

EXHIBIT NO. ____ (JAP-24T)
DOCKET NO. UE-121373
DOCKET NO. UE-121697/UG-121705
DOCKET NO. UE-130137/130138
WITNESS: JON A. PILIARIS

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of PUGET SOUND ENERGY, INC. For Approval of a Power Purchase Agreement for Acquisition of Coal Transition Power, as Defined in RCW 80.80.010, and the Recovery of Related Acquisition Costs	DOCKET NO. 121373
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 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 REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF
JON A. PILIARIS
ON BEHALF OF PUGET SOUND ENERGY, INC.**

*In Support of the Multiparty Settlement
Re: Coal Transition PPA and other Pending Dockets*

MAY 8, 2013

1 That said, regardless of which way the economy has gone, the feared rate
2 volatility has yet to manifest in the numerous decoupling mechanisms already in
3 place throughout the country. As noted in the rebuttal testimony of Mr. Ralph
4 Cavanagh, of the more than 1,200 decoupling-related rate adjustments since 2005
5 that were cataloged in a recent decoupling survey, rate changes "did not exceed 2
6 percent for 85 percent of the electric and 75 percent of gas rate adjustments, with
7 37 percent involving refunds to utility customers."²¹ Worthy of note is that these
8 results occurred over a period that included the "Great Recession." Were the dire
9 rate consequences feared by ICNU to materialize, they surely would have been
10 witnessed in a survey covering a period including one of the worst economic
11 recessions in the past century.

12 **V. LARGE CUSTOMERS ARE BEING TREATED FAIRLY IN**
13 **THE DECOUPLING AND RATE PLAN PROPOSALS**

14 **Q. Did intervenors raise any issues regarding the treatment of large customers**
15 **in the Joint Decoupling and Rate Plan Proposals?**

16 A. Yes. ICNU raised several issues, as did NWIGU, Kroger and Nucor.

17 **Q. What issues did ICNU raise?**

18 A. ICNU argued that the non-residential rate group within the electric decoupling
19 mechanism should be broken up by rate class.²² ICNU also claimed that Schedule
20 449 customers "are charged a higher rate increase than all other customers."²³

²¹ Page 3 of the Prefiled Rebuttal Testimony of Mr. Ralph C. Cavanagh, Exhibit
No. ____ (RCC-4T), on Behalf of the NW Energy Coalition.

²² Exhibit No. ____ (MCD-1T), page 36, line 10 through page 37, line 2.

1 **Q. How do you respond to the proposal to break up the non-residential rate**
2 **group within the electric decoupling mechanism by rate class?**

3 A. There are clearly trade-offs between including greater or fewer rate classes in a
4 single decoupling rate group. PSE believes that these trade-offs generally weigh
5 in favor of aggregating rate classes within decoupling rate groups. While ICNU
6 correctly notes that cross-subsidization can occur between rate classes in a single
7 rate group, this is undoubtedly also true within each rate class. More importantly,
8 there is an important offsetting factor. The more finely customers are parsed
9 between decoupling rate groups, the greater the potential volatility in the rate used
10 to recover or rebate their decoupling deferrals. Greater rate volatility could lead
11 to greater public resistance to rate decoupling. PSE finds this to be a greater
12 concern to the public interest than a small amount of cross-subsidization that may
13 occur between rate classes within a decoupling rate group.

14 **Q. Does this issue also affect the gas decoupling proposal?**

15 A. Yes, breaking up the gas decoupling rate groups by rate class presents another
16 significant issue. Since PSE's non-residential gas customers are provided a
17 significant amount of flexibility to move between schedules, breaking up the gas
18 decoupling rate groups by rate class would introduce the potential for customers
19 choosing to migrate between schedules simply to avoid decoupling surcharges or
20 to benefit from decoupling rate rebates. Other customers in the affected schedules
21 could pay more (or receive less) as a result. This would serve to amplify the rate

²³ *Id.*, page 43, line 8.