

**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 Docket No. UG-130138  
Puget Sound Energy, Inc. Expedited Rate Filing**

**ICNU DATA REQUEST NO. 026**

**ICNU DATA REQUEST NO. 026:**

Please identify all utility subsidiaries in Dr. Morin's proxy group that have in place multi-year rate plans with automatic annual rate increases.

**Response:**

Please see the Fifteenth Exhibit to the Prefiled Direct Testimony of Dr. Michael J. Vilbert, Exhibit No. \_\_\_(MJV-16), which includes a column titled "Multi-year Revenue Cap Possibly with RAM." The full list of holding companies in Exhibit No. \_\_\_(MJV-16) are intended to be the combined group of companies in Dr. Morin's cost of capital study. Dr. Vilbert will identify the subsidiaries for the holding companies marked with an "X" in Exhibit No. \_\_\_(MJV-16).

To respond to this data request it is necessary to clarify the definition of instances of "Multi-year Revenue Cap Possibly with RAM". The sources were discussed in the Notes to Exhibit No. \_\_\_(MJV-16) and included in Edison Electric Institute, *Alternative Regulation for Evolving Utility Challenges: An Updated Survey* (Jan. 2013) ("EEI Report"). The EEI Report is available at [http://www.eei.org/issuesandpolicy/stateregulation/Documents/innovative\\_regulation\\_survey.pdf](http://www.eei.org/issuesandpolicy/stateregulation/Documents/innovative_regulation_survey.pdf).

Exhibit No. \_\_\_(MJV-16) relies upon Chapter V "Multiyear Rate Plans" and Table 8 "Multi-year Price Cap Precedents" of the EEI Report. The EEI Report describes the term Multiyear Rate Plans.

Multiyear rate plans ("MRPs") are designed to compensate a utility for changing business conditions without frequent, full true ups to its actual cost of service. Rate cases are held infrequently. . . Any rate escalations that are made between rate cases are based in whole or in part on automatic attrition relief mechanisms. . . The rate adjustments provided

by ARMs [attrition relief mechanisms] are largely “external” in the sense that they give a utility an allowance for cost growth rather than a reimbursement for its actual growth.

EEl Report at page 31. Thus, these ratemaking mechanisms are examples of performance based ratemaking. Attrition relief mechanisms (“ARM”) and revenue adjustment mechanisms (“RAM”) are equivalent in function.

Table 8 in the EEl Report is separate from another discussion of related—but different—alternative ratemaking policies reviewed in Chapter III “Revenue Decoupling” and Table 4 “Decoupling True-Up Plan Precedents” of the EEl Report:

We use the term revenue decoupling to describe a diverse set of rate treatments designed to facilitate recovery of allowed revenues . . . This reduces the utility’s disincentive to promote energy efficiency and can alleviate the financial stress caused by DSM programs and declining average use.

. . .

Most decoupling true up plans have two basic components: a revenue decoupling mechanism (“RDM”) and an allowed revenue adjustment mechanism (“RAM”).

EEl Report at page 15.

The RAM is not characterized as either performance-based or trued up to actual costs. It is Dr. Vilbert’s understanding that the two tables in the EEl Report are separate and independent in the sense that a single subsidiary can only appear in one or the other.

Separately, the Fourteenth Exhibit to the Prefiled Direct Testimony of Dr. Michael J. Vilbert, Exhibit No. \_\_\_(MJV-15), displays the occurrences of decoupling ratemaking for the combined group of companies in Dr. Morin’s cost of capital study. Therefore, Exhibit No. \_\_\_(MJV-16) does not include any of the subsidiaries Dr. Vilbert identified in Exhibit No. \_\_\_(MJV-15).

Berkshire Hathaway Energy (current name) acquired the NV Energy Inc. holding company through a merger announced May 29, 2013 and completed on December 19, 2013 (Source: NV Energy in Wikipedia). Before the acquisition, NV Energy was not a holding company that had subsidiaries with multi-year rate caps. Only after the merger was NV Energy part of a holding company with this characteristic. Dr. Vilbert will submit a corrected Exhibit No. \_\_\_(MJV-16), showing this adjustment reflecting NV Energy before the merger.

The four holding companies that have Multi-year Revenue Cap possibly with RAM and their subsidiaries from the Table 8 of the EEI Report are provided in Table 1 below.

Table 1. Subsidiaries Identified with Multi-year Revenue Cap Possibly with RAM

<b>Holding companies</b>	<b>Identified subsidiary with multi-year revenue cap possible with RAM or other attrition adjustment</b>
Dominion Resources	Virginia Electric Power
Duke Energy	Progress Energy Florida
Northeast Utilities	Public Service Company of New Hampshire
Xcel Energy Inc.	Public Service Company of Colorado