



News Release

PSE Seeks Increase in Rates for Extending Gas Lines to New Customers

BELLEVUE, Wash.--(BUSINESS WIRE)--Aug. 1, 2003--Puget Sound Energy (the utility subsidiary of Puget Energy (NYSE: PSD) is asking state regulators for an increase in the rates new customers pay, under certain circumstances, to have natural-gas lines extended to their property.

PSE's rates for installing new gas lines, last updated in 1995, need changing to reflect today's actual construction costs, the utility said.

The Washington Utilities and Transportation Commission (WUTC) approved an interim, 15 percent increase in PSE's line-construction charges last August. The commission also directed the utility to work with customer groups, home builders, the commission's staff, and others on a longer-term update of the rates. The utility's new rate proposal, filed last week with the WUTC, is the result of discussions between those parties.

"Line-extension charges are intended to defray any construction costs that aren't covered by a new customer's regular monthly payments for gas service," said Kimberly Harris, PSE's vice president of regulatory and government affairs. "The existing rates fall far short of meeting our full line-installation costs."

Although PSE's filing seeks a higher overall cost-recovery for gas-line construction, a significant number of PSE's line extensions still would require no construction payment from the customer. That is because the cost of a line installation often is fully covered, over time, by the normal monthly bills a new customer pays.

On the other hand, new gas customers usually face construction charges if PSE has to install a gas main as well as a service line.

Various factors, such as a home or business's distance to the nearest gas main, dictate whether customers must pay gas-line construction charges and, if so, the amount. (See the attached fact sheet for more details on PSE's current and proposed line-installation rates.)

New gas customers can lock in PSE's existing gas-line rates for 90 days if they apply for a line extension prior to the new rate schedule's implementation, and then complete the work within 90 days of signing an application.

In its filing with the WUTC, the utility is asking for the new rate schedule to take effect on Sept. 1, with a two-stage phase-in of rates for installing gas mains. The commission is expected to hold an August public hearing in Olympia on the request.

Puget Sound Energy

Proposed Rates for Natural-Gas Line Extensions

Aug. 1, 2003

How PSE Line-Construction Rates are Determined

New natural-gas customers of Puget Sound Energy often cover PSE's entire cost of extending gas lines to their property through their future monthly payments for gas service. But sometimes they must pay a portion of the line-construction costs. Separate construction charges -- if they apply -- hinge mainly on four things:

- A home or business's distance to the nearest gas main;
- The number of new customers being connected to a new or existing gas main;
- The amount of natural gas those new customers are expected to consume in future years; and
- The party (either PSE or the customer) that digs and later back-fills the gas-line trench.

PSE uses an established financial model to calculate its line-extension costs, credits, and any associated customer charges. Under the model, if one or more new customers in a particular area are projected to consume enough gas in future years to cover the construction costs, they pay little -- often nothing -- for a new gas line. For example, in an established neighborhood with an existing gas main, the owner of a typical home with a gas furnace and gas water heater would pay zero charges for a newly installed service line; the customer's monthly gas bills in future years would offset the entire line-construction cost. On the other hand, if a home on the same street was expected to use very little gas (e.g., its only natural-gas appliance was a gas stove), a new service line likely would require an up-front construction charge.

Proposed Line-Construction Rate Revisions

PSE last updated its line-extension rate schedule in 1995. In August 2002, the Washington Utilities and Transportation Commission (WUTC) approved a flat 15 percent interim increase in the rates. The commission also directed PSE to work with customers, builders, developers, WUTC staff, and other parties on a longer-term update of the rate scale (officially called Schedule 7). Collaborative discussions among these parties led to the proposed rate changes shown in the table below.

Line-Extension Description	PSE		Proposed	Proposed
	Construction Cost (2001 est.)	Current Rate (a)	Rate (a) (as of 9-1-03)	Rate (a) (as of 9-1-04)

Gas main in new development (plat); customer digs trench	\$15/ft.	\$5.85/ft.	\$10/ft.	\$13.40/ft.
Gas main in existing, developed neighborhood; PSE digs trench	\$37/ft.	\$13.57/ft.	\$19/ft.	\$33.85/ft.
Residential service line in new development (plat); customer digs trench	\$694/line (avg.)	\$655/line	\$620/line	\$620/line
Residential service line in existing, developed neighborhood; PSE digs trench	\$2,201/line (avg.)	\$1,677/line	\$2,080/line	\$2,080/line
Commercial service line in public right-of-way, from gas main to property line; PSE digs trench	\$3,154/line (avg.)	\$517.50/line	\$2,900/line	\$2,900/line
Commercial service line from property line or stub to meter; PSE digs trench	\$35/ft.	\$14.38/ft.	\$27.50/ft.	\$27.50/ft.
Commercial service line from main or stub on private property to meter; customer digs trench	\$15/ft.	\$11.50/ft.	\$13.40/ft.	\$13.40/ft.

(a) Schedule 7's line-extension rates in most cases are reduced or eliminated altogether because of the offset that new customers receive for their projected gas-usage payments in future years.

Time Line for New Rates

PSE is asking the WUTC to implement the proposed rate changes as of Sept. 1 (with a phased, two-step increase for gas-main extensions). Prior to the start of a new rate schedule, developers or property owners can file an application (at no charge) and lock in today's construction rates for 90 days. The locked-in rate remains in effect as long as the new gas line is constructed within 90 days of signing the application.

Contact:

Puget Sound Energy, Bellevue
Roger Thompson, 1-888-831-7250

Source: Puget Sound Energy