

**EXHIBIT NO. ___(TAD-1T)
DOCKET NO. UE-12___/UG-12___
JOINT DECOUPLING ACCOUNTING
PETITION
WITNESS: TOM DE BOER**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

**PUGET SOUND ENERGY, INC.
and NW ENERGY COALITION**

**For an Order Authorizing PSE To
Implement Electric and Natural Gas
Decoupling Mechanisms and To
Record Accounting Entries Associated
With the Mechanisms**

**Docket No. UE-12___
Docket No. UG-12___**

PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF

TOM DE BOER

ON BEHALF OF PUGET SOUND ENERGY, INC.

OCTOBER 25, 2012

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
TOM DE BOER**

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1 **PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF**
2 **TOM DE BOER**

3 **I. INTRODUCTION**

4 **Q. Please state your name and business address.**

5 A. My name is Tom De Boer. I am employed by Puget Sound Energy, Inc. ("PSE"
6 or the "Company") as Director, Federal and State Regulatory Affairs. My
7 business address is 10885 NE Fourth Street, Bellevue, WA 98009-9734.

8 **Q. Have you prepared an exhibit describing your education, relevant**
9 **employment experience and other professional qualifications?**

10 A. Yes, I have. It is Exhibit No. ___(TAD-2).

11 **Q. What is the purpose of your testimony?**

12 A. My testimony provides a high-level overview of the electric and natural gas
13 decoupling mechanisms proposed by the NW Energy Coalition (the "Coalition")
14 and PSE (collectively the "Joint Parties") and the benefits the decoupling
15 mechanisms provide.

16 **Q. Please summarize your testimony.**

17 A. After the Commission issued its final order in PSE's general rate case last May,
18 PSE and the Coalition began working together to develop the decoupling
19 mechanisms presented in this petition. PSE and the Coalition took seriously the
20 Commission's statement in the final order that it remained open to proposals for

1 full decoupling.¹ The Joint Parties' proposal is very similar to the proposal the
2 Coalition presented to the Commission in PSE's recently concluded general rate
3 case, which the Commission determined largely followed the Commission's
4 guidance in its Decoupling Policy Statement.²

5 The Joint Parties' decoupling proposal fits squarely with state energy policy as set
6 forth by the Legislature, the voters of Washington and this Commission. The
7 proposed decoupling mechanisms build on the Coalition's earlier proposal in a
8 way that allows PSE to forge ahead in its role as a nationwide leader in energy
9 efficiency. Under the proposal, PSE will agree to accelerate its achievement of
10 conservation—a least cost resource that benefits all customers. This is consistent
11 with the policy set forth in the Energy Independence Act that was approved by
12 Washington voters. The proposal also provides for additional weatherization
13 benefits to low income customers, and in so doing, further promotes conservation.
14 The proposed decoupling mechanism allows the Company the opportunity to
15 recover its Commission-approved fixed delivery costs that otherwise would not be
16 recovered due to conservation. This is consistent with the legislative policy set
17 forth in RCW 80.28.260(3) that the Commission should consider policies to
18 protect utilities from reductions in earnings due to company-sponsored
19 conservation. The proposal appropriately blends together customer benefits and

¹ *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-111048 and UG-111049, Order 08 (May 7, 2012) n. 617.

² *Id.*; see *In re WUTC's Investigation into Energy Conservation Incentives*, Docket U-100522 Report and Policy Statement on Regulatory Mechanisms, Including Decoupling, To Encourage Utilities To Meet Or Exceed Their Conservation Targets (November 4, 2010) ("Decoupling Policy Statement").

1 Company benefits. As such, it is consistent with the public interest and should be
2 approved.

3 The Commission's recent thorough review of decoupling for PSE, as well as its
4 more general, extensive review of decoupling over the past several years, permits
5 the Commission to review and approve the Joint Parties' proposed decoupling
6 mechanisms outside of a general rate case or an adjudicative proceeding. PSE
7 and the Coalition request that the Commission consider the proposed decoupling
8 mechanisms in an open meeting process, to be completed by the end of the year.

9 **II. THE JOINT PARTIES' PROPOSAL ADVANCES THE**
10 **PUBLIC INTEREST AND SHOULD BE APPROVED**

11 **Q. Please describe PSE's conservation efforts.**

12 A. The Commission has recognized PSE's long-standing commitment to energy
13 efficiency. In the Final Order in PSE's 2006 general rate case, the Commission
14 noted: "PSE has an outstanding record in terms of encouraging conservation and
15 achieving significant amounts of conservation on its system over time."³ More
16 recently, PSE achieved 636,454 megawatt-hours of conservation during the 2010-
17 2011 biennium, which exceeded its biennial conservation target of 622,000
18 megawatt-hours at the customer meter level.⁴ For natural gas, PSE acquired
19 nearly 10.2 million therms of annual gas savings for its utility customers for the

³ *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-060266 and UG-060267, Order 08 (January 5, 2007) at ¶65.

⁴ *WUTC v. Puget Sound Energy, Inc.*, Docket UE-100177, Order 07 (Sept. 13, 2012), ¶¶ 20-21.

1 2010-2011 conservation budget cycle.⁵

2 **Q. If PSE is a leader in conservation, why are these decoupling mechanisms**
3 **necessary?**

4 A. The Commission has recognized that full decoupling can be a tool that benefits
5 both the Company and its ratepayers,⁶ and the Commission has expressed interest
6 in considering a full decoupling mechanisms for electric and natural gas utilities.⁷
7 The Joint Parties' decoupling proposal removes disincentives to conservation by
8 breaking the link between the recovery of the Company's Commission-authorized
9 delivery-related revenue from the amount of energy it sells. Additionally, PSE
10 will agree to accelerate its electric biennial conservation achievement beyond the
11 pro rata share of its ten-year conservation potential required by the Energy
12 Independence Act, if the decoupling mechanisms are approved.

13 The decoupling proposal is also necessary, from PSE's perspective, because it
14 addresses, in part, the financial hardships PSE faces as a result of declines in
15 revenues due to utility sponsored conservation. The Legislature requires the
16 Commission to consider policies to address earnings reduction due to utility
17 sponsored conservation,⁸ and PSE has proposed various mechanisms over the past
18 few years to address these reductions in earnings caused by utility-sponsored

⁵ *Petition of Puget Sound Energy, Inc. For an Order (1) Authorizing Deferral of Electricity Conservation Expenditures and (2) Approving a Tariff Rider for Concurrent Recovery in Electric Rates of Such Deferred Electricity Conservation Expenditures*, Docket UE-970686, 2011 Annual Report of Energy Efficiency Services Programs (Feb. 15, 2012), at 16.

⁶ Decoupling Policy Statement, ¶27.

⁷ Decoupling Policy Statement, ¶29

⁸ See RCW 80.28.260(3).

1 conservation—including Conservation Savings Adjustment rates in its 2011
2 general rate case and a Conservation Phase-In adjustment in its 2009 general rate
3 case. However, the Commission has expressed a preference for full decoupling,
4 and the Joint Parties' proposal is consistent with the Commission's preferred
5 approach, while addressing the revenue shortfalls that PSE faces as a result of
6 Company-sponsored conservation.

7 **Q. Please describe the circumstances that led to this filing.**

8 A. As previously stated, the Coalition submitted a decoupling proposal in PSE's 2011
9 general rate case. PSE opposed the Coalition's decoupling proposal because it
10 failed to address the financial consequences of PSE's energy efficiency program,
11 particularly as it relates to recovery of its fixed delivery costs. The Commission
12 stated that the Coalition's decoupling proposal largely followed the guidance of
13 the Commission's Decoupling Policy Statement, but the Commission declined to
14 approve the decoupling mechanism in the face of PSE's opposition.⁹ The
15 Commission further stated that it "remains open to proposals for a full decoupling
16 mechanism, even to one that may vary somewhat from what is described in our
17 Policy Statement."¹⁰

18 Since the completion of PSE's general rate case, PSE and the Coalition have
19 worked together to build on the decoupling proposal that the Coalition submitted
20 in PSE's 2011 general rate case, and the decoupling proposal presented in this

⁹ *WUTC v. Puget Sound Energy, Inc.* Docket UE-111048 and UG-111049, Order 08 (May 7, 2012), ¶¶ 453, 456.

¹⁰ 2011 GRC, Final Order, n.617.

1 petition is the result of the Joint Parties' hard work.

2 **Q. Is it appropriate for the Commission to consider the Joint Parties'**
3 **decoupling proposal outside of a general rate case?**

4 A. Yes, the Commission has approved decoupling mechanisms outside of general
5 rate cases in the past—for example, in 2006 when it approved Avista's decoupling
6 proposal. The Commission has also sanctioned review of such proposals outside
7 of a general rate case—for example, in 2011 when it agreed to move
8 consideration of a decoupling proposal for Avista out of the general rate case in
9 which it was filed and into a separate proceeding that continued after the general
10 rate case concluded.

11 Moreover, the Commission had examined decoupling several times over the past
12 two decades, and in thorough detail over the past few years. Most recently, the
13 Commission undertook an investigation into energy conservation incentives that
14 culminated in the issuance of a Decoupling Policy Statement, and the
15 Commission reviewed a decoupling proposal submitted by the Coalition in PSE's
16 most recent general rate case that concluded only a few months ago. In the PSE
17 general rate case, the Commission issued a Bench Request and asked Commission
18 Staff to examine full decoupling as an option for PSE. The Commission issued
19 the Bench Request in order to ensure that it had a complete record on the issue of
20 full decoupling.¹¹ Commission Staff provided an in-depth, 21-page analysis of

¹¹ *WUTC v. Puget Sound Energy, Inc.* Docket UE-111048 and UG-111049, Notice of Bench Request at. 2 (Oct. 5, 2-2011).

1 full decoupling in response to the Bench Request, and the Commission considered
2 Staff's analysis along with the Coalition's filed decoupling proposal.

3 The bottom line is that the Commission has reviewed decoupling in general and
4 for PSE extensively over the past several years, and most recently reviewed a
5 decoupling proposal for PSE that is very similar to what the Coalition and PSE
6 have proposed in this petition. Given the extensive record before the Commission
7 in these recent proceedings, it is not necessary for the current proposal to be filed
8 in a general rate case.

9 **Q. How does the Joint Parties' decoupling proposal differ from the proposal**
10 **submitted by the Coalition in PSE's 2011 general rate case?**

11 A. The Joint Parties' proposal for electric and natural gas decoupling mechanisms is
12 nearly identical to the proposal made by the Coalition for electric decoupling,
13 with two exceptions. First, the Joint Parties' proposal takes into consideration lost
14 revenue from PSE-sponsored conservation, actually achieved and verified, when
15 setting the allowed revenue per customer for the decoupling test year. This is
16 sometimes referred to as a K-Factor. Second, as an integral part of the proposal,
17 PSE will agree to accelerate achievement of its ten-year biennial conservation
18 target for electric conservation, beyond the pro rata pace required in the Energy
19 Independence Act. Third, PSE will propose to increase funding for low-income
20 conservation programs. The details of the Joint Parties' proposal, including the K-
21 Factor, the accelerated conservation achievement and the increased funding for

1 low-income conservation, are set forth in the Prefiled Direct Testimony of Mr.
2 Jon A. Piliaris, Exhibit No. ____ (JAP-1T).

3 **Q. Does the Company's use of a K-Factor in any way allow PSE to recover more**
4 **costs than approved by the Commission in PSE's last general rate case?**

5 A. No. No aspect of the Joint Party's proposal in this filing, including the K-Factor,
6 allows the Company to recover more costs than already approved by the
7 Commission in PSE's last general rate case. The proposal made in this filing
8 simply seeks to reframe how costs, already approved by the Commission, are
9 recovered so that the Company is no longer penalized financially for its
10 acquisition of conservation resources

11 **Q. Are the Joint Parties' proposed decoupling mechanisms consistent with**
12 **approaches other states have taken to encourage conservation and address**
13 **lost revenues resulting from conservation?**

14 A. Yes. This issue is addressed in more detail in the Prefiled Direct Testimony of
15 Ralph Cavanagh, Exhibit No. ____ (RCC-1T).

16 **Q. Are the proposed decoupling mechanisms in the public interest?**

17 A. Yes, by approving these decoupling mechanisms the Commission is regulating in
18 the public interest as required by RCW 80.01.040(3). In the Commission's
19 Decoupling Policy Statement the Commission identified general components of
20 selected regulatory mechanisms that may be proposed to assist in setting fair, just,
21 reasonable and sufficient rates as utilities acquire all available, cost-effective

1 conservation resources.¹² The Joint Parties' proposed decoupling mechanisms
2 address these general components and are consistent with the direction the
3 Commission provided in PSE's recent general rate case regarding decoupling
4 mechanisms.

5 Additionally, the proposed decoupling mechanisms address in part the growing
6 financial hardship PSE faces as a result of "declines in revenues due to utility-
7 sponsored conservation."¹³ By approving the decoupling mechanisms, the
8 Commission will comply with the Legislature's directive to consider policies to
9 protect utilities from such earnings reductions resulting from utility conservation
10 programs.

11 Moreover, the voters of Washington state have determined that it is in the public
12 interest to increase energy conservation in order to promote energy
13 independence.¹⁴ As an integral part of the proposed decoupling mechanisms, PSE
14 has agreed to accelerate the achievement of its ten-year conservation potential
15 beyond the pro rata share required by the law.

16 The additional commitments PSE is making for low-income customers as part of
17 the decoupling mechanisms also are consistent with the public interest. As part of
18 this decoupling proposal, PSE commits to propose additional Low Income
19 Weatherization funding of approximately \$500,000 annually, beginning in 2013.
20 Mr. Piliaris discusses this additional funding in his prefiled direct testimony.

¹² Decoupling Policy Statement, ¶3.

¹³ See RCW 80.28.260(3)

¹⁴ RCW 19.285.020.

1 **Q. What procedure do you propose for this filing?**

2 A. The Joint Parties request that the Commission consider and approve the petition in
3 an open meeting, by the end of 2012. There are four open meetings scheduled
4 prior to the end of the 2012 calendar year, which provides ample opportunity for
5 public input and open discussion. In light of the extensive review of decoupling
6 already undertaken by the Commission, and the Commission's stated preference
7 for full decoupling mechanisms, it is within the Commission's authority to
8 evaluate and approve this proposal through the open meeting process. The
9 question of whether to authorize a decoupling mechanism is largely a policy
10 matter for the Commission to consider. Moreover, PSE has already met with
11 stakeholders in advance of this filing to review the proposed mechanisms; and to
12 further assist stakeholders' review of the proposal, PSE will agree to respond to
13 informal data requests from interested stakeholders and/or conduct technical
14 conferences to review the proposal.

15 **III. CONCLUSION**

16 **Q. Does this conclude your testimony?**

17 A. Yes.