

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. 063

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Re: Testimony of Dr. Michael J. Vilbert, Exhibit No. MJV-1T, p. 22.

Regarding Dr. Vilbert's decoupling study for the gas distribution industry, did the regression model in that study include dummy variables to account for interest rate changes and economic fluctuations as did the regression model used in studying the electric utility industry (March 2014 Brattle study)? If not, why not? If so, please provide support for that fact.

First Revised Response:

The below revised response to Public Counsel Data Request No. 063 was prepared by the witness on November 19, 2014, but the revised response was inadvertently not served on parties:

The gas local distribution company study did not include a quarterly indicator or dummy variable as was done for the electric utility study in part because the estimates were not evenly spaced in time. Although the sample average cost of capital varied over time, the individual company estimates changed in a relatively consistent way. In other words, whatever changes were occurring in the economy were affecting the sample company estimates proportionally so the need for a quarterly period specific dummy was not apparent. There was a dummy variable that corresponded to each time a cost of capital estimate was submitted.

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Response:

The gas local distribution company study did not include an indicator or dummy variable for the time period as was done for the electric utility study in part because the estimates were not evenly spaced in time. Although the sample average cost of capital varied over time, the individual company estimates changed in a relatively consistent way. In other words, whatever changes were occurring in the economy were affecting the sample company estimates proportionally so the need for a period specific dummy was not apparent.