

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION)

Complainant,)

vs.)

PUGET SOUND ENERGY, INC.)

Respondent.)

Docket Nos. UG-040640
UE-040641

**REPLY BRIEF
OF THE
NORTHWEST INDUSTRIAL GAS USERS**

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I. INTRODUCTION

1 Pursuant to the procedural schedule adopted by Administrative Law Judge Moss, the Northwest Industrial Gas Users (“NWIGU”) hereby submit this Reply Brief in the above-referenced proceeding. Puget Sound Energy, Inc. (“Puget” or the “Company”) filed with the Washington Utilities and Transportation Commission (“WUTC” or “Commission”) for a general rate case seeking to increase natural gas sales and transportation rates by \$47.2 million and electric rates by \$81.6 million. In this Reply Brief, NWIGU will address whether Puget’s current blanket authority to defer expenses incurred in response to a catastrophic event should be expanded to include incidents that impact the gas distribution network.

II. ARGUMENT

ISSUE V (CATASTROPHIC EVENTS)

2 NWIGU opposes expanding the Company’s current catastrophic event definition beyond extraordinary storm damage to the electric system. Puget’s request to expand the definition of catastrophic events to include incidents on the gas distribution system is unprecedented and unjustified. Indeed, the protection the Company seeks is unnecessary because the Company can simply file an accounting petition for deferral treatment of any expense, as other Washington regulated companies must do. Accordingly, the Commission should deny Puget’s request to expand the Company’s definition of catastrophic events.

3 Puget has filed to set the minimum threshold for catastrophic events that impact the gas distribution system at \$2 million. *See* Initial Brief of Puget ¶ 135; Exh. No. 131 p. 30 lines 16-21. Puget’s filing, however, offers no reasonable justification for expanding the deferral authority or any evidence that an incident of this magnitude has ever occurred, or is likely to

occur on Puget's system. Unlike storm damage to the electric system, Puget's proposal seeks to protect the company from the unknown, and from events that are unprecedented in the history of gas distribution in Washington. Puget has offered a few examples of qualifying events such as earthquakes, sabotage or terrorism directed at the gas distribution system. All costs arising from these events, however, can be addressed in a traditional petition for deferral treatment of the expense, at which time the Commission can consider the particular issues that should be addressed relative to the incident or issue (e.g., the pursuit of insurance or claims against third parties). In addition, NWIGU shares Staff's concern that based on Puget's proposal, Company negligence may also qualify as a catastrophic event. *See* Initial Posthearing Brief of Commission Staff, fn. 286.

4 In its Initial Brief, Commission Staff stated its opposition to expanding the deferral mechanism to the gas side of the Company. *See* Initial Posthearing Brief of Commission Staff ¶¶ 185-186. Commission Staff noted that if significant damage to the gas distribution system occurred, resulting in more than \$2 million to restore gas service and repair the damage, under existing regulations, Puget could petition for deferral treatment. *Id.* Puget has offered no justification that warrants expansion of automatic deferral authority to the gas distribution system, or that explains why a petition for deferral treatment is insufficient to protect the Company. Indeed, if such an event were to occur, Puget has no reason to believe that the Commission would treat the Company unfairly, and not allow it to defer any appropriate costs under appropriate conditions that need to be addressed for the particular extraordinary circumstances.

5 NWIGU's objection is to the automatic nature of the deferral mechanism as requested by Puget, not to allowing deferral treatment for catastrophic events completely beyond the

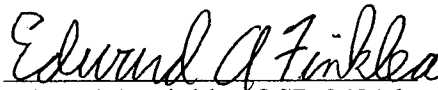
Company's control. Leaving in place the requirement that Puget seek permission to defer such expenses is a proper protection for ratepayers. Commission Staff correctly notes that Puget would need to make a preliminary showing of prudence as part of its application to defer expenses related to a catastrophic event on the gas system. See Initial Posthearing Brief of Commission Staff ¶ 188. This requirement should be continued. Puget failed to offer any compelling reason that justifies expanding the definition of a catastrophic event to include events impacting the gas distribution system. The Commission should therefore deny Puget's request.

III. CONCLUSION

6 NWIGU urges the Commission to deny Puget's request to expand coverage of its blanket authority to include damage from a catastrophic event that impacts Puget's gas distribution system.

Dated in Portland, Oregon, this 26th day of January, 2005.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing document upon the parties of record in these proceedings listed below by mailing a copy properly addressed with first class postage prepaid. Electronic copies will be e-mailed to all parties of record on January 27, 2005.

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