

# Natural Gas Line Extension Policy



WUTC Workshop

September 23, 2015

Docket UG-143616

## Agenda

### Current PSE Policy

#### Results

- Inefficient Growth
- Costs = ↑ Usage = ↓
- Missing Customers / Lost Opportunities

### Recommended Changes

# Current PSE Policy

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## Rule No. 7

- PSE determines costs for each customer to extend gas service using a discounted cash flow financial model called the Facilities Investment Analysis (“FIA”)
- FIA key inputs includes rate schedule, customer estimated usage, and standard facilities costs
- Using a WUTC authorized Target Rate of Return (7.77%), FIA calculates a customer’s upfront payment and line extension payment options
- If a customer’s FIA results meet the Target Rate of Return, no upfront payment is required to extend gas service

# Results of PSE Policy

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## ✦ Growth is Occurring Inefficiently

- 100' is average main extension length
- “Inch-worming” commercial development, redevelopment or upzoning
- Forgone potential cost savings by not installing natural gas infrastructure in conjunction with other such work

No priority for expansion that results in electric to gas fuel switching, electric demand reduction or emissions reduction

# Results of PSE Policy

✦ Costs = ↑ Usage = ↓

- Energy efficiency, technology declining usage
- External costs imposed by jurisdictions are primarily driving the increasing overall costs to install natural gas service

Four examples of service line extensions in different jurisdictions

Jurisdiction	Total Job Cost	Permits	Paving	% of total job cost (Paving + Permits)	Feet of service line extension
Seattle	\$11,128	\$820	\$4,025	44%	75'
Bellevue	\$14,223	\$667	\$7,123	55%	100'
Tacoma	\$7,421	\$292	\$1,584	25%	150'
Snohomish	\$10,415	\$1,014	\$994	19%	900'

# Results of PSE Policy

## ✦ Lost Opportunities

- In a 2015 PSE survey, large numbers of customers cited costs as primary barrier to bringing gas into an existing home:
  - 42% cited cost of service line and meter
  - 35% cited cost of equipment inside the home
  - 21% cited cost of street restoration
- PSE receives approx. 6,000 inquires per year for gas service ~ 30% move forward
- Penetration of natural gas customers still less than 50% in most PSE service areas

	Number of Households <sup>1</sup>	Number of PSE Residential Natural Gas Customers <sup>2</sup>	% of Household with Natural Gas Service
<b>King County</b>	851,261	403,982	47%
<b>Snohomish County</b>	286,659	120,401	42%
<b>Pierce County</b>	325,375	133,942	41%
<b>Thurston County</b>	90,665	44,530	49%

<sup>1</sup> 2010 Census

<sup>2</sup> December 2012

# Recommended Changes

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#1: Policy statement to clarify “used and useful” standard for proactive utility investment in natural gas infrastructure expansion

#2: Policy Statement considering an allocation of jurisdictional expenses across all classes of ratepayers

#3: Policy Statement considering other benefits in justification and analysis (*i.e. economic development, electric demand reduction, emissions reduction, etc.*)

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