

[Service Date May 18, 2012]

May 18, 2012

**NOTICE OF OPPORTUNITY TO FILE WRITTEN COMMENTS
(By Friday, June 8, 2012)**

**NOTICE OF WORKSHOPS
(To be held Thursday, June 21, 2012, at 1:30 p.m.
and
Monday, July 2, 2012, at 9:30 a.m.)**

RE: Commission Investigation into the Need to Enhance the Safety of Natural Gas Distribution Systems, Docket UG-120715

TO ALL INTERESTED PERSONS:

On May 18, 2012, the Washington Utilities and Transportation Commission (Commission) issued an order in Docket UG-110723 initiating an investigation into whether companies subject to the Commission's jurisdiction should do more to enhance the safety of their natural gas distribution systems and, if so, to develop appropriate requirements or incentives to accomplish that goal.

On May 18, 2012, the Commission filed with the Code Reviser a Preproposal Statement of Inquiry (CR-101) to consider the need to enhance the safety of natural gas distribution systems. The Commission filed the CR-101 under Docket UG-120715.

The CR-101, as filed with the Code Reviser, is available for inspection on the Commission's website at www.utc.wa.gov/120715. If you are unable to access the Commission's web page and would like a copy of the CR-101 mailed to you, please contact the Records Center at (360) 664-1234.

The Commission is seeking written comments from interested persons on issues related to enhancing pipeline safety. While the Commission does not want to unduly limit comments, responses to the following questions would be most helpful:

I. Pipeline Replacement Programs

- A. For each gas company, what are the types of pipe that are currently in service that need to be replaced to enhance the safety of the company's natural gas distribution system (*e.g.*, pre-1986 polyethylene pipe, wrapped steel main, and wrapped steel services)? For each type of pipe identified, please provide the following information:
1. A description of the pipe;
 2. The nature and quantification of the safety risks associated with the pipe;
 3. The extent to which the pipe is deployed in the company's natural gas distribution system;
 4. The actions the company is currently taking to replace the pipe;
 5. The company's future plans to replace the pipe; and
 6. An estimate of the cost and time required to replace the pipe.
- B. Please provide a detailed explanation of the impediments, if any, to replacing pipe that needs to be replaced to enhance the safety of each company's natural gas distribution system, including but not limited to the following:
1. Cost recovery;
 2. Shortage of personnel or equipment;
 3. Access, *e.g.*, rights-of-way or government permitting issues.
- C. Risk assessment criteria and methodology
1. Describe and summarize the risk assessment methodology used by the Company to evaluate pipeline infrastructure.
 2. What are some of the key assumptions used in such methodology, which may change over time, and what process is used to update these?
 3. What are some of the important criteria, such as high consequence areas (HCAs), and how are they used as criteria in development the priority schedule for pipe replacement schedules?
 4. How often do you update the risk assessment methodology?

II. 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.

- 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, and special projects.
- 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;
 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?

WRITTEN COMMENTS

Written comments on the CR-101 and to the above questions related to enhancing pipeline safety must be filed with the Commission no later than **5:00 p.m., Friday, June 8, 2012**. The Commission requests that comments be provided in electronic format to enhance public access, for ease of providing comments, to reduce the need for paper copies, and to facilitate quotations from the comments. You may submit comments via the Commission's Web portal at www.utc.wa.gov/e-filing or by electronic mail to the Commission's Records Center at records@utc.wa.gov. Please include:

- The docket number of this proceeding (UG-120715).
- The commenting party's name.
- The title and date of the comment or comments.

An alternative method for submitting comments is by mailing or delivering an electronic copy to the Commission's Records Center on a 3 ½ inch, IBM-formatted, high-density disk, in .pdf Adobe Acrobat format or in Word 97 or later. Include all of the information requested above. The Commission will post on its web site all comments that are provided in electronic format. The web site is located at www.utc.wa.gov.

If you are unable to file your comments electronically or to submit them on a disk, the Commission will accept a paper document. If you have questions regarding this Notice, you may contact Mark Vasconi, by email at mvasconi@utc.wa.gov or by calling (360) 664-1308.

STAKEHOLDER WORKSHOPS

In addition to filing written comments, interested persons are invited to attend stakeholder workshops to discuss these issues on **Thursday, June 21, 2012, at 1:30 p.m., and Monday, July 2, 2012, at 9:30 a.m.** Both workshops will be held in **Room 206, Richard Hemstad Building, 1300 S Evergreen Park Drive S.W., Olympia, Washington.**

Stakeholders will have further opportunity to comment. Information about the schedule and other aspects of the rulemaking, including comments, will be posted on the Commission's website as it becomes available. If you wish to receive further information on this rulemaking you may:

- Call the Commission's Records Center at (360) 664-1234
- Email the Commission at records@utc.wa.gov
- Mail written comments to the address below

When contacting the Commission, please refer to Docket UG-120715 to ensure that you are placed on the appropriate service list. The Commission's mailing address is:

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

NOTICE

If you do not want to comment now, but want to receive future information about this rulemaking, please notify the Executive Director and Secretary in one of the ways described above and ask to be included on the mailing list for Docket UG-120715. If you do not do this, you might not receive further information about this rulemaking.

Sincerely,

DAVID W. DANNER
Executive Director and Secretary