



PUGET SOUND ENERGY

The Energy To Do Great Things

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April 26, 2011

Mr. David Danner, Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

Re: **Advice No. 2011-12**
Natural Gas Tariff Filing – Filed Electronically

Dear Mr. Danner:

Pursuant to RCW 80.28.060 and WAC 480-80-101 and WAC 480-80-105(1)(c), please find enclosed for filing the following proposed revision to the WN U-2 Tariff for natural gas service of Puget Sound Energy, Inc. (the “Company” or “PSE”):

WN U-2 – (Natural Gas Tariff)

Original Sheet No. 1134 – Pipeline Integrity Program

Original Sheet No. 1134-A – Pipeline Integrity Program (Continued)

The purpose of this filing is to submit Schedule 134, Pipeline Integrity Program (“PIP”) -- a new tariff that is intended to enhance pipeline safety by providing for the timely recovery of the Company’s investment in new plant to implement certain reliability, integrity, and safety programs related to PSE’s natural gas delivery system.

Pipeline safety has been a topic of concern for several years, but has recently taken on new urgency due to recent explosions in California and Pennsylvania. As a result of these concerns, the scope of pipeline safety and compliance programs, at both the Federal and State levels, has been expanding for several years. In order for the Company to ensure it meets the requirements of these various mandates, these programs are generally managed to separate budgets, timelines and other work requirements which can limit the flexibility in addressing the highest priority safety and compliance issues *across the entire system*. This tariff eliminates a major obstacle to managing safety on a system-wide basis in that it allows for timely recovery of costs incurred without regard to the artificial program classifications and would allow the Company, in consultation with stakeholders, to increase investments to address reliability, integrity and safety programs.

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The PIP is designed to recover the actual costs of certain plant investments incurred to implement pipeline safety programs between rate cases. Although costs are projected out through each subsequent November through October rate period, these projected costs will be trued up to actual costs in the following year's filing.

The initial scope of PIP is limited and includes only the following programs: (1) Bare Steel Replacement; (2) Wrapped Steel Service Assessment; (3) Wrapped Steel Main Assessment; and (4) Older Polyethylene Pipe Replacement. Although the tariff is being initiated with these four programs, the tariff is meant to be flexible with respect to the scope of programs that could be included in the future.

The annual filing for the new program will be based on two components: (1) a revenue requirement for the rate period calculated based on forecasted changes to the program assets; and (2) a true-up for the difference between actual and budgeted costs and loads used in the last PIP rate filing. The rate adjustment will be updated each year with a November 1 effective date in order to align with PSE's Purchased Gas Adjustment (PGA) filing. Further information regarding determination of the revenue requirement, cost tracking, cost allocation, and annual budget and program forecast reporting is included in Attachment A to this letter.

In summary, the Company requests approval of PIP to enhance pipeline safety. It will consolidate programs under one fiscal umbrella, thus enabling financial and other resources to be maximized. It will facilitate a proactive versus reactive approach to integrity improvements on the pipeline system. It will help remove barriers to accelerating gas pipeline reliability, integrity and safety programs.

PIP will allow for flexibility in considering the overall project efficiency and impact on neighborhoods. It will provide a specific means for Commission oversight and review of specific costs and the program is consistent with the current distribution integrity management program (DIMP).

Overall this proposal represents an increase of about \$732,000 for the July 1 through October 31, 2011 period or about a 0.4% rate increase. For a typical residential natural gas customer using 68 therms, this would represent a 0.5% increase (39 cents) in a typical monthly bill compared to a typical bill under current residential rates.

The tariff sheets described herein reflect an issue date of April 26, 2011, and an effective date of July 1, 2011. The rates submitted with this filing will be in effect until November 1, 2011. As required by law and the Commission's rules and regulations, posting will be completed immediately prior to or coincident with the date of this transmittal letter and notice will be provided at least 30 days prior to the stated effective date. Posting is being accomplished through web, telephone and

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mail access in accordance with WAC 480-90-193(1). Notice will be provided in accordance with WAC 480-90-194(2), published notice.

Please contact Lynn Logen at (425) 462-3872 for additional information about this filing. If you have any other questions please contact me at (425) 462-3495.

Very truly yours,

E. E. Engl
Manager, Regulatory Initiatives & Tariffs

for Tom DeBoer
Director, Federal & State Regulatory Affairs

Enclosures

cc: Simon J. ffitch
Paula Pyron
Sheree Strom Carson