

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Docket Nos. UE-121697 and UG-121705  
Puget Sound Energy, Inc. and NW Energy Coalition  
Joint Petition for Approval of a Decoupling Mechanism**

**PUBLIC COUNSEL DATA REQUEST NO. 059**

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**Re: Exhibit No. MJV-9.**

- a) If the intent of the study is to measure the impact of decoupling on the cost of equity of a gas utility, please explain why it is reasonable to include companies in the study that have the same amount of decoupling from the beginning of the study period to the end of the study period, i.e., if there is no change in the amount of decoupling how would any impact or change in the cost of equity be detected.
- b) Does Dr. Vilbert agree that Laclede, Northwest Natural, and Piedmont Gas each had no change in the amount of decoupling over the study period?
- c) Does Dr. Vilbert agree that in the electric utility decoupling study published by Brattle in March 2014, companies were excluded from the study because their level of decoupling did not change during the course of the study? If not, please cite to the portion of that study for support.
- d) What would the gas utility decoupling study results be if Laclede, Northwest and Piedmont were eliminated from the sample? Please provide support for your response.

**Response:**

- a) The impetus for original study of the gas local distribution company (“LDC”) industry was the prevalent assertion by some that the adoption of decoupling would have a major effect on the cost of capital. We included data on all companies whether they had a change in decoupling or not over the study period in part because we wished to test whether the estimated cost of capital was different for those companies with and without decoupling. Recall that the gas LDC industry is a much more homogeneous industry than the electric so many of the factors that may lead to a slightly different estimate of the cost of capital are

not present in the gas LDC sample. In addition, including all companies improves the estimate of the standard error necessary for determining statistical significance.

- b) No. For Laclede and Northwest Natural, their decoupling index did not change over the course of the entire study period. However, the same is not true for Piedmont. Please see Tab “3. Gas Decoupling” in the workpaper “UE-121697 et al PSE Vilbert direct workpapers - Gas\_Brattle Sample Selection (PSE) (11.05.2014).XLSX” provided in Attachment A to Puget Sound Energy, Inc.’s Response to Public Counsel Data Request No. 070. This workpaper shows that there is one earlier data point, 11-14-2005, included in the study. At that date Piedmont had a decoupling index of 0.0. It increased in the next date 3-21-2006 to 0.77 which is shown on Exhibit No. \_\_\_\_ (MJV-9).

Having two companies with the same level of decoupling for the study period does not disqualify them from the analysis. It means that they will affect the statistical results indirectly through influence on the estimates of the constant and the time indicator variables. The holding companies with changing decoupling index values are those that are likely to drive the statistical results of the impact of decoupling.

- c) Yes.
- d) Brattle has not done this analysis.