

**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**

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**

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

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

17 The number of states and gas LDCs with decoupling mechanisms in place
18 increased significantly during the study period. Only ~~four~~five gas LDC subsidiaries
19 had decoupling at the beginning of the period, but ~~24~~22 subsidiaries had decoupling
20 by the end. Eleven of those changes were in the years 2007 through 2009.

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