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VIA ELECTRONIC FILING (records@utc.wa.gov)

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

**Re: Puget Sound Energy, Inc., and NW Energy Coalition's Petition to Implement
Decoupling Mechanisms - Dockets UE-121697 and UG-121705
NWIGU's Response to Notice Requesting Filing of Proposals**

Dear Mr. Danner:

On behalf of the Northwest Industrial Gas Users ("NWIGU"), we submit these initial comments in the above captioned dockets regarding Puget Sound Energy's ("PSE") and the NW Energy Coalition's ("NWECC") joint petition to implement a full gas decoupling mechanism (the "Decoupling Proposal").

NWIGU appreciates the opportunity to participate in the Commission's consideration of the Decoupling Proposal and to comment on the particular procedure the Commission should follow during its consideration. NWIGU's members have a strong interest in whether and how the Commission implements any decoupling proposal. NWIGU has supported or not opposed appropriately-structured, narrow decoupling programs in the past that have been properly designed in scope for residential and commercial customers and that feature important ratepayer protections. NWIGU has participated in several Washington proceedings addressing decoupling, including Docket U-100577, which resulted in the development of the Commission's current decoupling policy guidance document, and Docket UG-111049, which resulted in the Commission's rejection of Puget's Conservation Savings Adjustment ("CSA") mechanism.

NWIGU acknowledges that many of the issues raised by the Decoupling Proposal are not new and have been subject to much discussion before the Commission. Some elements of a decoupling mechanism involve policy judgments the Commission must make, and it is beneficial to have open discussions about those policy decisions. Some elements of the Decoupling

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Proposals are also highly technical, and it would benefit the Commission and interested parties to have some back and forth discussion about the technical elements rather than confine the discussion to the rigidity of data requests and cross examination. For these reasons, NWIGU supports some continued discussion in an Open Meeting or worksession format. In particular, NWIGU suggests that the Commission initiate at least one "technical" worksession that would focus solely on the mechanics of the Decoupling Proposal and allow interested persons and the Commission to develop a deeper understanding of how the mechanism works. NWIGU suggests that this worksession be held after other interested parties have had the time to review the historic data that PSE agreed to provide in response to Commissioner Oshie's request.

Prior to the Commission making a final decision on the specifics of the Decoupling Proposal, however, NWIGU is adamant that the filing must be suspended and that the parties be given an opportunity to develop a record addressing specific issues. Although the final decision may be guided by the Commission's ultimate policy decisions, those policies do not exist in a vacuum and the factual context for each policy must be made apparent in the Commission's decision. Below are several examples of the issues NWIGU believes are important to the Commission's resolution, along with a description of the types of factual information that should accompany the resolution of those issues.

In broad terms, decoupling mechanisms are inappropriate as applied to industrial customers. Mechanisms such as the one proposed in this proceeding capture load changes due to a variety of factors, including market demand and pricing of particular products, changes in input prices for products, and changes in the economy. Utilities should not be made whole for such changes that are unrelated to the utility's conservation efforts. Imposing decoupling on industrial customers would dramatically skew earnings and risks in favor of the utility. For these reasons, NWIGU has opposed and continues to oppose any program or rule that would subject industrial customers to decoupling.

If the Commission determines that PSE should be allowed to recover lost revenue resulting from company-sponsored conservation, it must nevertheless make sure that the revenue being recovered under the Decoupling Proposal is indeed the result of conservation and not other causes. As was made clear during the hearing addressing the CSA mechanism, load changes from other factors may inadvertently (or by design) be included and, therefore, provide an unwarranted benefit to the company unrelated to the purpose of decoupling. Even if the Commission makes a policy decision that some level of recovery unrelated to conservation can occur, only a fully-developed record can test whether that level is being met in PSE's particular proposal.

Another policy decision the Commission is being asked to make relates to the purported connection between decoupling and increased conservation. In particular, the Decoupling Proposal goes to great lengths to assert that the new mechanism will not only remove disincentives for conservation but that it will be accompanied by and dependent upon increased conservation targets. This may be true for the electric side of PSE's operations, but the Decoupling Proposal flatly states that it does not include any targeted increases in gas

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conservation. Thus, while the Commission may be able to independently make a policy decision about the types of conservation it wants to see occur, the parties should be given an opportunity to develop a record to determine the exact amount of conservation that is actually likely to occur under the proposal.

Because decoupling can dramatically skew earnings and risks in favor of the utility, NWIGU has consistently argued that adjustments to ROE and capital structure should be considered whenever decoupling is proposed. This issue, too, contains a policy component and a factual component. PSE acknowledged during its presentation to the Commission that before the Commission can make a policy decision that ROE or capital structure should be adjusted, it believes more facts are needed to understand how markets may react to the Decoupling Proposal. More facts are needed on the other end of the process as well. That is, once the Commission makes a policy decision relating to ROE and capital structure, it still has to determine what rates are just and reasonable for implementing those decisions, which is necessarily a fact-based determination.

In summary, NWIGU believes that the Commission should follow its well-established procedure for implementing new rates, which is to suspend the filing for hearing and make a final decision on a fully-developed record. The only variation required is the timing of the suspension, which NWIGU does not believe has to, or should, happen immediately. Instead, the Commission should continue a limited process of Open Meetings and worksessions, which will hopefully narrow the issues that will ultimately be part of the hearing.

Respectfully submitted,



Chad Stokes
Tommy Brooks

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing document upon all parties of record (listed below) in this proceeding by mailing a copy properly addressed with first class postage prepaid.

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Dated in Portland, Oregon this 21st day of November 2012.



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