Agenda Date: May 10, 1995
Item: 2D

Docket: **UG-950392**
Company: Washington Natural Gas Company

Staff: Hank McIntosh, Rate Research Specialist HM
Jaime Ramirez, Regulatory Consultant R

Recommendation:

Permit the rates as filed under the special contract Docket UG-950392 to become effective as of the date of contract's provision.

Discussion:

The Boeing Company (Boeing) is the single largest customer on the Washington Natural Gas Company (WNG or Company) system. In early 1994, Boeing contacted Northwest Pipeline regarding direct service, which would allow it to bypass WNG. WNG assessed the potential of losing this load and entered into negotiations on prices and services.

On February 27, 1995, WNG signed a special contract for transportation service with Boeing. The Company filed for approval of the special contract on March 30, 1995, in accordance with WAC 480-80-335. The filing was made under the provisions of confidentiality under WAC 480-09-015 and RCW 80.04.095. This agenda item was first brought before the Commission April 26, but Company and Staff had outstanding issues under discussion at that time.

Services and rates:

The contract provides for transportation service in the WNG system for all fourteen existing Boeing sites. The terms and conditions of service are the same as for the tariffed transportation service. A comparison of the revenue provided by these prices and that produced by the UG-950814 compliance rate for Schedule 57 (Large Volume Distribution System Transportation Service) shows a difference of about 0.5 million dollars. The contract rates are expected to produce annual revenues of about 1.2 million dollars to cover revenue requirements.

There is evidence that Boeing will find true economies under the contract with the Company. A review of available WNG-supplied data indicates that there is a chance of savings large enough at the major sites to pay for much of the cost of bypass at minor sites. A cursory site review by Staff confirmed the feasibility of the bypass strategy. Further, even with marginal economics, Boeing has the financial power to accomplish the "bypass." Thus, it is more than a theoretical possibility.

The contract guarantees that Boeing will not bypass in any part for at least 20 years, with provision for two five-year extensions. This provision effectively removes bypass risk and preserves core customer benefits.

Ratemaking Treatment:

According to WAC 480-80-335(6) approval of this contract shall not be determinative with respect to the expenses and revenues of the utility for subsequent ratemaking considerations.

Conclusions:

Staff believes that the contract is in the best interests of the Company's ratepayers in that it provides a mechanism to maintain a great percentage of their current benefits for a substantial period and avoids a real possibility of losing that benefit. Therefore, Staff recommends that the special contract be approved as filed.