the Prior Petition on February 10, 2016. PSE revised the Prior Petition to a special contract pursuant to WAC 480-80-143 and filed for approval of a Receipt Service Agreement (Special Contract) on May 26, 2016. Additionally, PSE provided a sample of its Safety Service Contract, according to WAC 480-80-141.

Discussion

PSE's asserts that the Special Contract provides an individual customer the option to inject biomethane into PSE's distribution system for transportation to third-party end-users. The company and its customer have agreed on a mutually acceptable price for this biomethane injection service. Under this Special Contract, the customer will be able to inject its biomethane into PSE's transport system, sell its biomethane to third parties and directly bill the end-user for the sale of its product. After injection into PSE's system, the end-user of the biomethane will compensate PSE for transport services under a transportation rate schedule (i.e.: Rate Schedules 31T, 41T, 85T, 86T, 87T or Special Contract for transportation service) and compensate the biomethane producer for the gas commodity under a private, bilateral, contract. The Special

Contract filed by PSE addresses operation and maintenance, ownership of equipment and facilities, and service curtailment associated with the proposed injection service.

The company also filed a Safety Service Contract that provides specific guidelines for biomethane quality testing, testing procedures, and constituents (or impurities that the biomethane may contain), but it's not requesting approval of such agreement according to its interpretation of WAC 480-80-141.

According to WAC 480-80-143 Special Contracts for gas, electric, and water companies must be filed with the commission for the retail sale of regulated utility services. In this case the option to inject biomethane into PSE gas system is not being offered regularly to the general public. This raises the question whether this is a service within the public interest or just a commercial relationship between the biogas producer and a transportation service provider that happens to be a utility company. The injection of biomethane is being offered to an individual customer that PSE is in no obligation to serve, therefore staff considers that the service is not in public use.

More importantly, staff did not find any public service law or specific legislative mandate that requires the regulation of this particular activity from the commission. Staff sees no difference between this service offered to a biomethane producer and any other natural gas producer providing gas to or through PSE's system. Therefore, we conclude this contract does not require commission approval.

PSE states this Special Contract is filed in compliance with WAC 480-80-143. However, the company designated as confidential essential terms and conditions. The aspects include the identity of the customer, the geographic location where service will be provided, and additional obligations specified in the contract, such as the ones required in the Safety Service Contract. These terms are specifically identified in WAC 480-80-143(7) as terms which may not be designated as confidential. For these reasons, staff considers this as an additional reason for the commission to reject the filing as not in compliance with the public inspection requirement of RCW 80.28.050.

Stakeholder Comments

As of the drafting of this memo, staff had not received formal comments from other biomethane customers or other members of the public.

Conclusion

Staff recommends that the Special Contract and related Service Contract should be rejected because it does not constitute a utility service, the activity is not required to be regulated by any legislative mandate, and it is not in compliance with the public inspection requirement of RCW 80.28.050 and WAC 480-80-143(7).