

**BEFORE THE**

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PUGET SOUND ENERGY, INC.  
and NW ENERGY COALITION

For an Order Authorizing PSE To  
Implement Electric and Natural Gas  
Decoupling Mechanisms and To Record  
Accounting Entries Associated With the  
Mechanisms

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET NOS. UE-121697  
and UG-121704

DOCKETS UE-130137 and  
UG-130138

**NORTHWEST INDUSTRIAL GAS  
USERS' PETITION FOR  
RECONSIDERATION**

July 5, 2013

1. Pursuant to Washington Administrative Code (WAC) 480-07-850, the Northwest Industrial Gas Users (“NWIGU”) file this Petition for Reconsideration of Commission Order 07, dated June 25, 2013 (“Order 07”) in Docket UG-121705 (the “Decoupling Docket”). NWIGU seeks reconsideration on the narrow issue of whether the Decoupling Mechanism approved in the Decoupling Docket should apply to Puget Sound Energy’s (“PSE”) natural gas customers who take service on Schedules 85, 85T, 87 and 87T. Reconsideration is necessary because the Commission’s Order 07 does not take into account the fact that the only evidence in the record to support application of the decoupling proposal to Schedules 85, 85T, 87 and 87T is testimony filed with the initial proposal and that was later contradicted by the same witnesses sponsoring that testimony. Order 07 also fails to address uncontradicted testimony that serves as the basis for removing those rate schedules from the mechanism.
2. On March 22, 2013, Commission Staff (“Staff”), PSE and the Northwest Energy Coalition (“NWECC”) filed the initial Multiparty Settlement to resolve five dockets, including the Decoupling Docket.
3. NWIGU originally objected to the Multiparty Settlement on multiple grounds. One basis for NWIGU’s opposition was that the Decoupling Mechanism as proposed by NWECC and PSE failed to provide any gas conservation benefits for natural gas customers, and, the record lacked any basis for applying the mechanism to industrial sales and transportation customers.
4. In support of its opposition to the Decoupling Mechanism, NWIGU submitted the testimony of Edward A. Finklea explaining in detail the flaws of applying the Decoupling

Mechanism to customers on Schedules 85, 85T, 87 and 87T.<sup>1</sup> Specifically, that testimony highlighted the facts that application of the Decoupling Mechanism would not result in *any* increased gas conservation, that no real throughput incentive exists for industrial gas customers, and that PSE does not face any risk that company-funded conservation investments will result in lower cost recovery from gas transportation customers.

5. Following NWIGU’s testimony, PSE agreed to modify the Multiparty Settlement to provide that the Decoupling Mechanism will not apply to industrial customers on Schedules 85, 85T, 87 and 87T. That concession was supported in part by additional testimony from PSE and NWECA that recognized the validity of the facts and arguments presented in NWIGU’s testimony. Specifically, PSE acknowledged that any throughput incentive for large industrial gas users is “modest,”<sup>2</sup> and NWECA offered that industrial gas customers contribute “little” to non-fuel cost recovery in variable charges.<sup>3</sup>

6. NWIGU’s testimony also highlighted the fact that any concerns about customers switching schedules to game or to simply avoid the impacts of the Decoupling Mechanism are unfounded. That testimony pointed out the fact that there are benefits to providing customers with the flexibility of switching between schedules, but also that PSE’s tariffs are already structured in a way to prevent arbitrary switching between rate schedules that could otherwise be used to “game the system.” That testimony also pointed out that the best way to prevent unnecessary switching of schedules is to remove both sales and transportation customers on each of the large industrial schedules.<sup>4</sup> No evidence in the record contradicted these points.

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<sup>1</sup> Exhibit No. EAF-1T.

<sup>2</sup> Exhibit No. JAP-23T, 15:10.

<sup>3</sup> Exhibit No. RCC-4T;

<sup>4</sup> Exhibit No. EAF-1T, 7:15-8:2.

7. Despite the fact that PSE's and NWECE's witnesses revised their testimony to acknowledge the points made by NWIGU's witness, the Commission nevertheless approved the Decoupling Mechanism's application to Schedules 85, 85T, 87 and 87T. The Commission's stated reasons for doing so appear to be that the throughput incentive for large industrial gas customers is the same as for other customers,<sup>5</sup> and that leaving out some customers will allow more opportunity for gaming the system by customers that switch rate schedules.<sup>6</sup> Those conclusions, however, ignore the testimony in the record that large industrial customers do not create the same throughput incentive for PSE, and fail to recognize the uncontradicted evidence that PSE's rate schedules already prevent unreasonable switching by customers from one rate schedule to another, or that the removal of sales and transportation customers on each industrial schedule would further prevent unnecessary switching.
8. The Commission's decision in this regard appears to be based on the fact that it rejected the Multiparty Settlement and, therefore, felt compelled to reject an agreement by PSE, NWECE and NWIGU to exclude Schedules 85, 85T, 87 and 87T from the Decoupling Mechanism. It may be true that PSE and NWECE are no longer bound to that agreement once rejected by the Commission, but the Commission's decision does not also nullify PSE's or NWECE's rebuttal testimony. The Commission must still consider the merits of the issues NWIGU raised and resolve those issues based on the evidence in the record, including the revised testimony of PSE and NWECE.
9. NWIGU urges the Commission to maintain its principled long-standing policy of not applying decoupling to large industrial gas customers, especially large volume gas

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<sup>5</sup> Order No. 07 at paragraph 119.

<sup>6</sup> Order No. 07 at paragraph 120.

transportation customers. The record demonstrates only that the throughput risk PSE faces that drives much of the decoupling conversation simply does not exist because of large industrial gas customers, especially those taking transportation service because those customers purchase their own gas and do not qualify for gas conservation programs. Additionally, company-sponsored conservation programs for non-transportation gas customers are unique and cannot be evaluated in the same way that conservation programs for other customer classes can be evaluated. Industrial customers' demands for gas, for example, are more closely tied to swings in the economy than they are to conservation programs. The Commission's Order recognizes some of these factors, but fails to explain how its final decision takes those factors into account.

10. Based on the foregoing, NWIGU urges the Commission to reconsider Order 07 so that it can address whether the Decoupling Mechanism should apply to Schedules 85, 85T, 87 and 87T.

Dated in Portland, Oregon, this 5th day of July 2013.

Respectfully submitted,

/s/ Tommy A. Brooks

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## 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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