

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of:

PUGET SOUND ENERGY

for (i) Approval of a Special Contract for Liquefied Natural Gas Fuel Service with Totem Ocean Trailer Express, Inc. and (ii) a Declaratory Order Approving the Methodology for Allocating Costs Between Regulated and Non-regulated Liquefied Natural Gas Services

DOCKET UG-151663

JOINT RESPONSE TO
MOTION TO ESTABLISH A
BIFURCATED PROCEEDING

I. INTRODUCTION

1. On March 4, 2016, Puget Sound Energy (“PSE”) filed its Motion to Establish a Bifurcated Proceeding in Docket UG-151663 to allow for review of an alternative business model proposed by PSE. Staff of the Washington Utilities and Transportation Commission (“Commission Staff”), the Public Counsel Unit of the Washington Attorney General’s Office (“Public Counsel”), and the Northwest Industrial Gas Users (“NWIGU”) (collectively, “Joint Parties”) file this Joint Response to Motion to Establish a Bifurcated Proceeding. As discussed herein, the Joint Parties respectfully recommend that the Commission exercise its discretion to bifurcate the proceeding consistent with the terms of this Joint Response. The Joint Parties have coordinated with PSE about this Joint Response and represent that PSE also recommends that the Commission exercise its discretion to bifurcate the proceeding consistent with the terms of this Joint Response.

2. In making this Joint Response, none of the Joint Parties take any position with respect to the alternative business model proposed by PSE, and each of the Joint Parties reserves all rights with respect to the position it may take with respect to all issues to be addressed in the bifurcated proceeding.

II. PROPOSED BIFURCATED PROCEEDING

A. Proposed First Phase of the Bifurcated Proceeding

3. In its Motion to Establish a Bifurcated Proceeding, PSE proposed that, in the first phase of the bifurcated proceeding, the parties would brief and the Commission would rule on two limited issues:

- (i) whether the Commission would provide a limited exemption to the Merger Commitments set forth in Docket No. U-072375, for the purpose of allowing Puget Energy to own and operate both PSE and Puget LNG; and
- (ii) whether the Commission would authorize an equal sharing of the projected benefits associated with the Tacoma LNG Facility between PSE investors and PSE natural gas sales customers for consideration in this proceeding.

The Joint Parties support briefing on these two limited issues but reserve the right to argue in such briefing that the sharing of benefits associated with the Tacoma LNG Facility between PSE investors and PSE natural gas sales customers, if any, could be in a manner other than the equal sharing proposed by PSE in the Motion to Establish a Bifurcated Proceeding.

4. In its Motion to Establish a Bifurcated Proceeding, PSE proposed that the Commission conduct the first phase of the proceeding in accordance with a schedule for supplemental briefing and oral argument that would allow the Commission to issue an order by June 2016. The Joint Parties have coordinated with PSE about a proposed schedule for

the first phase of this proceeding and represent that the Joint Parties and PSE have agreed upon the following procedural schedule for this first phase of the proceeding:

Event	Date
Initial Brief submitted by PSE	no later than April 15, 2016
Response Brief submitted by each of the Joint Parties	no later than May 16, 2016
Commission Order (First Phase)	June 2016

5. The Joint Parties respectfully request that the Commission issue a notice of opportunity that would allow parties to Docket No. U-072375 that are not parties to this proceeding¹ to submit briefs limited to the first question to be briefed in the first phase of the proceeding (i.e., whether the Commission would provide a limited exemption to the Merger Commitments set forth in Docket No. U-072375 for the purpose of allowing Puget Energy to own and operate both PSE and an unregulated affiliate). PSE has indicated that it will provide notice to all parties to Docket No. U-072375 of its request in this proceeding for this limited exemption.

B. Proposed Second Phase of the Bifurcated Proceeding

6. In its Motion to Establish a Bifurcated Proceeding, PSE proposed that the second phase of the bifurcated proceeding would follow the traditional methods of administrative adjudication (e.g., testimony, discovery, hearing, briefing) and would be used for the Commission to consider establishment of:

- (i) a methodology for calculation of the projected portfolio benefits associated with the Tacoma LNG Facility;

¹ Parties to Docket No. U-072375 that are not parties to this proceeding are (i) the Industrial Customers of Northwest Utilities, (ii) the Kroger Co., on behalf of its Fred Meyer Stores and Quality Food Centers divisions, (iii) the Federal Executive Agencies, (iv) the Energy Project, (v) Northwest Energy Coalition, and (vi) the Cogeneration Coalition of Washington.

- (ii) potential projected portfolio benefits associated with the next best resource alternative to the Tacoma LNG Facility (likely incremental pipeline capacity) as a baseline against which the projected portfolio benefits associated with the Tacoma LNG Facility would be compared in a later proceeding when the actual costs of the Tacoma LNG Facility are available;
- (iii) a methodology for the sharing of portfolio benefits determined in the proceeding; and
- (iv) a methodology for allocating the costs of the Tacoma LNG Facility.

The Joint Parties support allowing for testimony, discovery, hearing, and briefing on the above issues in the second phase of the proceeding.

7. The Joint Parties and PSE have discussed a proposed schedule for the second phase of this proceeding if one is necessary, but agreed that any such proposed schedule would require the input of the Commission and depend on the timing and outcome of the first phase. Therefore, the Joint Parties and PSE respectfully request that the Commission schedule a prehearing conference at its earliest convenience after the first phase for the purpose of establishing a schedule for the second phase of this bifurcated proceeding.

III. CONCLUSION

8. The Joint Parties respectfully request that the Commission issue an order (i) resuming the proceeding in Docket UG-151663 and (ii) establishing a bifurcated proceeding consistent with the terms of this Joint Response. As discussed above, the Joint Parties can represent that PSE also recommends that the Commission issue an order

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(i) resuming the proceeding in Docket UG-151663 and (ii) establishing a bifurcated proceeding consistent with the terms of this Joint Response.

DATED this 11th day of March 2016.

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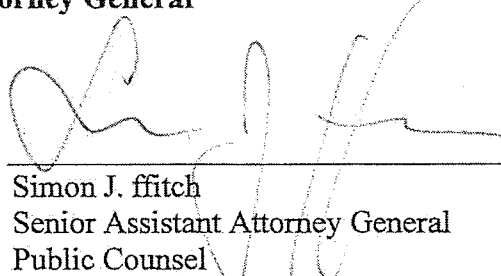
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