

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND	)	
TRANSPORTATION COMMISSION,	)	DOCKET UG-110723
	)	
Complainant,	)	ORDER 04
	)	
v.	)	
	)	
PUGET SOUND ENERGY, INC.,	)	
	)	
Respondent.	)	
	)	
.....	)	
	)	
WASHINGTON UTILITIES AND	)	DOCKETS UE-111048 and
TRANSPORTATION COMMISSION,	)	UG-111049 (Consolidated)
	)	
Complainant,	)	ORDER 04
	)	
v.	)	
	)	
PUGET SOUND ENERGY, INC.,	)	ORDER DENYING MOTION TO
	)	CONSOLIDATE
Respondent.	)	
	)	
.....	)	

**BACKGROUND**

*1* On April 26, 2011, in Docket UG-110723, Puget Sound Energy, Inc., (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to the Company’s currently effective Tariff WN U-2, establishing a Pipeline Integrity Program (PIP). PSE modified its initial filing with revised tariff filings on June 29, 2011, and July 14, 2011.

**DOCKETS UE-111048 & UG-111049 (Consolidated)  
ORDER 04**

- 2 The PIP is a new cost recovery method intended to enhance pipeline safety by providing for the expedited 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. PSE's filing would increase natural gas service revenues under the new cost recovery method by approximately \$107,440 for the August 1 through October 31, 2011, initial program period. All subsequent program periods will be November 1 through October 31. The Company anticipates that the revenue requirement for the program period of November 1, 2011, through October 31, 2012, will be \$1.95 million.
- 3 On June 13, 2011, in Docket UE-111048, PSE filed revisions to its currently effective Tariff WN U-60, Tariff G, to increase rates and charges for electric service provided to the customers in the state of Washington. On the same date, the Company filed tariff revisions in Docket UG-111049 to increase rates and charges for natural gas service provided to Washington customers.
- 4 On June 30, 2011, the Commission entered Order 01 in Dockets UE-111048 and UG-111049, suspending the tariff filings, consolidating the dockets, and setting the matters over for hearing (collectively PSE Rate Case).
- 5 On July 15, 2011, the Commission entered Order 01 in Docket UG-110723, suspending the tariff filings and setting the matter over for hearing (PIP Proceeding).
- 6 On August 18, 2011, Commission Staff, the Public Counsel Section of the Washington Attorney General's Office (Public Counsel), and the Northwest Industrial Gas Users (NWIGU) filed a motion to consolidate the PIP Proceeding and the PSE Rate Case (Motion). The moving parties allege the following in support of the Motion:
  - The cases present related factual issues concerning the condition, maintenance, replacement, safety, and cost recovery of the same PSE gas distribution infrastructure, all of which should be addressed in a single proceeding. More specifically, the Commission should consider in the PSE Rate Case any appropriate pro forma adjustment for pipeline integrity costs, the PIP's impact on overall operations and maintenance costs, the appropriate rate of return on

**DOCKETS UE-111048 & UG-111049 (Consolidated)  
ORDER 04**

infrastructure investment, and financial evidence sufficient to demonstrate that the Company does not have the opportunity to fully recover its costs.

- Both cases raise the issue of the propriety of single issue ratemaking through the creation of tracker mechanisms. In addition to the PIP, the Company proposes two such mechanisms in the PSE Rate Case, and all of these mechanisms should be considered together in a single proceeding.
- The PIP Proceeding requires development of an evidentiary record through testimony and a hearing, and the Commission can most conveniently ensure compilation of an adequate record by using the schedule previously established in the PSE Rate Case. While there is a risk that the PIP-specific issues could be buried among the many rate case issues, the Commission can take appropriate steps to minimize that risk.
- The Company has failed to justify its decision not to include the PIP in the PSE Rate Case or show any urgent need for a decision on its PIP in a shorter period of time. Neither the Commission nor the other parties should be prejudiced by PSE's choice to make separate tariff filings and seek expedited consideration of the PIP. The PIP is a proposal of first impression for the Commission that merits careful consideration of all issues of fact, law, and policy in the context of a single rate case proceeding.

7 On August 29, 2011, PSE filed its opposition to the Motion, providing the following response:

- The Commission has substantial discretion to consolidate cases and will not do so where there are insufficient common issues of fact and law or if consolidation would not produce a meaningful increase in administrative efficiency and would unacceptably delay a proceeding. Such circumstances exist here.
- Nothing required PSE to file its PIP tariff revisions as part of its rate case filing or to include testimony with its PIP filing. PSE, moreover, is not seeking expedited consideration of the PIP but requests only a reasonable schedule for considering this tracker mechanism. The moving parties, not PSE, bear the burden to

DOCKETS UE-111048 & UG-111049 (Consolidated)  
ORDER 04

convince the Commission to exercise its discretion to consolidate the PIP Proceeding and the PSE Rate Case.

- The PIP is a limited scope tariff tracker, the consideration of which does not substantially overlap with the factual and legal issues presented in the PSE Rate Case. The key issue in the PIP Proceeding is whether the Commission should authorize the Company to implement a tracker that enhances pipeline integrity by removing barriers to accelerated replacement of pipe that needs to be replaced. This is primarily a legal and policy issue that involves minimal factual disputes. Pipeline safety issues have traditionally been addressed outside the context of a general rate case, and the mere use of the previously authorized rate of return in the PIP is simple issue that is distinct from establishing a rate of return in a rate case. The policy issue of single-issue rate making can be addressed separately from the PSE Rate Case and does not require consolidation.
- Consolidation would not enhance judicial efficiency but would strain administrative resources in the PSE Rate Case and would burden the parties in that case that have no interest in the PIP Proceeding. The many complex issues in the rate case, moreover, would overshadow the PIP, as even the moving parties acknowledge. Interested parties have already spent significant time and effort reviewing and discussing the PIP, and including the PIP in the PSE Rate Case would unnecessarily hinder the Commission's resolution of the important pipeline safety initiatives comprising that program.

### DISCUSSION AND DECISION

8 The Commission has discretion to “consolidate two or more proceedings in which the facts or principles of law are related.”<sup>1</sup> In determining whether to exercise such discretion, the Commission considers not just the extent to which the factual and legal issues are related but whether consolidation would promote judicial economy and would not unduly delay the resolution of one or all of the proceedings.<sup>2</sup>

---

<sup>1</sup> WAC 480-07-320.

<sup>2</sup> *E.g., Qwest Corp. v. Level 3 Comm.*, Docket UT-063038, Order 09, ¶ 13 (Feb. 15, 2008).

**DOCKETS UE-111048 & UG-111049 (Consolidated)  
ORDER 04**

- 9 The Commission declines to exercise its discretion to consolidate the PIP Proceeding and the PSE Rate Case. The overlap of factual and legal issues in these cases is minimal, and consolidation would not promote judicial economy and would unnecessarily delay a Commission determination on the PIP. The ultimate issue the PIP presents for Commission resolution is whether PSE should be authorized to create a tracker mechanism for a portion of its gas infrastructure investment, specifically for replacement of specified types of existing pipe. This issue is predominantly a policy issue that would be better addressed in a separate proceeding, rather than as part of the PSE Rate Case.
- 10 The moving parties contend that the Commission can best develop the evidentiary record to consider the PIP in the PSE Rate Case because the PIP raises the same factual issues of cost recovery for the same gas distribution infrastructure that is at issue in the rate case. To the extent that the factual issues in the PIP Proceeding overlap with the rate case, however, those issues are ancillary to the primary issue of whether the proposed PIP is permissible and appropriate. The PIP represents only a small portion of the Company's total pipeline investment, and consolidation of the PIP Proceeding and the PSE Rate Case is not necessary for parties to have an adequate opportunity to address the need for any pro forma adjustment for pipeline integrity costs or the PIP's impact on overall operations and maintenance costs. Nor will consolidation enhance the parties' ability to address whether the rate of return on the PIP investment should be the same as the Company's overall rate of return.
- 11 The moving parties also assert that the PIP is one of three tracker mechanisms the Company has proposed, and the Commission should consider the legal issue of the propriety of single issue ratemaking, including the operation of the "matching principle," in the context of the PSE Rate Case. While such a consolidated review could be beneficial, the PIP and each of the other tracker mechanisms must stand or fall on its own merits, both factual and legal. At this stage of the proceedings, moreover, the moving parties have not made any showing that any Commission review of the PIP's impact on the operation of the "matching principle" requires or would be substantially enhanced if conducted in the PSE Rate Case, rather than in the PIP Proceeding.

DOCKETS UE-111048 & UG-111049 (Consolidated)  
ORDER 04

- 12 On the other hand, including the PIP in the PSE Rate Case would unnecessarily delay the Commission's review of that program and would unduly risk having the many complex PSE Rate Case issues overwhelm the PIP's important policy considerations. The Commission finds nothing improper in PSE's decision to file its PIP separately from its general rate case. Nor is the Company requesting expedited consideration of the PIP. To the contrary, the Commission appreciates the additional time PSE has taken to inform and attempt to address the concerns of interested parties since making its initial tariff filing in April.
- 13 The moving parties have not identified any issues arising from the PIP that cannot reasonably and efficiently be resolved separately from, and on a shorter schedule than, the rate case. Accordingly, the Commission will not consolidate the PIP Proceeding and the PSE Rate Case.

**ORDER**

- 14 THE COMMISSION ORDERS THAT the motion of Commission Staff, the Public Counsel Section of the Washington Attorney General's Office, and the Northwest Industrial Gas Users to consolidate Docket UG-110723 with previously consolidated Dockets UE-111048 and UG-111049 is DENIED.

Dated at Olympia, Washington, and effective September 7, 2011.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

GREGORY J. KOPTA  
Administrative Law Judge

**NOTICE TO PARTIES: This is an Interlocutory Order of the Commission. Administrative review may be available through a petition for review, filed within 10 days of the service of this Order pursuant to WAC 480-07-810.**