

UG-120715
July 2, 2012, Workshop

Commission Investigation in the Need for Additional Safety of
Natural Gas Distribution System¹

Interim Cost Recovery Mechanism

- A. Would allowing the company to recover its pipeline replacement costs sooner than those costs are recoverable through traditional ratemaking principles provide a financial incentive to expedite such replacement? If so, please describe in detail how an interim cost recovery mechanism would result in accelerated pipeline replacement. **Also, please describe how accelerated replacements can be measured and verified.**
- B. If an expedited cost recovery mechanism is proposed, should it replace the Commission's conventional regulatory cost recovery structure for all pipeline replacement projects, or should it be limited to certain circumstances? Examples of such circumstances include, but are not limited to, discretionary projects, capital spending in excess of a pre-determined amount, special projects **and projects specific only to those pipeline segments deemed to have unacceptably high risk of leakage.**
- C. What is an appropriate interim cost recovery mechanism, and how should it be structured? Please describe in detail how each of the following interim cost recovery alternatives could be implemented in a manner that would provide a financial incentive to accelerate pipeline replacement and would result in a rate that is fair, just, reasonable, and sufficient:
1. A deferred accounting mechanism, such as, but not limited to, one comparable to the mechanism authorized in RCW 80.80.060(6);
 2. A ratepayer surcharge/expense mechanism to be used exclusively for pipeline replacements;
 3. Some combination of 1 and 2 above;
 4. An attrition adjustment mechanism;

¹ For the most part, topics covered in this Workshop notice are the same as those contained in Section II of the "Notice of Opportunity to File Written Comments and Notice Workshops" filed on May 18, 2012, in Docket UG-120715. Any additional issues contained in this Workshop announcement are designated in **bolded type**.

5. Pilot program or permanent mechanism (if a pilot program is approved, how long would it need to be in effect to accomplish the priority pipe replacements identified in response to question I.A.?); or
6. Other.

D. Process

1. What should the role of the Commission's pipeline safety staff be at stages in this process, including risk assessment methodology review, review of priority replacement, and budget review?
2. Does the Company envision any issues about the use or sharing of confidential information? What procedures should the Commission impose to protect any confidential information?
3. Depending on the type of mechanism, must the filing be synchronized with other filing dates, such as the PGA (purchased gas adjustment)?
4. If the proposal is to include an annual budget for priority pipe replacement, when should it be submitted? How much time should Commission staff be given to review the plan and budget?
5. If the mechanism calls for an annual plan or budget and for Commission review of such plan or budget, by what process should the Commission undertake those functions? Would an open meeting process suffice, or should the process be more formal?