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**PUGET SOUND ENERGY**

*The Energy To Do Great Things*

Puget Sound Energy, Inc.

P.O. Box 97034

Bellevue, WA 98009-9734

*Filed via WUTC Electronic Web Portal*

December 7, 2012

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

**Subject: Docket No. UG-120715**  
***Commission Investigation into the Need to Enhance the Safety of Natural Gas Distribution Systems***  
**Comments of Puget Sound Energy, Inc.**

Dear Mr. Danner:

In Response to the Commission's Notice of Opportunity to File Written Comments, dated November 28, 2012 in Docket UG-120715, Puget Sound Energy, Inc ("PSE" or the "Company") offers the following comments.

PSE believes the Draft Statement of Commission Policy ("Draft Policy") is a positive step in addressing the need for enhancing the safety of natural gas infrastructure while addressing the financial implications to the utilities. PSE believes that the proposed requirement to file a Pipeline Replacement Plan ("PRP") along with the opportunity to file a cost recovery mechanism ("CRM") provides a balanced approach ensuring the Commission has the information necessary to assess that the utilities have adequate plans to address gas pipeline systems with elevated risk while ensuring that the proposed program does not unduly burden customers or the Company's shareholders. Approval of the PRP provides a level playing field for all parties to have clear expectations of the approach and the proposed costs associated with the PRP. Additionally, allowing the PRP to address other types of pipe in the gas pipeline system that presents elevated risks and permitting cost recovery through the CRM also makes sense. PSE appreciates that the Commission's Draft Policy adopted Avista's proposed approach, where the return of and on investment, without an exclusion for

historical level of replacement, will be eligible for inclusions in the CRM. The Avista approach allows for a more streamlined review and does not unnecessarily complicate the CRM mechanism.

In general, the Draft Policy provides clear guidance on the Commission's requirements regarding both the PRP and any CRM filing, however, PSE believes further clarification in a few areas would be beneficial. For example, the Draft Policy appears to allow for the PRP to include a multi-year timeline to identify the location of higher risk pipe. However, to the extent that a multi-year plan is approved, it is unclear what would be considered "significant progress" to allow for continuation of recovery under the CRM beyond the first year. PSE believes that clarifying that: 1) a multi-year location identification plan is acceptable; and 2) meeting the level of identification outlined in the approved PRP's location identification plan satisfies the requirement for "significant progress" to allow continuation of a CRM beyond the first year.

A second area for clarification would be in regards to inclusion of O&M expenditures associated with the PRP. The Draft Policy is clear in regards to excluding O&M associated with locating a particular type of pipe. However, it is vague regarding other types of potential O&M expenditures directly related to implementation of the PRP. PSE believes the Draft Policy should be modified to clarify that recovery of O&M expenditures directly related to an approved pipeline replacement plan may be allowed in the CRM cost of service when not related to locating a particular type of pipe.

Finally, PSE recommends that the Commission reconsider its proposal to require monthly updates of the actual expenditures during the period May 1 through October 31<sup>st</sup> of each program year. PSE would recommend that one update of actual balances as of September 1<sup>st</sup> would allow sufficient time for review of actual expenditures without unduly burdening Staff and the other parties with monthly updates.

PSE appreciates the opportunity to comment on the draft policy statement. If there are any questions regarding these comments, please direct them to Kathie Barnard at (425) 462-3716 or the undersigned at (425) 462-3495.

Sincerely,

/s/ Tom DeBoer

Tom DeBoer  
Director – Federal & State Regulatory Affairs