

**EXHIBIT NO. ___(RG-1CT)
DOCKET NO. UG-151663
2015 LNG FILING
WITNESS: ROGER GARRATT**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PUGET SOUND ENERGY, INC.

**for (i) Approval of a Special Contract for
Liquefied Natural Gas Fuel Service with
Totem Ocean Trailer Express, Inc. and
(ii) a Declaratory Order Approving the
Methodology for Allocating Costs
Between Regulated and Non-regulated
Liquefied Natural Gas Services**

DOCKET NO. UG-151663

**PREFILED DIRECT TESTIMONY (CONFIDENTIAL) OF
ROGER GARRATT
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**CONFIDENTIAL PER PROTECTIVE ORDER IN
WUTC DOCKET NO. UG-151663**

**AUGUST 11, 2015
REVISED SEPTEMBER 23, 2015**

- 1 (i) additional Jackson Prairie storage (50,000 Dth per day)
- 2 purchased from Avista Utilities and Williams-Northwest
- 3 Pipeline redelivery transportation service;
- 4 (ii) the Tacoma LNG Facility (85,000 Dth per day); and
- 5 (iii) upgrading the SWARR propane-air facility (30,000 Dth per
- 6 day; refurbishment is currently under evaluation).

7 Please see the Prefiled Direct Testimony of Clay Riding, Exhibit No. ____ (CR-
8 ~~1~~HCT), for a discussion of PSE's identification of need in the 2013 IRP.

9 **Q. How did PSE evaluate resource alternatives available to identify the**
10 **resources mentioned above?**

11 A. PSE evaluates various resource alternatives available to reliably meet customer
12 demand and determines which resource, or set of resources, most cost effectively
13 meets its customer demand. PSE evaluated the Tacoma LNG Project in
14 comparison with long-haul interstate pipeline capacity as well as regional
15 underground natural gas storage service and interstate pipeline storage redelivery
16 service. Since interstate pipeline capacity in PSE's service territory is generally
17 fully subscribed, especially considering the level of PSE's resource needs, the
18 resource alternatives analysis evaluated expansion of the regional pipeline grid.
19 By spreading the high fixed costs associated with an LNG facility across different
20 customers (core gas customers, TOTE fuel sales, and non-regulated fuel sales),
21 the Tacoma LNG Facility is selected as a least-cost resource to provide peak-day
22 capacity in PSE's analyses of resource alternatives. Please see the Prefiled Direct
23 Testimony of Clay Riding, Exhibit No. ____ (CR-~~1~~HCT), for a discussion of PSE's
24 analysis of alternatives in the 2013 IRP.

1 By combining these complementary load profiles, PSE can optimize the Tacoma
2 LNG Facility and minimize peaking-resource costs for PSE's retail natural gas
3 customers.

4 **Q. Has PSE already secured a long-term agreement for the sale of LNG from**
5 **the Tacoma LNG Facility?**

6 A. Yes. PSE has entered into an LNG Fuel Supply Agreement, dated October 27,
7 2014 (the "TOTE Special Contract") with Totem Ocean Trailer Express
8 ("TOTE"). Please see Exhibit No. ___(CR-3H4C) for a copy of the TOTE
9 Special Contract.

10 TOTE is a shipping company that transports approximately 30 percent of all
11 consumer goods shipped to Alaska. It operates two Orca class ships between the
12 Port of Tacoma and the Port of Anchorage on a regimented schedule of sailings
13 departing from Tacoma every Wednesday and Friday evening. TOTE will
14 consume more than 39 million gallons of LNG annually, which represents
15 44 percent of the liquefaction capacity of the Tacoma LNG Facility. TOTE is
16 fully owned by Saltchuk Resources Inc., a privately held investment group based
17 in Seattle. TOTE's decision to use LNG (as opposed to a petroleum based fuel)
18 has been driven by regulatory, environmental, and economic factors.

19 **Q. Please describe the regulatory factors that drive TOTE's decision to use**
20 **LNG as a marine fuel.**

21 A. In 2010, the International Maritime Organization, a United Nations organization,
22 approved the North American Emissions Control Area, establishing more

1 Please see Table 14 for the allocation of budgeted total capital costs (including
 2 AFUDC) associated with the Tacoma LNG Facility among peak shaving, TOTE
 3 fuel sales, and non-regulated fuel sales.

4 **Table 14. Allocation of Budgeted Total Capital Costs (Including AFUDC)**
 5 **Associated with the Tacoma LNG Facility (\$ in millions)**

	Peak Shaving	TOTE Fuel Sales	Non-regulated Fuel Sales	Total
Liquefaction	\$10.1	\$46.3	\$47.7	\$104.1
Storage	\$89.4	\$7.1	\$17.0	\$113.5
Bunkering	\$0	\$34.6	\$0	\$34.6
Truck Loading	\$1.8	\$0	\$5.5	\$7.3
Vaporization	\$20.2	\$0	\$0	\$20.2
Common Items	\$40.4	\$21.6	\$26.3	\$88.3
Total	\$161.9	\$109.6	\$96.6	\$368.1⁴
Percentage of Total	44%	30%	26%	100%

6 **Q. How will PSE use the total capital allocators presented in Table 14?**

7 A. PSE will use the total capital allocators presented in Table 14 to allocate certain
 8 operations and maintenance costs for the Tacoma LNG Facility. Please see the
 9 Prefiled Direct Testimony of Clay Riding, Exhibit No. ___(CR-1HCT), for a
 10 discussion of the use of the total capital allocators to allocate certain operations
 11 and maintenance costs for the Tacoma LNG Facility.

⁴ The \$368.1 million total is before the reduction by the AFUDC reserve account (projected to be approximately \$3.5 million), which reduces the AFUDC on the non-regulated portion of the plant, as discussed below.