BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **PUGET SOUND ENERGY, INC.,** **Respondent.**	**Docket No. UG-110723**

REPLY BRIEF OF PUGET SOUND ENERGY, INC.

JANUARY 6, 2012

PUGET SOUND ENERGY, INC.

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I. INTRODUCTION

1. The Washington Utilities and Transportation Commission ("Commission") should approve the Pipeline Integrity Program ("PIP") proposed in this case by Puget Sound Energy, Inc. ("PSE" or "the Company") and, in so doing, move the dial in terms of enhanced pipeline safety. Approval of the PIP is also in step with the objectives of federal pipeline safety administrators, many other states, local pipeline safety advocates, and PSE's customers.

2. The Commission should not be distracted by the unfounded arguments in opposition to the PIP from Commission Staff, Public Counsel, and the Northwest Industrial Gas Users ("NWIGU") (collectively, "Opposing Parties" or "Parties"). As discussed in more detail below, the Opposing Parties advocate for a business as usual, backward-looking approach that will not result in the pace of accelerated pipeline replacement that is possible under the PIP. The Parties calculate customer benefits solely in terms of dollars and cents and ignore the substantial benefit of adopting a rate mechanism to encourage sustained proactive replacement of aging pipe most prone to failure.

3. Opposing Parties ignore calls from customers, pipeline safety groups, and experts in the field to implement cost recovery mechanisms that more effectively address infrastructure replacement costs. They marginalize the numerous similar programs in other jurisdictions that, although not identical to the PIP, share in common the goal of accelerating replacement of the highest-risk pipe in their respective jurisdictions. They downplay the higher-risk nature of the wrapped steel and older plastic pipe that PSE seeks to replace more expeditiously under the PIP—choosing to ignore incidents in Washington and around the country that have caused other experts in the field to advocate for more rapid replacement of this higher-risk pipe. They erect non-existent barriers to the Commission's authority to approve a program that is in the public

interest and benefits both customers and PSE. In particular, they take an unnecessarily strict view of the used and useful doctrine that is inconsistent with the history and evolution of the statute and would constrain the Commission's ability beyond what the legislature intended.

4. The Parties' backward-looking views contrast sharply with the innovative approach endorsed by experts in the field and consumer/pipeline safety advocate groups, who have urged the Commission to institute programs—such as the PIP—that encourage proactive replacement of pipe that has the highest risk of failure. These include:

- The call to action from the Secretary of the United States Department of Transportation and the Pipeline and Hazardous Materials Safety Administration ("PHMSA") to "chart a course to accelerate the identification, repair, rehabilitation and replacement of high risk pipeline infrastructure before it becomes a risk to people or the environment."[1] PHMSA has "specifically call[ed] on State Public Utility Commissions to establish cost recovery mechanisms that effectively address infrastructure replacement costs,"[2] and has "urge[d] [state commissions] to "review [their] State's current replacement plans for the highest risk pipelines (for example, bare steel, cast iron pipe, and pipe whose integrity is questionable or not confirmed)."[3]
- Customer/local pipeline safety advocates' requests that the Commission take actions to encourage PSE's investment in replacing its older steel and plastic (polyethylene) distribution lines with safer, more dependable distribution pipelines at an accelerated pace, utilizing a consensus approach to spurring investment in replacing vintage pipe.[4]

[1] DeBoer, Exh. No. TAD-6 at 2.
[2] *Id.* at 4.
[3] Exhibit No. TAD-7 at 1 (emphasis added).
[4] *See, e.g.,* Bench Exhibit, Exh. No. BE-1 at 3–5.

- The objective of PSE and Commission Pipeline Safety Staff's collaborative efforts to institute a regulatory mechanism that would isolate the funding for sustained accelerated pipeline replacement of higher risk pipe from the competition for funds inherent in the budgeting process.[5]

5. By approving the PIP, the Commission can cultivate an environment of proactive replacement of the highest-risk pipe at levels of replacement that are not likely to happen under the traditional historical ratemaking model. The PIP benefits customers in a tangible way that is important to customers, and it is disappointing that customer advocates in this case fail to recognize these benefits. When one considers the few cents per month the PIP will add to individual customer bills and the benefits customers will reap in terms of more rapid replacement of the higher-risk pipe on PSE's natural gas system, the PIP is a wise investment. PSE respectfully requests that the Commission recognize the benefits and approve the PIP.

II. THE PROPOSED PIP TARIFF SHOULD BE APPROVED AND OPPOSING PARTIES' ARGUMENTS REJECTED

A. The Commission Has Broad Authority to Approve the PIP

1. There Is No Single-Issue Ratemaking Rule that Requires the Commission to Reject the PIP

6. Approving the PIP is well within the Commission's authority to ensure that PSE's service is safe, adequate and efficient and in all respects just and reasonable.[6] Public Counsel repeatedly and incorrectly makes reference to a single-issue ratemaking "rule"[7] in Washington. As discussed in more detail below, there is no blanket rule or prohibition against single-issue

[5] *See* De Boer, Tr. at 120:20-23; Henderson, Exh. No. DAH-4T at 7:4-11.

[6] *See* RCW 80.01.040 (duty to regulate in the public interest); RCW 80.28.020 (duty to establish just, reasonable, compensatory rates).

[7] *See e.g.*, Public Counsel Initial Brief at ¶ 5 (stating that the PIP must be rejected because it is a clear violation of the single-issue ratemaking rule); *id.* ¶ 18 (stating that if the PIP is to pass muster, the single-issue ratemaking rule in Washington will effectively become a dead letter).

ratemaking, and the Commission has approved several such mechanisms over the past few years. Moreover, the Parties read the Commission's order in PSE's 2006 general rate case order too broadly to the extent that they assert that the order articulates a rule that "extraordinary circumstances" are a prerequisite for any deviation from traditional ratemaking standards. The Commission has never articulated such a policy or applied such a broad rule. Further, the PIP is not the type of adjustment that requires a showing of "extraordinary circumstances."

a. A Showing of "Extraordinary Circumstances" Is Not a Prerequisite to Commission Approval of Single-Issue Rate Adjustments

7. The requirement of extraordinary circumstances is not a categorical "rule" and is not triggered simply by the possibility that deviating from traditional ratemaking principles could positively impact utility revenues. The Commission has approved such rate adjustment mechanisms on numerous occasions without requiring extraordinary circumstances.[8] Additionally, state regulators in certain other jurisdictions have approved mechanisms similar to the PIP designed to accelerate replacement of pipe prone to failure, and have not applied an extraordinary circumstances standard.[9]

8. In requiring extraordinary circumstances for the type of attrition adjustment proposed in PSE's 2006 general rate case, the Commission cited to *WUTC v. Washington Natural Gas Co.*, 4th Suppl. Order, Docket UG-920840 (September 27, 1993) ("*WNG"*). In that case, the

[8] *See, e.g. WUTC v. Puget Sound Energy, Inc. et al.*, Docket UE-011570, Twelfth Supp. Order (June 20, 2002) (approving PCORC and Power Cost Adjustment mechanisms); *WUTC v. Puget Sound Energy, Inc. et al.*, Docket UG-021059, Order Approving Purchased Gas Adjustment on Less than Statutory Notice (Aug. 28, 2002); *In re Petition of PSE*, Docket UE-970686, Final Order (May 16, 1997) (approving PSE's Electricity Conservation Service Rider); *cf. WUTC v. Puget Sound Energy, Inc., et al.*, Docket UE-090704, Order 11 ¶¶ 175–80 (April 2, 2010) (requiring PSE's Tenaska rider—a deviation from traditional ratemaking that benefited customers, which Staff specifically supported).

[9] *See e.g., Petition of New England Gas Company for Approval of a Targeted Infrastructure Recovery Factor*, D.P.U. 10-114 (March 31, 2011) p. 77 (stating that the TIRF strikes an appropriate balance between providing the Company with reasonable ratemaking support for accelerating pace of replacement of leak-prone mains and associated facilities and the need to insulate and protect ratepayers from undue rate increases, and further stating that it will result in just and reasonable rates).

Commission rejected an earnings attrition adjustment mechanism due to WNG's failure to demonstrate extraordinary circumstances.[10] The Commission explained that:

> Attrition is the change in relationship among revenues, expenses, and rate base over time, in which growth in expenses exceeds growth in revenues from factors beyond the company's control. During periods when attrition threatened a company's fiscal health and its ability to provide service, the Commission has allowed an attrition adjustment to rate case revenue requirements.
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> An adjustment for attrition is an extraordinary measure, not generally included in general rate relief. A request for such an adjustment should be based on extraordinary circumstances, not shown by the company to be present in this case.[11]

9. *WNG* itself demonstrates that the Commission did not intend for this "extraordinary circumstances" standard to apply to adjustments that are not proposed for the primary purpose of rectifying earnings attrition. As alluded to by Commission Staff,[12] for example, in the very same *WNG* decision, the Commission did not apply the "extraordinary circumstances" standard when considering whether to approve a tracker mechanism proposed by WNG to recover compliance-related expenditures associated with replacing cast iron pipe pursuant to a prior Commission order.

10. Rather, the Commission stated that, when considering whether to approve a dollar-for-dollar tracker mechanism that passes costs directly through to ratepayers, the Commission would consider factors such as whether the expenses to be recovered were (1) easily measurable, (2) beyond the company's control, and (3) both substantial and essential to the company's operations. The Commission also stated that, for such trackers, the Commission "generally required that

[10] *See WUTC v. Puget Sound Energy, Inc., et al.*, Dockets UE-060266, Order 08 ¶ 39 n.27 (Jan. 5, 2007).
[11] *WUTC v. Wash. Nat. Gas Co.*, 4th Suppl. Order, Docket UG-920840, 29–30 (September 27, 1993).
[12] Commission Staff Initial Brief at ¶ 18.

there be substantial ratepayer benefit."[13] Here, this standard is inapplicable because, unlike the tracker rejected in *WNG*, the PIP does not recover compliance costs mandated as the result of a complaint and resulting Commission order, and the PIP is not an automatic dollar-for-dollar adjustment mechanism. Nonetheless, even under this standard, the PIP should be approved. Costs associated with the PIP are easily measured and subject to true up, the costs stem from pipeline failure risks outside of PSE's control, and the pipeline replacement program costs are both substantial and essential to PSE's safe and reliable pipeline operation. And, as demonstrated below and in PSE's initial brief, the PIP would result in substantial ratepayer benefit.

11. What *WNG* and its progeny reflect is that the Commission has broad authority to approve rate mechanisms that depart from traditional ratemaking standards, that the Commission has exercised this authority on numerous occasions, and that the Commission has from time to time articulated policy-based standards that it may apply to particular types of nontraditional rate mechanisms. At root, however, the ultimate standard for approval is simply that the Commission must be convinced the record is sufficient to show that there are sound public policy reasons for doing so.[14]

12. In support of their argument that the PIP cannot be approved because it constitutes single-issue ratemaking, Opposing Parties cite to *People ex rel, Lisa Madigan v. Illinois*

[13] *WUTC v. Wash. Natural Gas Co.*, 4th Suppl. Order, Docket UG-920840, 6 (September 27, 1993).

[14] *See, e.g.*, RCW 80.01.040 (duty to regulate in the public interest); RCW 80.28.020 (duty to establish just, reasonable, compensatory rates); *In re Avista*, Docket UG-060518, Order 04 ¶¶ 19–20 (Feb. 1, 2007) (addressing Public Counsel's concern that decoupling proposal would violate matching principle through single-issue ratemaking and observing that, "[c]onsidering these concerns, we must examine carefully the stipulated proposal to determine whether the record is sufficient to prove the potential advantages from decoupling outweigh its potential disadvantages in this case"); *WUTC v. Puget Sound Power and Light Co.*, Docket No. U-81-41, Sixth Supp. Order (Dec. 19, 1988) (stating that test for propriety of recovering past expenses in true up mechanism for future rates "is not whether it constitutes retroactive ratemaking—it does not—but whether there are sound policy and evidentiary reasons for exercising the Commission's judgment to do so").

Commerce Comm'n, 2011 WL 4580558 (Ill. App. 1 Dist. 2011). The Parties neglect to mention that the basis for the Illinois court's decision to overturn the state commission's approval of the accelerated pipeline replacement surcharge was that Illinois law flatly *prohibits* the state utility commission from engaging in single-issue ratemaking absent extraordinary circumstances.[15] Unlike Illinois courts, Washington courts have never circumscribed the Commission's discretion to engage in single-issue ratemaking. As Commission Staff's brief acknowledges, "[c]learly [the Commission] has that authority and clearly that authority has been exercised."[16]

13. It is Washington's "statutory standards alone [that] govern the agency's available choices of rate policy."[17] The Washington legislature has delegated rate making power to the WUTC in "very broad terms" and "basically just direct[s the Commission] to set those rates which [it] determine[s] to be just and reasonable."[18] Like other state utility commissions that have adopted single-issue rate mechanisms to address pipeline infrastructure replacement without requiring

[15] *People ex rel, Lisa Madigan v. Illinois Commerce Comm'n*, 2011 WL 4580558 at ¶ 27 (Ill. App. 1 Dist.) (single-issue ratemaking prohibited), *citing Bus. & Prof'l People for the Pub. Interest v. Illinois Commerce Comm'n*, 146 Ill.2d 175, 244 (1991).

[16] Commission Staff Initial Brief at ¶ 19; *see also, e.g., Wash. State Attorney Gen.'s Office, et al. v. PacifiCorp*, UE-110070, Order 01 ¶ 42 (April 27, 2011) (stating that the single-issue ratemaking doctrine "generally is a matter of policy, not law").

[17] Leonard Saul Goodman, *The Process of Ratemaking* (1998) , at 156.

[18] *People's Org. for Wash. Energy Res. v. WUTC*, 104 Wn.2d 798, 808, 711 P.2d 319 (1985); *see also Jewell v. WUTC*, 90 Wn.2d 775, 776-777, 585 P.2d 1167 (1978) ("We recognize the commission's broad generalized powers in rate setting matters").

"extraordinary circumstances,"[19] the Commission should similarly recognize the appropriateness of implementing such a rate policy.[20]

b. The PIP Is Not the Type of Adjustment Mechanism that Requires Extraordinary Circumstances

14. The Commission's reference to a requirement of extraordinary circumstances in the PSE 2006 general rate case order was made in the context of rejecting an attrition adjustment mechanism that had been proposed with the primary purpose of rectifying earnings attrition.[21] For the reasons set forth in PSE's initial brief and below, the PIP is not comparable to the attrition adjustment mechanism rejected by the Commission in the 2006 general rate case.[22] The primary purpose of the PIP is not to address the problem of PSE's under-earnings—a problem that is properly being addressed in the pending general rate case—but to enable accelerated pipeline replacement to proceed in spite of the rate recovery lag inherent in such investments.

15. Public Counsel's allegation that the PIP represents an attempt by PSE to have a "second bite at the apple" by presenting a modified version of the depreciation tracker rejected by the Commission in the 2006 general rate case inaccurately rewrites history by ignoring important differences between the PIP and the attrition mechanism that was proposed in PSE's 2006 general rate case. First, it is important to remember that the PIP proposal arose out of

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[19] *See, e.g., Pet. of Bay State Gas Co.*, Mass. D.P.U. 09-30 at 118–34 (Oct. 30, 2009); *Pet. of New England Gas Co.*, Mass. D.P.U. 10-114 at 33–77 (Mar. 31, 2011); *Pet. of Boston Gas Co., et al.*, Mass. D.P.U. 10-55 at 66–145(Nov. 2, 2010); Bench Exhibit, Exh. No. BR-2 (submitting Oregon PUC orders approving NW Natural's System Integrity Program as attachments A, B and E); *In re Semco Energy Gas Co.*, Case No. U-16169, Order Approving Settlement Agreement at 3 (Mich. PUC Jan. 6, 2011).

[20] Contrary to NWIGU's statements to the contrary, PSE has no "burden" to demonstrate how the specific details of the PIP compare to specific details of other states' pipeline infrastructure replacement mechanisms so as to "justify" the PIP proposal. As noted above, each state's utility commission is governed by specific statutory authorizations, which vary from state to state. PSE points to other states' approval of rate mechanisms that are designed to accelerate pipeline replacement in order to demonstrate that many other jurisdictions have recognized the need to accelerate replacement, and that it is good public policy to adopt rate mechanisms that facilitate accelerated replacement.

[21] *See WUTC v. Puget Sound Energy, Inc.*, Dockets UE-060266, *et al.*, Order 08 ¶ 36 (Jan. 5, 2007).

[22] PSE Initial Brief at 10–13.

discussions between PSE and Commission Pipeline Safety Staff regarding innovative ways in which the Company and stakeholders could facilitate a more proactive, collaborative approach to replacing higher-risk pipe.[23]

16. Additionally, among the many differences between the attrition tracker mechanism rejected by the Commission in the 2006 general rate case and the proposed PIP tariff is that the tracker mechanism would have provided an attrition adjustment for all infrastructure investment, whereas the PIP focuses on enhanced pipeline safety and is limited to targeted gas distribution infrastructure with the highest risk of failure and the greatest potential to benefit from accelerated replacement. As Public Counsel itself acknowledges, "given the size of PSE's capital budget, $1 billion for 2011, the potential pipeline expenditures under discussion here are minute."[24] There is no comparison between the narrowly-tailored PIP tariff, with its function of enabling sustained accelerated pipeline replacement to enhance public safety, and the broad attrition adjustment mechanism proposed in the 2006 general rate case to address earnings attrition.

17. In this regard, the reasoning of the Massachusetts Department of Public Utilities is particularly on point. The PIP, like the mechanism approved in Massachusetts:

> is a special ratemaking mechanism with the purpose and intent of providing the Company a reasonable level of financial incentive to address a specific component of its distribution infrastructure that is deemed to be in need of particular attention. Such a special ratemaking treatment is not intended to provide full financial support for capital investment projects nor supplant or eliminate regulatory lag, which provides an incentive to spend efficiently and is inherent in traditional ratemaking principles.[25]

[23] *See* De Boer, Tr. 120:20-23; Henderson, Exh. No. DAH-4T at 7:4-11.
[24] Public Counsel Initial Brief at ¶ 75.
[25] *Pet. of New England Gas Co.*, Mass. D.P.U. 10-114 at 65 (Mar. 31, 2011) (emphasis added).

For the same reason, Public Counsel's argument that approving the PIP will somehow render the Commission's policy on single-issue ratemaking a "dead letter" and prompt a "significant increase in creative requests" from companies rushing to file "a wide variety of trackers and surcharges" is hyperbole in the extreme.

c. The PIP Should Be Approved Regardless of Whether the "Extraordinary Circumstances" Standard Applies

18. Even if the Commission were to apply the "extraordinary circumstances" test or some variation thereof, the PIP should be approved. There is a nationally-recognized need to accelerate the replacement of aging pipeline throughout the country's natural gas delivery system and to establish rate mechanisms that encourage proactive, accelerated replacement of legacy pipeline. The documented history of higher safety concerns with wrapped steel mains and, in particular, older plastic pipe, justifies approving a mechanism to facilitate sustained accelerated pipeline replacement by removing barriers to implementing such programs.[26]

19. Moreover, the reluctance that exists in some circumstances to allow single-issue ratemaking should not be present here. Any concerns about infrequent rate cases or matching problems are misplaced given that the Commission has recently examined all of PSE's revenues and expenses in a general rate case, is currently examining PSE's revenues and expenses in an ongoing general rate case, and is anticipated to continue regularly examining all of PSE's revenues and expenses in general rate cases for the foreseeable future.[27] Given the absence of such concerns, Opposing Parties' invocation of a "prohibition" on single-issue ratemaking is unfounded.

[26] *See* PSE Initial Brief at pages 13–16.
[27] *See* Commission Staff Initial Brief at ¶¶ 38, 39.

20. This fact also distinguishes the Maryland PUC decision cited by the Parties.[28] One of the reasons articulated by the Maryland PUC for rejecting the accelerated pipeline replacement surcharge proposed by Washington Gas Light Company ("WGL") was its concern that WGL had not been filing frequent rate cases and that approving the surcharge could exacerbate the length of time between rate cases, leading to rate shock and greater mismatches between costs and rates. The PUC noted, for example, that WGL had earned a "solid return" despite incurring more than $90 million in expenses to repair leaks since its last rate case in 2007, opining that more frequent rate cases would not be undesirable.[29] Here, in contrast, PSE regularly files rate cases and has continued to under earn despite these routine filings. No party has suggested any legitimate concern about potential mismatches between costs and rates not being promptly addressed in a general rate proceeding. To the contrary, Parties have suggested that interested parties are actually burdened by the frequency of PSE's filings.[30]

2. The "Used and Useful" Standard Provides No Basis to Reject the PIP

21. As explained in Mr. Story's testimony,[31] the PIP was designed so that new plant would be added on a monthly basis, based on when the Company plans to replace the old pipe and put the new plant in service. These additions are then averaged using the average of monthly averages to match the rate base additions to the revenues collected during the rate year. The actual amount collected in revenues will be compared to the actual amounts that should have been collected and any differences will be trued up. This approach is consistent with the Commission's practice of approving future costs and rate base additions that are calculated using

[28] *In re App. of Wash. Gas Light Co.*, Case No. 9267, Order 84475 (Md. PSC November 14, 2011).
[29] *See id.* at 107–08.
[30] *See* Commission Staff Initial Brief at ¶ 23; NWIGU Initial Brief at ¶ 25; Public Counsel Initial Brief at ¶ 17.
[31] Story, Exh. No. JHS-10T at 2:3-9.

the average of the monthly average of rate base during the rate year, such as new electric production facilities.[32]

22. Commission Staff and Public Counsel contend that PIP violates RCW 80.04.250 because the PIP rate adjustment would be based in part on a certain amount of forecasted expense and investment activity. They argue that the "used and useful" standard in RCW 80.04.250 prohibits the inclusion in rate base of any assets that are not yet in service.[33] According to Staff, the only "exceptions" to this standard are for construction work in progress ("CWIP") and reserve account funding by water companies.[34] These arguments misinterpret RCW 80.04.250 and ignore its legislative history, which demonstrates that the Commission has broad discretion to include future plant-in-service on a case-by-case basis when setting rates consistent with the public interest, and that CWIP is but one example of such property that may be included in rate base.

23. RCW 80.04.250 provides in relevant part as follows:

> The commission shall have power upon complaint or upon its own motion to ascertain and determine the fair value for rate making purposes of the property of any public service company used and useful for service in this state and shall exercise such power whenever it shall deem such valuation or determination necessary or proper under any of the provisions of this title. <u>In determining what property is used and useful for providing electric, gas, or water service, the commission may include the reasonable costs of construction work in progress to the extent that the commission finds that inclusion is in the public interest</u>.[35]

24. Prior to 1991, the underlined language was absent from the statute. This language was added by the legislature in response to the Washington Supreme Court's decision in *People's Organization For Washington Energy Resources (Power I) v. WUTC*, 101 Wn.2d 425 (1984), in

[32] *Id.* at 2:10-20.
[33] Commission Staff Initial Brief at ¶ 7, Public Counsel Initial Brief at ¶ 20.
[34] Commission Staff Initial Brief at ¶ 7 n.2.
[35] RCW 80.04.250 (emphasis added).

which the court concluded that the Commission lacked statutory authority to include CWIP in rate base. The Commission had articulated a broad interpretation of the prior statute in order to include CWIP in rate base:

> [T]he propriety of including CWIP in rate base is a matter that lies within the discretion of the Commission and is to be determined on a case-by-case basis. In effect POWER argues that RCW 80.04.250 forecloses the Commission from including any property of a regulated utility in rate base for ratemaking purposes until that property either is capable of or actively rendering service to the customers of the utility. We are of the opinion that counsel's argument is not a valid interpretation of the statute and is without merit.[36]

Disagreeing with this broad interpretation of the prior statute, the Court held that "an uncompleted utility plant is neither employed for service nor capable of being put to use for service; therefore, such a plant is not 'used and useful' for service as required by RCW 80.04.250."[37]

25. By amending the statute, the legislature made clear that, going forward, it did not intend for the Commission's statutory authority under RCW 80.04.250 to be so restricted. Rather, the legislature clarified through the amendment that an asset can be considered "used and useful" for service even if it is not yet actually employed for utility service or capable of being put to use for such service. While Commission Staff suggests that the amended language in RCW 80.04.250 merely created an *exception* to the pre-existing "used and useful" standard, this interpretation is not supported by the text of the amendment, and it is surprising that Commission Staff seeks to limit the Commission's authority and discretion by narrowly interpreting this statute, given the enhanced safety benefits customers will receive under the PIP. The amendment to RCW

[36] *Power I,* 101 Wn.2d at 428–29 (emphasis added).
[37] *Id.* at 430.

80.04.250 specifically authorizes the Commission, "[i]n determining what property is used and useful for providing electric, gas, or water service . . .[to] include the reasonable costs of construction work in progress to the extent that the commission finds that inclusion is in the public interest."[38] This language demonstrates that, under the amended statute, CWIP cannot be considered a single "exception" to the "used and useful" standard. Rather, the amended statute authorizes the Commission to apply the concept of "used and useful" more broadly—even to the extent of allowing into rate base plant that would not be used by customers for a number of years (such as nuclear plants)—if the Commission determines that inclusion of such plant is in the public interest. Thus, CWIP is but one type of property that the Commission may determine is "used and useful" in the exercise of its broad discretion to regulate in the public interest.

26. Commission Staff improperly dismisses the Commission's recent discussion of its longstanding flexible approach to determining whether plant is "used and useful," and suggests that the Commission intended for this flexible approach to apply only in the context of investments made in order to satisfy specific statutory mandates, such as Washington's renewable portfolio standards.[39] No such restriction on the application of the Commission's longstanding flexible application of the doctrine can be found in the Commission's policy statement. To the contrary, the policy statement emphasizes that "[n]either the Commission nor Washington's courts have taken an overly strict approach to the construction of this statutory term."[40] The Commission noted, for example, that it had reiterated its flexible approach in PacifiCorp's 2005 general rate case, where the Commission had "articulated the view that

[38] RCW 80.04.250 (emphasis added).

[39] Commission Staff Initial Brief at ¶ 13.

[40] *Report and Policy Statement Concerning Acquisition of Renewable Res. by Investor Owned Utils.*, Docket UE-100849 ¶ 30 & n.52 (WUTC Dec. 30, 2010) (citing *State ex rel. Pac. Telephone and Telegraph Co., v. Dep't of Pub. Serv.*, 19 Wn.2d 200, 230, 142 P.2d 498 (1943) (approving prudent inclusion of conduit in rate base despite installation before it was needed for service)).

whether an asset is 'used and useful' can be viewed by whether it provides a benefit to ratepayers in Washington, either directly or indirectly."[41]

27. Notwithstanding this flexible approach, Commission Staff argues that the PIP would still be improper because it could allow recovery for plant that is not "'employed' in accomplishing something beneficial."[42] In other words, Commission Staff contends that ratepayers would obtain no benefit, direct or indirect, from pipeline that is planned and budgeted for imminent construction as part of a sustained accelerated pipeline replacement program under the PIP. PSE respectfully disagrees. Sustained accelerated pipeline replacement is a significant customer benefit, particularly in terms of enhanced public safety, which is unlikely to be achieved without the inclusion of such planned replacement pipeline in rates (which are subject to true-up). It is just this type of indirect customer benefit that the Commission is authorized to recognize as being in the public interest, and which the legislature made clear was within the Commission's purview to consider when determining property to include in rate base.[43]

28. In response to PSE's statement that the PIP uses an average of monthly averages similar to how new electric generation facilities have been included in rate base, Commission Staff objects that PSE "did not provide the name of even one such facility that was included in rate base before that facility actually went into service," claiming further that "Staff also cannot name any facility that somehow escaped application of the 'used and useful' standard, and was placed in rate base before it became operational."[44]

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[41] *Id.* at ¶ 31.

[42] Commission Staff Initial Brief at ¶ 14.

[43] *See* RCW 80.04.250; *WUTC v. Puget Sound Energy, Inc.*, 2004 WL 1209430, 19 (May 13, 2004) ("Other commissions and courts in other circumstances have recognized the drawbacks of the 'used and useful' theory, if too rigidly applied. Conversely, the theory has considerable merit when applied flexibly within constitutional limits").

[44] Commission Staff Initial Brief at ¶ 12.

29. Yet, in Avista's 2009 general rate case, Commission Staff was able to acknowledge several instances in which facilities were authorized for inclusion in rate base prior to being placed into service.[45] Indeed, Commission Staff specifically recommended in Avista's 2009 general rate case—and the Commission approved—the inclusion in rate base of planned upgrades to the Noxon Rapids hydroelectric plant that were not complete.[46] PSE's Hopkins Ridge facility is another example of a facility that, as Commission Staff should be aware, was allowed through the PCORC to be recovered in rates prior to being placed into service (with a true-up retroactively matching the in-service date with the start of recovery on the Company's investment).[47] The PIP true-up will function the same way—adjusting the PIP rate as necessary to retroactively match the in-service date of particular pipe to the start of recovery on that pipe.[48] Accordingly, it cannot be credibly argued that the Commission is without legal authority to approve the PIP.

30. Finally, the PIP does not run afoul of the policies underlying the "used and useful" standard. For example, the Commission has expressed concern regarding the possibility that present ratepayers could be forced to pay for plant that might only provide service to future ratepayers.[49] Here, however, PSE intends to replace older pipe that is currently operational (and providing service to current ratepayers) with new pipe that will also be operational (and provide

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[45] *See WUTC v. Avista Corp.*, Dockets UE-090134, *et al.*, Order 09 ¶ 60 & n.60 (Sept. 4, 2009) (citing Parvinen, Exh. MPP-1T).

[46] *WUTC v. Avista Corp.*, Dockets UE-090134, *et al.*, Order 09 ¶ 81 (Sept. 4, 2009) (making exception to general pro forma rules based on agreement that costs were appropriate and that project was important, prudent, and anticipated to be timely completed).

[47] *See WUTC v. Puget Sound Energy, Inc.*, Docket UE-050870, Order 04 ¶ 18, 30 (Oct. 20, 2005); *id.* at App. A ¶¶ 13–14; *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-090704, *et al.*, Order 11 ¶ 31 & n.27 (April 2, 2010).

[48] *See* Story, Exh. No. JHS-1T at 4:12-17; Story, Exh. No. JHS-4T at 2:3-20; Story, Exh. No. JHS-3 at 3 (§ 2, ¶ 1), 6.

[49] *See, e.g., WUTC v. Pacific Power & Light Co.*, 10 P.U.R.4th 449, 451 (1975). ("[I]t has now become necessary in limited cases to transfer some of the burden of current plant financing to the present ratepayers rather than postponing the entire burden to the future until after the plant is actually in service").

service to current ratepayers). Because the new plant will be operational very soon after the rate goes into effect, there is little risk that current ratepayers will end up paying for plant that ultimately does not provide service to them. Another underlying policy concern regarding the inclusion of non-operational plant in rate base is that such plant might never become operational (as might occur, for example, with a new nuclear plant). Again, given the factual circumstances here (replacement of older pipe that is in-service with newer pipe), there is little-to-no danger that the plant will never become operational.

31. In sum, the PIP satisfies the Commission's "used and useful" standard because the PIP will result in a program of sustained accelerated replacement of the most vulnerable natural gas pipeline in PSE's distribution system, providing significant benefits to PSE's customers. There is no legal barrier to approving the PIP, and the evidence in the record supports approval as a matter of policy.

B. Opposing Parties Improperly Discount the Substantial Ratepayer Benefits that Would Result from Approving the PIP

32. PSE's initial brief describes the significant customer benefits that would result from approving the PIP, including accelerated replacement of older vintage pipe, a more rapid and efficient pipeline replacement program, and improved safety, reliability, and integrity of the natural gas distribution system.[50] Opposing Parties improperly discount the benefits of the PIP.

33. Public Counsel, for example, alleges that all benefits are illusory because PSE "intentionally mischaracterized the Company's own programs and practices." Contrary to Public Counsel's baseless allegations, PSE has never contended that (1) "PSE's programs are 'reactive' rather than 'proactive'"; (2) "PSE currently only does the minimum required"; (3) "PSE currently

[50] PSE Initial Brief at ¶¶ 35–43.

focuses 'narrowly on small segments' of pipe;" or (4) "PSE's [sic] does not have a system-wide approach." These statements, improperly attributed to PSE, are wholly unsupported by the fragmented quotations that Public Counsel has taken out of context in order to piece together a straw-man argument.

34. As discussed in PSE's initial brief, PSE already does more than the minimum required for compliance with state and federal pipeline safety requirements, and PSE's overall system performance continues to improve as a result of existing integrity programs.[51] PSE has proactively replaced pipe; increased its survey frequency; and identified synergies in the manner in which PSE replaces mains and services beyond the requirements of PSE's risk model.[52] But there is a tremendous amount of work still to be done, and there are limits to how fast PSE can undertake this work under the current regulatory framework. PSE's proactive approach to pipeline integrity management is contributing to PSE's under-earning, and it is doubtful that a program of *sustained* accelerated pipeline replacement can occur in the absence of a program such as the PIP. Without the PIP, PSE will continue to replace vulnerable pipe at a given pace, consistent with pipeline safety obligations, and possibly at a rate that—as in the past—exceeds minimum safety requirements in some places. But this rate of replacement will be slower than what would occur if the PIP program was approved.

35. In light of the amount of older pipeline in PSE's gas distribution system that will ultimately need to be replaced, the record evidence that much of this older pipeline can fail unpredictably despite the best efforts of utilities and full compliance with pipeline safety standards, and the misalignment of traditional ratemaking standards and enhanced public safety

[51] *Id.* at ¶¶ 39–40.
[52] *Id.* at ¶ 51.

goals, it is appropriate and good public policy to promote the sustained accelerated replacement of this older pipeline by adopting the PIP. While PSE's system operates within an appropriate band of safety, the Commission can enhance pipeline safety and integrity by approving a mechanism to encourage accelerated replacement of higher risk pipe.

36. As the Massachusetts Department of Public Utilities concluded, it is not necessary to show that, without a pipeline replacement rate mechanism, safe and reliable distribution service will actually be imperiled. What matters is that the PIP, like the Massachusetts mechanisms, is likely to provide an incentive for more sustained and aggressive replacement of aging infrastructure.[53]

37. Public Counsel suggests that the PIP will not provide an incentive for PSE to accelerate investment in pipeline infrastructure due to the manner in which funds collected through the PIP are allocated between construction costs, depreciation, return, and taxes. Public Counsel does not explain why this allocation is "inefficient" or how it would in any way compromise the incentive to accelerate pipeline replacement. There is nothing unique about the manner in which these costs break down—it is the same allocation as under traditional ratemaking, just recovered more quickly (thus removing the disincentive to accelerate investment).

38. Public Counsel's argument that replacement programs for plastic pipe should be maintained at the status quo is similarly flawed. PSE's initial brief describes the higher safety concerns associated with older polyethylene pipe.[54] Public Counsel's characterization of Mr. Lykken's testimony on the matter is remarkably inaccurate. Mr. Lykken did not suggest that plastic pipe was not a problem in Washington because construction-type issues seen in other

[53] *Pet. of New England Gas Co.*, Mass. D.P.U. 10-114 at 56–57, 62 (Mar. 31, 2011); *Pet. of Bay State Gas Co.*, Mass. D.P.U. 09-30 at 133–34 (Oct. 30, 2009); *Pet. of Boston Gas Co., et al.*, Mass. D.P.U. 10-55 at 20–21 (Nov. 2, 2010).

[54] PSE Initial Brief at ¶¶ 30-33.

states have not presented themselves in Washington. To the contrary, Mr. Lykken likened the risks associated with plastic pipe to the Ford Pinto and explained that, due to the "volitability of the pipe itself"[55] there are "opportunities for this pipe to fail that are outside the control, of the pipeline operator."[56] Mr. Lykken further testified that the past two federally reported incidents in Washington were attributed to the actions of third-parties working around such pipe.[57] More recent events outside of Washington, such as the incident in Cupertino, California,[58] further demonstrate the need to address safety issues with older polyethylene pipe.

39. Additionally, as Mr. Henderson testified, the risks associated with older plastic pipe cannot be measured in terms of leak trends due to the manner in which the leaks present themselves, with leaks in older polyethylene pipe typically failing suddenly with a higher hazard to the public and requiring immediate attention.[59] Thus, for this type of pipe replacement, a traditional cost-benefit analysis to try to quantify the benefits of preventing such leaks is impractical and unhelpful—it is difficult, if not impossible, to assess how many leaks were avoided by replacing a particular segment of plastic pipe.[60]

40. NWIGU and Public Counsel both err in suggesting that PSE should be required to demonstrate with cost-benefit analyses the specific quantitative benefits that the PIP would provide to customers before the Commission can approve such a proposal.[61] As Mr. Henderson testified during the hearing, "the primary benefit [of the PIP] is around improving safety, and it's

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[55] Lykken, Tr. at 250:23.
[56] *Id.* at 251:3-4.
[57] *Id.* at 250:1-8.
[58] Henderson, Tr. at 167:22-23.
[59] *Id.* at 164:14 –165:4 (noting that the majority of higher grade leaks indicative of plastic pipe failure are not found by leak surveys but reported by the public); *id.* 181:7-14 ("More than 75 percent of the leaks found on plastic pipe require immediate or next day repair . . . . [P]lastic pipe, when it does fail, tends to fail suddenly, and with a higher hazard to the public"); *see also id.* at 157:25 – 158:6.
[60] *Id.* at 148:20-24.
[61] *See* Public Counsel Initial Brief at ¶ 92; NWIGU Initial Brief at ¶ 20.

very difficult to put a numerical value to what safety is."[62] Just as it is difficult to quantify the monetary benefits of preventing leaks on higher-risk plastic pipe in terms of the avoided costs of leak repair, it is even more difficult to quantify the benefits of reducing potential safety risks by replacing such pipe prone to failure before it becomes problematic.

41. Finally, the Parties are incorrect in suggesting that accelerated pipeline replacement is not a real benefit to customers because the Commission can simply order PSE to undertake such accelerated replacement. Similarly, Commission Staff's suggestion that the Commission use the formal complaint process to require PSE to replace pipe at an accelerated pace is not legally viable.[63] There has been no suggestion in this proceeding that PSE has violated any pipeline safety regulations in regard to replacing the pipe included in the PIP. To the contrary, parties such as Public Counsel have expressly pointed out that PSE has proactively exceeded the applicable safety requirements. As Mr. Lykken testified with regard to older polyethylene pipe, there is nothing in the pipeline safety rules that requires replacement of this pipe.[64] Given PSE's continued compliance with pipeline safety regulations, the Commission has no grounds to issue a complaint and order PSE to undertake a pipeline replacement program such as that contemplated in the PIP, and such an approach by the Commission is unlikely to survive judicial scrutiny.

C. Opposing Parties' Arguments Regarding Purported Implementation Flaws Are Unfounded

42. The Parties suggest various implementation issues associated with the PIP, none of which withstand scrutiny. According to Commission Staff, for example, the Commission should not

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[62] Henderson, Tr. at 134:10-12.

[63] It is ironic that Commission Regulatory Staff would make this argument given that one of the reasons PSE and Pipeline Safety Staff began discussions on ways to accelerate pipeline safety was to avoid formal complaints and litigation and to develop a collaborative and proactive method to enhance pipeline safety. *See* De Boer, Tr. at 120:20-23; Henderson, Exh. No. DAH-4T at 7:4-11.

[64] *See* Lykken, Tr. 247:16-21.

approve the PIP because it is "open-ended." Commission Staff suggests that PSE could later ask for the Commission to increase the $25 million cap or to include other types of pipeline safety programs in the PIP, and that this is a reason to reject the current proposal.[65] This argument is a red herring, akin to suggesting that the Commission should never approve a requested rate increase because the utility might come back later and ask for another increase. No increase to the $25 million cap or inclusion of other pipeline programs could be authorized without Commission approval and an opportunity for stakeholders to present their concerns regarding any such proposal to the Commission. Approving the PIP now has no bearing on whether or not any such future proposal would be approved or disapproved.

43. The Commission should likewise reject arguments by Parties that the PIP should be rejected because there is no conclusive proof of the amount of pipe that PSE will replace under the PIP. It is nonsensical for PSE to propose a mechanism such as the PIP for accelerated pipeline replacement and then elect not to accelerate pipeline replacement, as Parties seem to suggest. The Massachusetts Department of Public Utilities rejected such arguments in approving a similar pipeline replacement mechanism, albeit for the replacement of bare steel infrastructure, recognizing that the mechanism would put in place a system that would encourage accelerated replacement of this aging infrastructure:

> The Department recognizes the public safety, service reliability and environmental issues associated with the continued existence and aging of bare steel infrastructure in the Company's distribution systems. Although the evidence before us does not conclusively determine the extent to which the TIRF will accelerate the replacement of bare-steel infrastructure, we do conclude that, all else being equal, approval of the TIRF is likely to provide an incentive for more aggressive replacement of such aging infrastructure. Further, we conclude that more aggressive replacement of bare steel is

[65] *See* Commission Staff Initial Brief at ¶¶ 62-65.

> appropriate and desirable from a public policy perspective given the potential benefits to public safety, service reliability, and the environment.[66]

The Massachusetts Department of Public Utilities found that the proposed mechanism would facilitate replacement of pipe without the impediment of current capital constraints.[67] The PIP likewise will remove barriers that currently exist to the sustained accelerated replacement of pipe prone to failure.[68]

44. Public Counsel suggests that the PIP would require the Commission to pre-approve specific utility expenses and make prudence determinations in a manner that would improperly place the Commission in the middle of technical determinations. This is not accurate. The fact that the Commission will have an oversight role in the event of disputes does not make the Commission "responsible" for identifying the appropriate scope of replacement projects. As stated by the Massachusetts Department of Public Utilities: "[the agency] will not determine here or endorse a specific term, scope, pace or approach . . . in maintaining and operating its distribution system. . . . The [agency] will not substitute its judgment for utility management's job as to how best to meet and fulfill its service obligations to maintain and operate its system consistent with safety, reliability and other considerations."[69]

45. Under the mechanism approved by the Massachusetts Department of Public Utilities, the utility submitted an annual filing with complete and contemporaneous documentation of each project, which was then subject to a prudence review, with interested parties having the

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[66] *Pet. of Bay State Gas Co. for Approval of a General Increase in Gas Distribution Rates*, D.P.U.09-30 (October 30, 2009) at p. 133 (emphasis added). The Massachusetts Department of Public Utilities recognized that "providing more certainty for, and more timely recovery of, the revenue requirement associated with capital expenditures for steel replacement between rate cases will provide appropriate incentives for the Company to expedite the replacement of the unprotected steel in its distribution system." *Id.* at 134.

[67] *See id.* at 134; *see also Pet. of New England Gas Co.*, Mass. D.P.U. 10-114 at 62 (Mar. 31, 2011).

[68] *See* Henderson, Exh. No. DAH-4T at 3:20 – 4:2; *see also* Story, Tr. 235–36; De Boer, Exh. No. TAD-4T at 2:10-14, 10:8-9.

[69] *Pet. of New England Gas Co.*, Mass. D.P.U. 10-114 at 76 (Mar. 31, 2011).

opportunity to examine the reasonableness of the projects undertaken. The PIP has a similar structure, but also provides stakeholders the opportunity to preview PSE's plans for replacement and provide input before these plans are finalized. As described in Mr. Henderson's testimony,[70] stakeholders will have the opportunity to discuss and collaborate on PSE's replacement plans for the upcoming year prior to PSE's filing the plan with the Commission. Stakeholders will again have an opportunity to review the replacement activities during annual true-up proceedings or in the next general rate case. These opportunities for Commission oversight and review of the PIP proposal were proposed by PSE in order to reassure customers and stakeholders that there would be adequate means of ensuring transparency and accountability, and to alleviate any concerns that the PIP might result in "gold plating" of PSE's system.[71] For Opposing Parties to twist this aspect of the PIP program into a negative is nonsensical.

46. Moreover, Public Counsel mistakes the Commission's statutory role for the consumer advocate role that Public Counsel is required to fulfill. The Commission's statutory role is not that of a mere "watchdog, charged with ensuring that the utility meets its obligations,"[72] but rather, the Commission is charged with the statutory responsibility to "balance the needs of the public to have safe and reliable electric service at reasonable rates with the financial ability of the utility to prospectively provide such service."[73] PSE believes that an appropriate balance can and should be struck by approving the PIP in this proceeding.

[70] *See* Henderson, Exh. No. DAH-1T at 18:1-11; Henderson, Exh. No. DAH-4T at 5:8-18.
[71] *See* Henderson, Exh. No. DAH-1T at 18:1-11.
[72] Public Counsel Initial Brief at ¶ 99.
[73] *Avista Corp. v. WUTC*, Dockets UE-110876, *et al.*, Order 06 ¶ 29 (Dec. 16, 2011).

D. The Commission Should Reject Public Counsel's Spurious Arguments that the PIP Should Not Be Approved Due to PSE's Financial Circumstances

47. Public Counsel's argument that the PIP should be rejected because PSE is "financially healthy and has adequate access to capital"[74] wholly misses the point of the PIP proposal and relies on incomplete and misleading information. First, as Public Counsel notes, the rating agency repeatedly comment on PSE's significant and "very high" capital requirements.[75] Public Counsel pointedly fails to note the rating agency's stated concern—expressed in conjunction with the discussion of PSE's significant capital spending—regarding regulatory lag and PSE's under-earning of its ROE relative to authorized levels, which it attributes in part to the use of an historical test year.[76]

48. Second, it is outrageous for Public Counsel to suggest that merger commitments have somehow been breached simply because PSE requests more timely recovery for a subset of its natural gas pipeline in order to facilitate a sustained accelerated pipe replacement program that will enhance public safety. Contrary to Public Counsel's arguments, PSE's investors have committed significant capital, just as they agreed to do in the merger proceeding. Public Counsel's own brief details the capital expenditure facilities that have been put in place as a result of the merger.

49. Public Counsel and Public Counsel's witness rely on a fragmented quotation from Moody's credit rating report on Puget Energy[77] to suggest that PSE's ownership has not

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[74] Public Counsel Initial Brief at p. 27.

[75] De Boer, Exh. No. TAD-9A at 4 (listing as a weakness of Puget Energy's rating factors the "[s]ignificant capital expenditure requirements—driven by infrastructure replacement . . . that increase rate lag."); *id.* at 5 ("Capital requirements are very high at PSE"); *id.* at 13 ("Capital requirements are high at PSE").

[76] *Id.* at 25 ("[O]ne area of concern has been the under-earning of ROE relative to authorized levels. For example, from 2008-2010 the average achieved ROE was 6.2% (Moody's calculation), well below the recent authorized level."); *id.* at 26 (expecting periodic rate cases to minimize the effects of regulatory lag given the use of historical test years under Washington's regulatory practice).

[77] *Id.* at 4 (emphasis added).

contributed additional equity since the merger and has not made good on merger commitments. This simply is not true. This quote has been taken entirely out of context. In its proper context, the quotation reads as follows:

> The anticipated financing for the capex program is likely to be met from a combination of internal cash flow and utility issued debt, while targeting a capital structure that includes common equity equal to the level that regulators use in setting rates. . . .
>
> The Investor consortium has now owned PSE for two years and has generally operated the company with no change of strategy from what was contemplated at the time of the acquisition. However, we note the ownership group has contributed no "new" equity since the initial acquisition. We expect that going forward managing the dividend will be a tool to adjust equity rather than new contributions**.** However, given the large size of the current capital investment program new equity would be viewed as credit supportive. Conversely, large dividend payments at the PSE or PE level would be viewed negatively.[78]

50. The assertion that investors have not contributed additional equity ignores the retained earnings in the Company that, although not classified as "new" equity, is nonetheless a significant investment in the Company.[79] This is why the Moody's report made a deliberate point of putting the word "new" in quotations.[80] Public Counsel's witness specifically acknowledged in the hearing that "equity can come from either an outside source or it can come from retained earnings, [and] it can come from the cash that's generated by the business, the -- the earnings generated by the business."[81] Thus, it is perplexing that this witness (who represented to the Commission that she is an expert regarding "the way that a utility finances its

[78] *Id.* (emphasis added).
[79] *See id.* (noting the use of internal cash flow to finance capex program and the management of the dividend to adjust equity).
[80] *See id.*
[81] Crane, Tr. at 262:3-7.

capital investment") would misleadingly testify that "we've also heard that the parent has failed to provide any additional equity in the utility since the merger."[82]

51. As demonstrated by its past practices, PSE stands ready to continue investing in PSE's gas pipeline delivery system to maintain the safety of PSE's system. However, given PSE's competing need for capital and its under-earning on its equity return, the Company in this filing seeks to remove the financial disincentives inherent in a sustained accelerated pipeline replacement program. Exhibit No. JHS-10T demonstrates that even with frequently filed rate cases over the past several years, PSE has been unable to earn its authorized rate of return as shown in each general rate case filing since 2004.[83]

52. In sum, the issue here is not whether PSE's investors have made good on their commitments to invest in PSE—they have, and the testimony shows that investment will continue to be made to maintain a safe natural gas system. The question is whether the Commission will respond to the calls for action by federal pipeline safety leaders and others and approve a mechanism to facilitate *sustained*, proactive accelerated replacement of vulnerable pipe more prone to failure. The PIP will enable PSE to replace this pipe at a sustained accelerated pace—beyond what it has been doing—and will benefit customers by enhancing the safety of PSE's natural gas system for a few cents per month.

III. CONCLUSION

53. For the reasons set forth above, in PSE's initial brief, and in the evidence that is before the Commission, PSE respectfully requests that the Commission issue an order approving the PIP tariff.

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[82] *Id.* at 272:12-14.
[83] Story, Exh. No. JHS-10T at 5:13 – 6:5.

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Respectfully submitted,

PERKINS COIE LLP

By _____
Sheree Strom Carson, WSBA # 25349
Attorneys for Puget Sound Energy, Inc.