

TOMMY A. BROOKS

tbrooks@cablehuston.com

June 8, 2012

**VIA EMAIL FILING TO RECORDS CENTER**

Mr. David W. Danner  
Executive Director and Secretary  
Washington Utilities and Transportation  
Commission  
1300 S. Evergreen Park Drive S.W.  
P.O. Box 47250  
Olympia, WA 98504-7250

**Re: Commission Investigation into the Need to Enhance the Safety of Natural  
Gas Distribution Systems - UG-120715  
Comments of the Northwest Industrial Gas Users**

Dear Mr. Danner:

These comments are being provided on behalf of the Northwest Industrial Gas Users (“NWIGU”) in the above-captioned matter. NWIGU appreciates the opportunity to provide comments and will participate in the scheduled workshops. NWIGU requests that the Commission include NWIGU on the service or distribution list in this docket as follows:

Chad M. Stokes  
Tommy Brooks  
Cable Huston Benedict Haagensen & Lloyd LLP  
1001 SW Fifth Avenue, Suite 2000  
Portland, OR 97204  
Telephone: (503) 224-3092  
Fax: (503) 224-3176  
E-Mail: [cstokes@cablehuston.com](mailto:cstokes@cablehuston.com)  
[tbrooks@cablehuston.com](mailto:tbrooks@cablehuston.com)

and

Paula E. Pyron  
Executive Director  
Northwest Industrial Gas Users  
4113 Wolf Berry Court

700932.doc

June 8, 2012

Page 2

Lake Oswego, OR 97035-1827  
Telephone: (503) 636-3865  
Facsimile: (503) 636-0703  
E-mail: [ppyron@nwigu.org](mailto:ppyron@nwigu.org)

NWIGU is a non-profit association comprised of thirty-eight large volume end-users of natural gas with major facilities in the states of Washington, Oregon and Idaho. NWIGU members cover diverse industrial interests, including food processing, pulp and paper, aluminum, wood products, steel, chemicals, electronics, electric generation and aerospace, and includes members with both sales and transportation service from gas utilities in Washington. The association provides an informational service to its members and participates in various regulatory matters that affect member interests, including proceedings before the Federal Energy Regulatory Commission and the Washington Utilities and Transportation Commission (“WUTC” or “Commission”).

NWIGU members are wholly aligned with the Commission’s and utilities’ shared goal of public safety. NWIGU has participated in several prior dockets advocating for the reasonable and prudent identification of and replacement of pipe to enhance overall system safety.

As part of the notice seeking comments in this docket, the Commission identified several specific issues for which it is seeking input. Section I of the notice contains issues for which the utilities are in the best position to provide information. For example, that section appears to seek quantitative information such as pipe descriptions and risk levels associated with existing pipe. NWIGU will therefore not comment on those issues, but respectfully reserves the right to comment in later stages of this proceeding on any information provided by the utilities in response to the Section I issues.

Section II of the notice seeks broader information relating to interim cost recovery mechanisms. In consideration of these issues, NWIGU encourages the Commission to first consider whether there is or is not a particular safety problem faced by a specific utility for which an accelerated cost recovery mechanism would be in the best interest of customers. A utility should not be able to utilize such a mechanism (whether established by rule or specific order) without first demonstrating that such a mechanism is necessary for the safety of its system and the burden should be on the utility to show that the current regulatory scheme is not allowing it to adequately recover these costs.

Gas utilities already have an obligation to maintain and to operate a safe system, and they are provided with the ability to recover the costs of doing so through general rates. To the extent a utility believes pipe replacement costs are not being recovered, its first option should be to seek a general rate revision. A general rate case aids in the ability to take into account all aspects of pipe replacement. For example, although a pipe may be replaced due solely to safety concerns, the new pipe may add additional capacity or other benefits that should be captured. The Commission should allow a utility to utilize a separate (i.e. single-issue) rate mechanism only where the utility faces extraordinary circumstances that cannot be addressed through the general ratemaking process.

June 8, 2012

Page 3

NWIGU also urges the Commission to consider the length of any “interim” period that would justify an interim cost recovery mechanism. That is, gas utilities in Washington are filing general rate cases on a more frequent basis. As a result, there may not be a truly “interim” period between rate cases where a utility files on a yearly or near-yearly basis. Any change in pipe replacement costs between rate cases filed so closely together is likely either consistent with normal cost increases or the result of some extreme, unpredictable intervening circumstances such as a natural disaster. An interim cost recovery mechanism should be primarily tailored to account for the extreme intervening circumstances. Any mechanism focused more on normal costs increases should be considered only in conjunction with a lengthy interim period between rate cases. Otherwise, such increases can be taken care of through a general rate filing.

Finally, NWIGU urges the Commission to consider an appropriate reduction to Return on Equity (“ROE”) as part of any interim cost recovery mechanism. Guaranteed recovery of costs through a separate mechanism provides a utility with predictable revenue and a source of funds insulated from the risk of being used for other authorized utility purposes. That revenue stream, therefore, creates a reduced risk for at least a portion of the utility’s operations and the ROE should account for that reduction.

As with the issues raised in Section I of the notice, NWIGU respectfully reserves the right to comment on the remaining issues in Section II of the notice as this proceeding continues. NWIGU looks forward to participating in the upcoming workshops and to having the opportunity to comment on any specific proposals the Commission receives as the result of this investigation.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Tommy A. Brooks', written in a cursive style.

Tommy A. Brooks

TAB: