

**EXHIBIT NO. ___(MJV-18T)
DOCKET NO. UE-121697/UG-121705
DOCKET NO. UE-130137/UG-130138
WITNESS: DR. MICHAEL J. VILBERT**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET NOS. UE-121697
and UG-121705 (*consolidated*)

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET NOS. UE-130137
and UG-130138 (*consolidated*)

**PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF
DR. MICHAEL J. VILBERT
ON BEHALF OF PUGET SOUND ENERGY, INC.**

DECEMBER 19, 2014

**REVISED
FEBRUARY 11, 2015**

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asserting that state energy efficiency policies increase risk for utilities.³⁴

In his testimony, Mr. Hill misrepresents my response to a discovery request. The full response to ICNU Data Request No. 02.19 reads as follows:

In the cited section of Dr. Vilbert’s testimony, he is providing a possible explanation for the failure to reject the null hypothesis that there is no statistically significant effect on the cost of capital from the adoption of decoupling. Dr. Vilbert is not “asserting that state energy efficiency policies increase risk for utilities” although he believes that the statement is likely to be true. Instead he is offering one explanation for the empirical result in the test of the effect of decoupling on the cost of capital. In Dr. Vilbert’s view, the assertion that decoupling must reduce risk and therefore the cost of capital neglects to consider the reasons that decoupling was adopted in the first place. As noted on p. 32, lines 15-17 of Dr. Vilbert’s testimony, “decoupling is instituted as a policy response to support other important regulatory goals that may increase risk to utilities under traditional cost of service regulation.”³⁵

I understand the word “assert” to mean to claim the truth of a statement without any proof. Consequently, I denied that I had “asserted” that policies such as energy efficiency programs, distributed generation, DSM, and connecting renewable energy sources to the grid increased the risk to the regulated electric company. I believe it to be true, but I have not done an empirical study of the issue that would let me say so definitively. One possible reason that these programs may increase the risk of the regulated electric utility is that these programs all share the goal of reducing the consumption of energy and consequently the utility’s sales. As a result, the utility is likely to have increasing

³⁴ Hill, Exh. No. ___(SGH-2T), at page 105, lines 8-12.

³⁵ PSE’s Response to ICNU Data Request No. 02.19, a copy of which is provided as Exhibit No. ___(MJV 21).