**EXHIBIT NO. \_\_\_(MJV-1T)  
DOCKET NO. UE-121697/UG-121705  
DOCKET NO. UE-130137/UG-130138  
WITNESS: DR. MICHAEL J. VILBERT**

**BEFORE THE**

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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| 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 DIRECT TESTIMONY (NONCONFIDENTIAL) OF**

**DR. MICHAEL J. VILBERT  
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**NOVEMBER 5, 2014**

**Revised**

**February 5, 2015**

On the other hand, individual, state-regulated subsidiaries, not the HCs themselves, can be granted decoupled rates by state regulatory commissions and operate under particular state policies for energy efficiency, distributed generation, rate design, and renewable energy development. We characterized the degree of decoupling of each holding company by examining the decoupling policies of its subsidiaries.

To begin this second step, we identified all regulated gas LDCs belonging to each HC in the sample and then used a combination of primary and secondary sources to identify the subset of those gas LDCs that had decoupled rates during the study period. The 12 HCs collectively held 46 regulated natural gas LDC subsidiaries as of June 2012. We defined decoupling to include true-up decoupling schemes and straight fixed-variable rates. We excluded LRAMs. LRAMs were shown in Exhibit No. \_\_\_(MJV-8) but generally address only the sales reductions from the utility’s own energy efficiency programs and not those from other causes like customer distributed generation, price elasticity, changing tastes, and other causes that also impact the utility.

The number of states and gas LDCs with decoupling mechanisms in place  
increased significantly during the study period. Only five gas LDC subsidiaries   
had decoupling at the beginning of the period, but 22 subsidiaries had decoupling  
by the end. Eleven of those changes were in the years 2007 through 2009.

An indicator variable (1 or 0) for each subsidiary of a HC in each year is assigned and then weighted in terms of the average quantity of gas delivered by the decoupled subsidiaries for each HC in the study period. The HC decoupling

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