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BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of Petition of) Docket UE-121697
PUGET SOUND ENERGY, INC.) Docket UG-121705
and NW ENERGY COALITION) (Consolidated)
For an Order Authorizing PSE to Implement)
Electric and Natural Gas Decoupling)
Mechanisms and to Record Accounting)
Entries Associated with the Mechanisms)

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Pages 535 through 771

9:02 A.M.
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1 page 6 of the exhibit. Now we're back in synch.

2 A. Hallelujah.

3 Q. Okay. Bottom of the page, line 20. You point out
4 that if these mechanisms are adopted, it will reduce the
5 company's risk, normally a consideration in the cost of equity
6 estimation; correct?

7 A. Yes.

8 Q. But if we turn the page, you state that you don't
9 propose an adjustment in this case, because there is a
10 commission order in that state -- and I'm paraphrasing here --
11 that says they want to wait for a three-year period for a
12 detailed evaluation; correct?

13 A. Not a commission order, a commission policy statement.

14 Q. Policy statement; all right. So --

15 A. Yes. But yes, with that clarification.

16 Q. All right. So that's the reason why you didn't make a
17 specific adjustment, basis point adjustment to your ROE in that
18 case?

19 A. Correct.

20 Q. Right. It's not because of your own analysis of the
21 impact of decoupling on a cost of capital for Southwest?

22 A. I can't answer it yes or no, but I'll be quick. My
23 point was in Arizona and my point today is that I do believe
24 decoupling is risk-reducing. But it's more than one way to
25 recognize it.

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1 The most direct way to recognize it is to reduce the
2 return on equity because of the fact that you're transferring
3 some risk from rate payers, of the stock with rate payers.
4 Another way, as was done in Arizona, and I perceive to be the
5 Staff wish in this case or Staff's position in general, is that
6 input decoupling, see how it works and then revisit it later.
7 That's how I see it in Arizona. That's how I see it here.

8 Q. All right. Now, except for this Arizona case, none of
9 these pieces of testimony where you've addressed decoupling, in
10 none of those cases did you recommend to the regulatory
11 commission that it wait and see what happened with decoupling;
12 correct?

13 A. That's correct.

14 Q. All right. And you were recommending in every one of
15 those cases that the impact be recognized immediately in the
16 rates that would become effective following the completion of
17 the rate case; correct?

18 A. Right. But -- and that's a key word. Those were in
19 connection with a rate case and this is not.

20 Q. And can you explain why in those cases you recommended
21 that the adjustment be incorporated in rates and adopted
22 immediately with the effective date of the raise?

23 A. Sure. In brief words here, because decoupling was
24 being implemented in connection with a general rate proceeding
25 of the company, where all the company's rates were being