

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF  
RESPONSE TO DATA REQUEST

DATE PREPARED: Sept. 8, 2006  
CASE NO.: UG-060256  
REQUESTER: WUTC

WITNESS: Mike Parvinen  
RESPONDER: Mike Parvinen  
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**BENCH REQUEST NO. 2:**

On page 3, lines 17-21 of Mr. David Parcell's testimony (DCP-1T), Mr. Parcell recommends a reduction in the cost of common equity of 25 basis points if the Commission adopts the Company's proposed decoupling mechanism. On page 3, lines 12 and 13 of Mr. Mike Parvinen's responsive testimony (MPP-1T), Mr. Parvinen describes Mr. Parcell's recommendation for an overall rate of return for Cascade of 8.33 percent "with decoupling." On line 2 of Exhibit \_\_ (MPP-2) to Mr. Parvinen's testimony, he includes a rate of return of 8.33 percent in the calculation of revenue requirement. Does Mr. Parvinen use the 8.33 percent rate of return assuming that the Commission will adopt the Company's decoupling proposal, or does Mr. Parvinen recommend a reduction in rate of return even if the Commission adopts Staff's proposed three-year pilot decoupling proposal? If Mr. Parvinen makes the latter recommendation, please explain why.

**RESPONSE:**

Mr. Parvinen uses the 8.33 percent rate of return assuming the Commission will adopt the Staff-proposed, three-year pilot decoupling mechanism. Mr. Parvinen relied on Mr. Parcell's testimony on page 17, lines 4 to 6, where he identified a range of 25 to 50 basis points if the Company's mechanism is adopted. Mr. Parvinen assumed that, for purposes of return on equity, a decoupling mechanism in any form has value and that the 25 basis points is reasonable given that it is the low end of the range identified by both Mr. Parcell's and Cascade's witness, Dr. Morin. Mr. Parvinen discussed his assumption with Mr. Parcell who confirms it as reasonable.