

BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND	)	DOCKET NO. UG-031216
TRANSPORTATION COMMISSION,	)	
	)	ORDER NO. 03
Complainant,	)	
	)	
v.	)	
	)	FINAL ORDER ACCEPTING
PUGET SOUND ENERGY, INC.,	)	AND ADOPTING PROPOSED
	)	SETTLEMENT; APPROVING
Respondent.	)	TARIFF REVISIONS
.....		

1 **Synopsis.** *The Commission adopts a proposed settlement between Puget Sound Energy and Commission Staff that is designed to improve fairness in the fees paid by customers when service requires an extension of gas mains. The Commission authorizes tariffs to become effective; authorizes submission of compliance tariffs; and requires submission of a tariff subject to suspension, to effect the agreement.*

2 **Proceeding:** Docket No. UG-031216 is a filing by Puget Sound Energy (PSE) to change certain rates and charges relating to the extension of natural gas service.

3 **Procedural status:** The Commission suspended the filing at its open meeting of August 27, 2003. Discussions occurred between the Commission Staff and the Company in furtherance of a resolution of the matters at issue. The Commission convened a prehearing conference in this docket at Olympia, Washington on February 20, 2004, before Administrative Law Judge C. Robert Wallis. The parties announced that they appeared to have reached a settlement in principle, and asked until March 24, 2004, to finalize and file it. The prehearing conference order granted the request. Commission Staff filed a joint settlement agreement on behalf of the parties on March 19, 2004.

4 **Appearances.** Respondent is represented by Kirsten Dodge, attorney, Bellevue, Washington. Commission Staff is represented by Christopher Swanson, Assistant Attorney General, Olympia.

## DISCUSSION

- 5 The parties have come to an agreement regarding the July 25, 2003, tariff filings and have filed a proposed settlement agreement under WAC 480-09-045<sup>1</sup> to implement the agreement. The agreement eliminates the disparity in rates between new customers in existing neighborhoods and new customers in new developments, thus eliminating Staff's major concern leading to its recommendation to suspend the tariff filing. In the original tariff revisions filed on July 25, 2003, Staff objected to disparate rates that were assigned to new customers.
- 6 **Background.** PSE has two methods to receive additional cash flow from a new customer when a gas line extension project does not pass the tariffed test for free extension. The two methods are a) the payment of a refundable customer advance, or b) the customer's agreement to pay a "new customer rate" for five years coupled with a nonrefundable qualification payment, if circumstances require.
- 7 Under the customer advance option, a new customer in a new development and a new customer in an existing neighborhood are treated in an identical manner. However, under the "new customer rate" option, a new residential customer in a new development pays a "new customer rate" of 11.5 cents per therm for five years and the developer pays any required qualification payment. On the other hand, a new small commercial customer in a new development or in an existing neighborhood, and a new residential customer in an existing neighborhood pay a new customer rate of seventeen cents per therm, for five years, plus any required qualification payment. The result of the rate structure is that similarly situated customers may be treated differently.
- 8 The Company and Commission Staff engaged in discussions aimed at addressing the issues Commission Staff raised, and now propose a settlement agreement that Staff says resolves its concerns. The proposal ties application of the "new customer rate" to the rate of return for the particular project rather than

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<sup>1</sup> That rule was repealed effective January 1, 2004, when WAC 480-07-730 and -740 became effective. We accept the filing as being in substantial compliance with WAC 480-07-740 and as appropriately filed under rules in effect when the docket began.

the age or status of the neighborhood (new versus existing) at the time of installation.

- 9 **The proposal.** The proposal is reflected in the matrix in Table I. In essence, the rates resulting from the proposal are based on the rate of return of a new customer project rather than the age or status of the neighborhood (new versus existing), so all similarly situated customers are treated similarly. The parties represent that no significant change in annual revenue results from the proposal. For all of the above reasons, Commission Staff and PSE support the proposal contained in the Settlement Agreement.

**TABLE I**

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

- 10 The revisions to PSE's original filing, suspended August 27, 2003, reduce rates for some prospective customers and potentially increase rates for other prospective customers. The revisions impact rates and options of prospective customers at new service locations and as such do not impact rates for ongoing service to PSE's existing customers at their current locations.
- 11 The Commission determines that no hearing on the proposal is necessary; the filing and accompanying materials adequately explain and resolve disputed matters.
- 12 The Commission is satisfied that the settlement proposal is consistent with the public interest and that it properly resolves the issues in the tariffs that the Company initially proposed. The Commission will adopt the proposal.
- 13 **Implementing the proposal.** Revisions to Tariff Sheet Nos. 18, 19, 19-A, 19-F, 19-G, 19-H, 19-I, 19-J, 19-K, 19-L, 19-M, and Original Sheet No. 42 as filed on July 25, 2003, should be allowed to become effective on May 1, 2004, without further filings by either party.
- 14 PSE will file with the Commission, with the effective date of May 1, 2004, Exhibits A through F to the settlement agreement, revising Tariff Sheet Nos. 18-A, 19-B, 19-C, 19-D, 19-E, and 1107, as proposed revised tariff sheets.
- 15 The proposed revised tariff sheets referenced in Exhibits A through E shall be filed at the earliest reasonable date as compliance filings under this order. Staff will review the filing and, within one week after the filing, advise the Commission in writing with a copy to all parties whether the filing complies with the terms of this Order. The Commission will enter an order accepting compliant tariff revisions.
- 16 Sheet 1107 (Exhibit F) shall be filed with the statutorily required notice and in accordance with WAC 480-90-195(3). The tariff sheet is subject to Staff and Commission review and to further Commission action.
- 17 **Conclusion.** The Commission accepts and adopts the proposed settlement agreement, lifting the suspension for certain tariff sheets; authorizing the filing of

compliance sheets; and requiring the filing of an additional tariff sheet for approval, as specified herein.

### FINDINGS OF FACT

- 18 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington, vested by statute with authority to regulate in the public interest the rates, services, facilities and practices of gas companies in the state.
- 19 (2) Puget Sound Energy (PSE) is a gas company offering the sale of natural gas to the public for compensation and, as such, is subject to the regulation of the Commission.
- 20 (3) PSE filed on July 25, 2003, a proposed tariff amendment that would alter its rates and charges for extending gas lines to serve new customer locations. The Commission suspended it at the Commission's open meeting of August 27, 2003, on the recommendation of Commission Staff, based on concerns that differences in the application of rates to similarly situated customers were based on inappropriate factors.
- 21 (4) On March 19, 2004, PSE and the Commission Staff jointly filed a proposed Settlement Agreement, in which the rates for similarly situated customers would be set based on the level of the financial return on the line extension project. This basis determines rates with respect to the cost of the project and the relationship of cost to projected revenue. The result is that customers whose service is inexpensive to provide, in relation to revenue, will require no additional charges; customers whose service is expensive to provide in relation to revenue will pay more. This is fair to the customer whose service causes the costs and it is fair to the customer body as a whole.
- 22 (5) The proposal will not increase overall company revenue but will change the allocation of charges among customers seeking service in new (previously unserved) locations.

### CONCLUSIONS OF LAW

- 23 (1) The Washington Utilities and Transportation Commission has jurisdiction  
over the subject matter of and the parties to this proceeding.
- 24 (2) The proposed settlement agreement is properly presented and identifies  
rates that are fair, just, reasonable, and sufficient.
- 25 (3) The Commission should adopt the proposed settlement agreement.
- 26 (4) The Commission should allow certain tariff sheets to become effective on  
May 1, 2004, as set out in Paragraph 13, above; should direct compliance  
filings to become effective on May 1, 2004, as set out in Paragraph 14,  
above; and should direct PSE to file a tariff sheet subject to suspension for  
effect on May 1, 2004, as set out in Paragraph 15, above.

### ORDER

The Commission adopts the proposed settlement agreement. In so doing, the  
Commission orders as follows:

- 27 (1) Puget Sound Energy's proposed revisions to Tariff Sheet Nos. 18, 19, 19-A,  
19-F, 19-G, 19-H, 19-I, 19-J, 19-K, 19-L, 19-M, and Original Sheet No. 42 as  
filed on July 25, 2003, are allowed to become effective on May 1, 2004,  
without further filings.
- 28 (2) PSE shall file with the Commission, with the effective date of May 1, 2004,  
Exhibits A through F to the settlement agreement, revising Tariff Sheet  
Nos. 18-A, 19-B, 19-C, 19-D, and 19-E, as proposed revised tariff sheets in  
compliance with the terms of this order pursuant to WAC 480-07-550.  
Staff will review the filing and, within one week after the filing, advise the  
Commission in writing with a copy to all parties whether the filing  
complies with the terms of this Order.

- 29 (3) PSE shall file Sheet 1107 (Exhibit F) with the statutorily required notice for effect on May 1, 2004 and in accordance with WAC 480-90-195(3). The tariff sheet is subject to Staff and Commission review and to further Commission action.

Dated at Olympia, Washington, and effective this 30th day of March, 2004.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

PATRICK J. OSHIE, Commissioner

**NOTICE TO PARTIES: This is a final order of the Commission. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04.200 and WAC 480-07-870.**

# APPENDIX

## A



BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET NO. UG-031216

SETTLEMENT AGREEMENT

1 All Parties in this proceeding enter this Settlement Agreement to resolve  
the issues in the above docket.

**I. PARTIES**

2 The Parties to this Agreement are the Staff of the Washington Utilities and  
Transportation Commission (Staff) and Puget Sound Energy, Inc. (PSE).

**II. BACKGROUND**

3 On July 25, 2003, PSE filed with the Washington Utilities and  
Transportation Commission (Commission) proposed tariff sheets to its currently  
effective Tariff WN U-2 (Natural Gas Tariff) setting forth proposed revisions to  
Rule No. 7 and 7A and setting forth a new rule, Sheet No. 42, Rule 28, reflecting  
the effect of federal income taxes on contributions in aid of construction. The

filings concerned changes to PSE's tariff rules regarding the extension of gas service.

4           On August 27, 2003, Staff presented a memorandum protesting a portion of the tariff revisions to Rule No. 7 and 7A as not fair, just and reasonable due to an apparent disparity between the rates assigned to a new customer in a new development as compared to the rates assigned to a new customer receiving an extension in an existing neighborhood.

5           On August 27, 2003, the Commission suspended PSE's tariff filing, but allowed the tariff sheets to become effective on a temporary basis pending entry of further Commission orders.

6           The parties have come to an agreement regarding the July 25, 2003, tariff filings. The agreement eliminates the disparity in rates between new customers in existing neighborhoods and new customers in new developments, thus eliminating Staff's major concern leading to its recommendation to suspend the tariff filing.

7           The agreed upon revisions to PSE's original filing, suspended August 27, 2003, reduce rates for some prospective customers and potentially increase rates for other prospective customers. The revisions impact rates and options of new prospective customers and as such do not impact rates for PSE's existing customers.

### III. AGREEMENT TERMS AND REQUEST FOR APPROVAL

8 The parties agree that revisions to Tariff Sheet Nos. 18, 19, 19-A, 19-F, 19-G, 19-H, 19-I, 19-J, 19-K, 19-L, 19-M, and Original Sheet No. 42 as filed on July 25, 2003, will become effective on May 1, 2004, without further filings by either party.

9 The Parties agree that PSE will file with the Commission Exhibits A through F revising Tariff Sheet Nos. 18-A, 19-B, 19-C, 19-D, 19-E, and 1107 as proposed revised tariff sheets. Exhibits A through F are incorporated into this Settlement Agreement by reference.

10 The Parties agree that the proposed revised tariff sheets referenced in Exhibits A through F shall be filed with the effective date of May 1, 2004. PSE agrees that Sheet 1107 (Exhibit F) will be filed with the statutorily required notice and in accordance with WAC 480-90-195(3). The Parties agree that tariffs referenced in Exhibits A through E will be filed in compliance with Commission order at the earliest possible date as compliance filings to give Staff adequate time to review prior to their effective date.

11 This Settlement Agreement is presented to the Commission under WAC 480-09-045 (Alternative Dispute Resolution) for the Commission's approval.

### IV. GENERAL TERMS

12 The Parties agree that this Settlement Agreement resolves the contested issues between them in this proceeding. The Parties understand that this

Settlement Agreement is not binding on the Commission unless the Commission adopts the Agreement.

13           The Parties have entered into this Agreement voluntarily to lessen the expense, inconvenience, uncertainty, and delay of litigation.

14           The Parties agree to cooperate in submitting this Agreement promptly to the Commission for adoption. The Parties agree to support adoption of this Agreement in proceedings before the Commission through testimony or briefing if requested to do so by the Commission. No party to this Agreement or its agents, employees, consultants, or attorneys will engage in advocacy contrary to the Commission's adoption of this Agreement.

15           The Parties recognize that this Agreement represents a compromise of the positions that the Parties may otherwise assert in this proceeding. As such, conduct, statements, and documents disclosed during negotiations of this Agreement shall not be admissible as evidence in this or any other proceeding, except in any proceeding to enforce the terms of this Agreement.

16           The Parties may execute this Agreement in counterparts and as executed shall constitute one agreement. Copies sent by facsimile are effective as original documents.

17           The Parties shall take all actions necessary and appropriate to carry out this Agreement.

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In the event that the Commission rejects all or any portion of this Agreement, each party reserves the right to withdraw from this Agreement by written notice to the other party and the Commission. Written notice must be served within 10 days. In such event, neither party will be bound or prejudiced by the terms of this Agreement, and either party shall be entitled to seek reconsideration of the Order rejecting all or part of the Agreement.

CHRISTINE O. GREGOIRE

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Date Signed: \_\_\_\_\_

Date signed: \_\_\_\_\_