

**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. 067**

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**Re: Testimony of Dr. Michael J. Vilbert, Exhibit No. MJV-1T, p. 29, II. 7-8.**

- a) The p-value and coefficient cited (0.14 and -41 basis points) is only for the base case, correct?
- b) It is true, is it not, that three other cases studied in the March 2014 paper considered capital cost changes that occurred one, two and three quarters prior to the actual regulatory implementation of decoupling?
- c) Why did Brattle study the cost of capital impact prior to the implementation of decoupling in the March 2014 study?
- d) The electric utility study prepared for this proceeding relied only on the regulatory implementation data and did not investigate the possibility that the information could have affected stock prices and capital costs prior to implementation as did the March 2014 study, correct?
- e) It is true, is it not, that in the March 2014 paper, Brattle shows that, studying price movements two quarters prior to the regulatory implementation date, the p-value was 0.08 and the decoupling coefficient was -48.7 basis points?

**Response:**

- a) Yes, where Dr. Vilbert assumes the reference to a “base case” means that the effect of the adoption of decoupling on the cost of capital occurs in the quarter of the order adopting the policy.
- b) Yes.

- c) Brattle was exploring whether the effect on the cost of capital from the adoption of decoupling was anticipated by capital market participants and was reflected in the cost of estimates prior to the announcement of the decision.
- d) Correct. Those explorations were not repeated here.
- e) Yes, those values appear in Table 1, page 18 of the March 2014 study. Dr. Vilbert does not believe that those estimates are as reliable as those from the updated report in this proceeding because of the improvements we implemented in the updated model as discussed in the Prefiled Direct Testimony of Exhibit No. \_\_\_\_ (MJV-1T), at page 29, lines 8-10. However, the general conclusion is the same. Decoupling has no statistically significant impact on the cost of capital.