

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,	)	Docket No. UG-101644
	)	
Complainant,	)	SEATTLE STEAM COMPANY'S PETITION FOR INTERVENTION
	)	
vs.	)	
	)	
PUGET SOUND ENERGY, INC.,	)	
	)	
Respondent.	)	
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1           Seattle Steam Company (“Seattle Steam”) hereby moves to intervene in the above-  
captioned proceeding pursuant to WAC 480-07-355. In support of its petition, Seattle Steam  
states as follows:

2           On October 1, 2010, Puget Sound Energy (“PSE”) filed a request for a natural gas  
tariff increase with the Washington Utilities and Transportation Commission (“WUTC”).

3           PSE’s proposed rate increase is \$24,384,451, which is 2.3 percent of its gross  
revenues. Excluding gas, for which PSE is allowed to essentially pass through its costs to its  
customers, the proposed increase is 6 percent.

4           Seattle Steam owns and operates a steam district heating system, serving 198 large  
buildings in the downtown and First Hill areas of Seattle. The predecessors of Seattle Steam  
were founded in 1890. Through a steam distribution piping network under the streets of  
Seattle, Seattle Steam serves the space and water heating requirements of many of the office  
and government buildings in downtown Seattle, as well as hotels, colleges, hospitals and  
commercial establishments in an area extending from Elliott Bay on the west to Twelfth  
Avenue on the east, and from Qwest Field on the south to Virginia Street on the north.

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Because its business is providing heat, its largest business expense is energy. Seattle Steam is concerned in this proceeding not only with the costs to Seattle Steam, but also with the costs that will affect many of the businesses, institutions and non-profit organizations in downtown Seattle.

5           Historically the predominant fuel source for Seattle Steam’s two steam plants has been natural gas, although as a result of investments it has made in alternative fuel storage and burner capabilities, it is able to quickly convert to burning residual fuel oil instead. This allows Seattle Steam’s use of natural gas to be interrupted any time there is a capacity restriction on either Puget Sound Energy, Inc.’s (“PSE”) or Northwest Pipeline’s system. While it has historically been one of PSE’s largest natural gas transportation customers, its “firm demand” – the amount of gas that it has required during periods when PSE needs to interrupt service to Seattle Steam, has been limited to 2 therms per day, which is essentially what is required to maintain the pilot lights on the boilers.

6           Because of the ever-increasing cost of natural gas and gas delivery service, in 2009 Seattle Steam replaced one of its gas-fired boilers with one able to use urban wood waste as fuel as well as natural gas. That will result in a roughly 60% drop in Seattle Steam’s need for natural gas commodity in the future. It nonetheless expects to use on the order of 8.2 million therms of natural gas in 2011, which it will have delivered through PSE’s system on PSE’s rate schedule 87T.

7           Some customers within PSE’s interruptible rate classes are like Seattle Steam, in that when PSE needs to interrupt their service, the customers discontinue virtually all of their use of PSE’s system. Such customers provide significant benefit to the company because of the fact that their ability to be interrupted in their supply of gas makes substantial peak capacity available for the company to meet the peak demand of PSE’s firm supply customers. Other

customers within those same interruptible classes have allocated a portion of their demand as “firm demand” meaning that they are only partially interrupted, or perhaps not interrupted at all if they have allocated all of their demand as “firm demand.”

8 PSE came to the Utilities and Transportation Commission for general rate increases in 2004, 2006, 2007 and 2009, in each case arguing that its rates needed to be increased because it was being forced to make very large investments in order for it to serve increasing peak demands. The current rate design in effect for interruptible classes causes truly interruptible customers to subsidize large customers that are not interruptible, because the charge for firm demand is significantly below the cost of firm demand, and correspondingly the volumetric charges for gas delivery are significantly above what PSE’s cost of service study shows as the cost of delivery for off-peak volumes. Seattle Steam believes that sends the wrong price signals to large PSE customers, because the subsidy discourages large customers from making the investments that would allow them to interrupt their service, and thereby increases the pressure on PSE to make continual large investments in capacity to meet peak demand. In that context, Seattle Steam has argued that the rate structure for interruptible classes should go further to encourage customers within the interruptible classes to in fact make most of their service interruptible, thereby decreasing the pressure on PSE to construct ever-increasing capacity to meet peak demand.

9 Seattle Steam’s comments in the 2007 general rate case were part of what led to a large-customer rate design collaborative after that case was concluded. That collaborative resulted in general agreement as to the need in future rate cases to move towards a rate structure for interruptible classes that created greater incentives for customers within those classes to in fact make their load largely interruptible. The 2009 rate case did not make progress in that regard, although at that time PSE said that it had not had sufficient time after

the collaborative to do so. The current proposal again makes no progress towards redesign of the interruptible rate classes, and continues to have the charge for firm demand substantially below PSE's calculation of the cost of firm demand. Seattle Steam believes that the Commission should, if it approves the current rate increase, at a minimum set expectations for PSE to come forward with a rate design for interruptible classes in its next rate proceeding that goes further to create incentives for customers in the interruptible classes to become largely interruptible and reduces the costs for those customers which are truly interruptible to reflect the costs of serving them only during off-peak periods.

10 To the extent that this proceeding as filed would have the Commission approve across-the-board rate increases making no progress toward design of interruptible rates to encourage customers within the interruptible rate classes to be fully or largely interruptible and to reward customers that make the required investment to become interruptible, Seattle Steam asks that the Commission also address when and how more appropriate rate design will be brought forward for adoption.

11 Seattle Steam is not represented by any other party in this proceeding and intervention is necessary in order to adequately protect Seattle Steam's interests.

Seattle Steam's business address is:  
Seattle Steam Company  
1325 Fourth Avenue, Suite 1440  
Seattle, Washington 98101

12 For Seattle Steam, copies of all pleadings, correspondence and documents filed in these proceedings should be sent to:

Robert B. Sheppard  
30 Glacier Key  
Bellevue, Washington 98006  
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13 The name and address of Seattle Steam's attorneys in this proceeding are:

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Seattle, Washington 98121  
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espencer@grahamdunn.com

14 Seattle Steam reserves its right to submit written testimony and exhibits, call witnesses, cross examine witnesses called by other parties and submit written arguments and/or motions.

15 WHEREFORE, Seattle Steam respectfully petitions the Commission for leave to intervene in this proceeding, and the right to participate in any hearings therein.

DATED: 11/5/2010

GRAHAM & DUNN PC

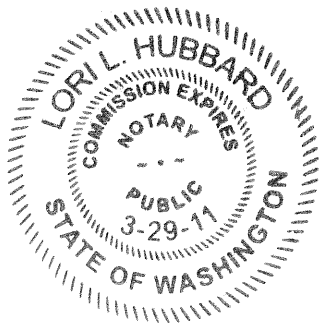
By *Elaine L. Spencer*  
Elaine L. Spencer

STATE OF WASHINGTON )  
  ) ss.  
COUNTY OF KING )

I, Elaine L. Spencer, being first duly sworn on oath, depose and say:  
I am the attorney for Seattle Steam Company, Intervenor herein. I have read the foregoing Petition for Intervention and I hereby verify that the facts set forth therein are true to the best of my knowledge.

*Elaine L. Spencer*  
ELAINE L. SPENCER

SUBSCRIBED AND SWORN TO before me this 5 day of November, 2010.



*Lori L. Hubbard*  
(Signature)

LORI L. HUBBARD  
(Please print name legibly)

NOTARY PUBLIC in and for the State of  
Washington, residing at RENTON.  
My commission expires: 3.29.11.

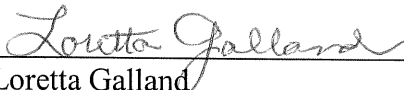
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### CERTIFICATE OF SERVICE

I hereby certify that on this 5<sup>th</sup> day of November, 2010, I caused to be served a copy of the foregoing document via electronic mail and by mailing a copy properly addressed with first class postage prepaid to all parties listed below.

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Donald Schoenbeck RCS, Inc. 900 Washington Street, Suite 780 Vancouver, WA 98660 dws@r-c-s-inc.com	

EXECUTED this 5<sup>th</sup> day of November, 2010, at Seattle, King County, Washington.

  
\_\_\_\_\_  
Loretta Galland  
Secretary to:

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