

**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**

**Docket Nos. UE-130137 and UG-130138  
Puget Sound Energy, Inc. Expedited Rate Filing**

**PUBLIC COUNSEL DATA REQUEST NO. 096**

**PUBLIC COUNSEL DATA REQUEST NO. 096:**

Please provide an example to show that the volatility of the returns of a financial instrument is unrelated to the risk of an investment in that instrument.

**Response:**

Public Counsel Data Request No. 096 misstates the Prefiled Rebuttal Testimony of Dr. Michael J. Vilbert, Exhibit No. \_\_\_\_ (MJV-16T), in this proceeding. Volatility is clearly related to the total risk of an investment. Dr. Vilbert's point is that not all volatility is related to systematic risk. The volatility that can be reduced through diversification is not related to the cost of capital. Only the volatility that cannot be eliminated by diversification affects the cost of capital (i.e., the market risk of the investment).