



PUGET SOUND ENERGY

The Energy To Do Great Things

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September 18, 2015

Via Electronic Mail

Steven V. King, Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
1300 S. Evergreen Park Drive S.W.
Olympia, Washington 98504-7250

**Re: Docket UG-143616
Comments of Puget Sound Energy, Inc. on Investigation of Natural Gas
Infrastructure Expansion**

Dear Mr. King:

Puget Sound Energy, Inc. (PSE) submits the following comments in response to the request in the Washington Utilities and Transportation Commission's (Commission) second Notice of Opportunity to Submit Written Comments (Notice) issued in Docket UG-143616.

PSE is a combined electric and natural gas utility serving approximately 770,000 natural gas customers in six counties in Washington State including King, Kittitas, Lewis, Pierce, Snohomish and Thurston. PSE's natural gas distribution system includes approximately 12,192 miles of natural gas mains, 13,657 miles of service lines, 40 gate stations and two natural gas storage facilities located at Jackson Prairie in Washington State (partnership) and Clay Basin in Utah (contract operations). PSE receives approximately 77 percent of its gas supply from Canada and 23 percent from the Western United States.

1. Line extension policies are one factor that customers consider when connecting to natural gas service or switching from electric to natural gas service. Are the costs associated with natural gas line extensions recovered in whole through charges to end-users requesting the line extension?

PSE Response

Yes. PSE's tariff rates within the line extension policy are designed to recover all costs associated with the new natural gas line extension facilities over time through charges to the

customer requesting the line extension and the customer using the new natural gas service. However, regulatory lag inherent in establishing and carrying out the tariff cost update does not allow for timely recovery by the utility. PSE agrees that costs/economics are the main factor that customers consider when connecting to natural gas service. A 2015 survey conducted by PSE showed that 42% of customers who chose not to take gas service into an existing home cited the cost of the service line and meter as the primary reason for electing not to take natural gas service. As detailed in PSE's previous comments, costs to customers to convert to natural gas service are continuing to increase particularly as permitting, fee, design and construction costs increase to meet more stringent requirements from municipalities (i.e. paving requirements)..

2. If not, what, if any, incentive is provided in the company's current line extension tariff for new or existing customers to connect to natural gas service? What other incentives does the company provide, if any?

PSE Response

There is no incentive in the current line extension tariff for new construction dwellings to connect to natural gas service or for existing premises to switch to natural gas service from electric or another fuel source. PSE's line extension policy and tariff is designed to recover all costs resulting from the new line extension facilities from the customers using that extension over time. There is some regulatory lag in the pricing of the costs as discussed in the response to #1. PSE's line extension policy and tariff balance the cost allocation issues between new and existing customers rather than providing incentives or subsidies. Cost allocation issues can impact a new or existing customer's economic decision to extend natural gas service into their home or business as both groups have to contribute the same toward the overall natural gas distribution costs through their energy usage rate. All new customers are required to pay upfront the portion of the new line extension facility costs that cannot be recovered via the energy usage charge.

3. Is the company's current natural gas line extension tariff designed to promote a specific policy outcome or outcomes? If so, what are these outcomes, and does the company believe that its current tariff achieves these outcomes? If not, what specific changes need to be made to the company's current natural gas line extension policy? Is additional legislative direction or authority needed in order for the Commission to approve line extension policies designed to promote environmental or economic development outcomes?

PSE Response

No. PSE's current natural gas line extension tariff is not designed to promote a specific policy outcome, but rather to balance costs between existing and new customers. The most significant change the Commission could make to the current line extension policy would be to provide greater clarity to the "used and useful" standard for making investments in natural gas infrastructure. The Commission could issue a policy statement that clearly articulates the criteria, costs and benefits by which the Commission would review the prudence of natural gas infrastructure investments in order to determine what is considered "used and useful." The statement could seek to clarify whether natural gas infrastructure investments made for economic development, emissions reduction, conservation, addressing non-attainment, etc. would be deemed prudent. Additional clarity around the "used and useful" standard would provide greater investment certainty to utilities. A policy statement clarifying the Commission's used and useful standard would not require additional legislative direction or authority. In addition, a policy statement from the Commission could clarify that the Commission recognizes the environmental benefits of converting from electric to natural gas service.

4. How does the company determine when it is necessary to revise its line extension tariff?
How often should the company adjust line extension rates to account for changes in actual line extension costs?

PSE Response

PSE actively monitors its new customer construction operation trends and provides yearly cost studies to the Commission detailing natural gas line extension costs. PSE uses its operational experience and the cost study results to make a determination as to the appropriate time to revise its line extension tariff. PSE will continuously monitor its line extension data and operations to determine the best time to adjust line extension tariff costs to account for changes in actual line extension costs. However, PSE must be mindful of the disproportionate impacts that too few or frequent line extension rate updates could have on the new line extension customers and their business operations as the construction cycle from the initial concept to the completion of a project would typically last for an extended period of time.

5. What, if any, impacts does the company’s current natural gas line extension policy have on existing customers? What is the impact on new and existing customers if a new customer’s usage is less than expected?

PSE Response

PSE’s current natural gas line extension policy has no impact on existing natural gas customers because the policy is designed to recover costs over time. New line extension customer usage can be more or less than expected, and for these reasons overall usage patterns for new line extension customers should create little to no impact on existing customers.

6. What percentage of natural gas line extensions are installed at the request of 1) residential, 2) commercial, and 3) industrial customers? What percentage of each category is requested by developers? (Please provide data dating back to the last time the company revised its line extension policy, or for as many years as this data is readily available.)

PSE Response

For the years 2010-2013, an average of 89 percent of line extension projects were completed for residential projects and 11 percent completed for commercial/industrial/multi-family/mixed use projects.

	2010	2011	2012	2013	2010-2013
Commercial/Industrial	12%	12%	11%	11%	11%
<i>Commercial/Industrial</i>	<i>10%</i>	<i>10%</i>	<i>9%</i>	<i>9%</i>	<i>9%</i>
<i>Multi-Family</i>	<i>2%</i>	<i>2%</i>	<i>2%</i>	<i>3%</i>	<i>2%</i>
Residential	88%	88%	89%	89%	89%
<i>Conversion</i>	<i>32%</i>	<i>36%</i>	<i>34%</i>	<i>34%</i>	<i>34%</i>
<i>Plat Development</i>	<i>56%</i>	<i>52%</i>	<i>55%</i>	<i>55%</i>	<i>54%</i>

7. What information does the company make available to consumers regarding natural gas line extensions? What public outreach activities does the company conduct to encourage customers to connect to natural gas service?

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PSE Response

PSE makes extensive information available and conducts public outreach through mail, email, and some in-person campaigns on the choice, availability and environmental benefits of using natural gas as a fuel source for the home or business where it is reasonably available, including promoting electric-to-gas fuel switching rebates under PSE's conservation programs. The PSE Web site provides easy-to-understand and actionable information for customers on adding or switching to natural gas including availability, benefits, cost comparisons, financing options, and others. The link to the Web site is: <http://pse.com/accountsandservices/Construction/Pages/Get-Started.aspx>. Since each case is different, existing and prospective customers wanting to switch from electric to natural gas service are encouraged to contact PSE's energy advisors, construction services or contractor alliance network via phone call, email or web contact form. These professionals work to provide more detailed and targeted information about availability, costs, scheduling, installation, etc. for each customer's unique circumstance.

PSE appreciates the opportunity to provide these responses to the questions identified above in the Notice of Opportunity to File Written Comments. Please contact Nate Hill, Regulatory Affairs Initiatives Manager, at (425) 457-5524 or myself at (425) 456-2110 for additional information about this filing.

Sincerely,
 Nate Hill, Manager Regulatory Initiatives

on behalf of

Ken Johnson
Director, State Regulatory Affairs

cc: Simon ffitc
Sheree Carson