

EXHIBIT NO. ____ (JAP-1T)
DOCKET NO. UE-12____/UG-12____
JOINT DECOUPLING ACCOUNTING
PETITION
WITNESS: JON A. PILIARIS

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

JON A. PILIARIS

ON BEHALF OF PUGET SOUND ENERGY, INC.

OCTOBER 25, 2012

1 the prospective Annual Allowed Delivery Revenue Per Customer. The
 2 calculation of Annual Allowed Delivery Revenue Per Customer for each natural
 3 gas rate group is shown below and presented on page 2 of the Fifth Exhibit to my
 4 prefiled direct testimony, Exhibit No. ____ (JAP-6).

5 **Table 2 - Calculate Natural Gas Annual Allowed Delivery Revenue Per Customer**

	Proforma Test Year Margin Revenue
-	Basic Charge Revenue
-	Minimum Charge Revenue
=	Test Year Delivery Revenue
÷	Number of Customers
=	Test Year Delivery Revenue Per Customer
x	K-Factor
=	Annual Allowed Delivery Revenue Per Customer

6 **C. Customers Included in Mechanism**

7 **Q. To which customers do the decoupling proposals apply?**

8 A. Two groups of electric rate schedules in the current tariff book are subject to the
 9 electric decoupling mechanism. The first group is comprised solely of residential
 10 customers (Schedules 7 and 7A). The second group is comprised of non-
 11 residential customers served under Schedules 24, 25, 26, 29, 31, 35, 40, 43, 46
 12 and 49, as well as the related schedules where customers are eligible to participate
 13 in the Bonneville Power Administration’s Residential Exchange Program.
 14 Lighting customers, served on Schedules 51 through 59, and Retail Wheeling
 15 customers are excluded from this proposal.

1 Two groups of natural gas rate schedules in the current tariff book are subject to
2 the decoupling proposal. The first group is comprised solely of residential
3 customers (Schedules 23 and 53). The second group is comprised of non-
4 residential customers served under Schedules 31, 41, 85, 86 and 87.
5 Transportation, rental and special contract customers are excluded from this
6 proposal.

7 **Q. Does the Joint Party proposal include more rate schedules than in the**
8 **Coalition's proposal in PSE's 2011 GRC?**

9 A. Yes. It includes customers served on PSE's high-voltage schedules and this is
10 more consistent with the Commission's preference in the Decoupling Policy
11 Statement to include all classes.¹² It is also noteworthy that representatives of the
12 Company's largest customers took the opportunity to weigh in on the Coalition's
13 decoupling proposal in PSE's 2011 GRC even though they were not included in
14 the proposed mechanism.

15 **Q. Why were the specific rate groups chosen?**

16 A. The grouping of customers strikes a reasonable balance between a desire to
17 minimize cross-subsidization between customer groups and the administrative
18 complexity and increased within-schedule rate volatility that could result from
19 greater delineation of non-residential customers.

¹² Decoupling Policy Statement, ¶28.

1 **Q. For purposes of these decoupling mechanisms, how is “customer” being**
2 **defined?**

3 A. For purposes of this proposal and to promote transparency, customers are defined
4 consistently with the manner in which they are reported in the Company’s
5 financial reports (e.g., its Federal Energy Regulatory Commission Form No. 1 and
6 Securities and Exchange Commission 10-K filings).

7 **Q. Is there separate treatment for new customers?**

8 A. No. The intent of the decoupling mechanisms proposed here is to recover the
9 level of delivery-related revenue that would have been recovered in the absence of
10 conservation. Revenues received from new customers are already included in this
11 calculation. Since this revenue is already incorporated into the development of
12 the allowed revenue under these mechanisms, no other adjustment is needed for
13 new customers

14 **D. K-Factor**

15 **Q. Earlier you discussed the K-Factor. How is it calculated?**

16 A. In simple terms, the K-Factor is calculated for each rate group for each
17 decoupling rate year by dividing (a) the weather-normalized delivery revenue that
18 would have been recovered through base rates in the prior calendar year in the
19 absence of Company-sponsored conservation by (b) the revenue that would have
20 been recovered in the prior calendar year through full decoupling (i.e., without a
21 K-Factor). Specifically, this full decoupling revenue would be calculated by