

Exhibit No. ___(MBE-1T)

Docket No. U-072375

Witness: Michael B. Early

BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Joint Application of)
)
PUGET HOLDINGS LLC AND) DOCKET NO. U-072375
PUGET SOUND ENERGY, INC.)
)
For an Order Authorizing Proposed)
Transaction)
_____)

DIRECT TESTIMONY OF MICHAEL B. EARLY

IN SUPPORT OF

PH/PSE ACQUISITION SETTLEMENT STIPULATION

July 25, 2008

1 **Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.**

2 **A.** My name is Michael B. Early and I am the Executive Director of Industrial Customers of
3 Northwest Utilities (“ICNU”). My business address is 333 S.W. Taylor Street, Suite 400,
4 Portland, Oregon, 97204.

5 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND.**

6 **A.** I received a B.S. from the University of Illinois in 1973, an M.A. from Harvard
7 University in 1975, and a J.D. from Northwestern University in 1978.

8 **Q. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE.**

9 **A.** Early in my professional career I represented investor-owned utilities before the Federal
10 Energy Regulatory Commission on electric rate matters. Since 1984 I have represented
11 industrial customers in the Northwest on electric supply, transmission, and rate matters. I
12 became the Executive Director of ICNU on September 2005.

13 **Q. ARE THERE SPECIFIC CONDITIONS DESIGNED TO BENEFIT INDUSTRIAL**
14 **CUSTOMERS?**

15 **A.** Yes. Commitment 60 addresses Schedule 449 (“449”) customers, Commitment 61
16 addresses Schedule 40 (“40”) customers, and Commitment 63 ensures that electric
17 industrial customers will not see a decoupling proposal from Puget Sound Energy
18 (“PSE”) for two years.

19 **Q. PLEASE EXPLAIN WHY COMMITMENTS 60 AND 61 ARE IMPORTANT TO**
20 **INDUSTRIAL CUSTOMERS AND HOW THEY ARE RELATED TO THIS**
21 **PROPOSED ACQUISITION?**

22 **A.** Commitment 60 provides that the Joint Applicants will not propose any material change
23 to the service under Schedule 449, including to the methodology for calculating the rate
24 under this schedule, for at least 5 years. Several ICNU members take service under
25 schedule 449. This commitment assures these customers that their current service,

1 including the rate methodology, will not be altered by the proposed transaction or
2 subsequently by the new owners for at least 5 years.

3 Commitment 61 provides that PSE will propose and support in PSE's next general
4 rate case rates for Schedule 40 that are based on the current calculated rate methodology.
5 This commitment assures Schedule 40 customers that their current service, including the
6 rate methodology, will not be altered by the proposed transaction or subsequently by the
7 new owners at least through the end of the rate period for the next general rate case.

8 ICNU was concerned that the new owners of PSE may not appreciate the history
9 of the negotiations that resulted in Rate Schedules 449 and 40 and could inadvertently
10 take steps inconsistent with this history. Commitments 60 and 61 ensure that these tariffs
11 will remain in place and that PSE will utilize existing rate design methodologies for five
12 years for Schedule 449 and for the next general rate case for Schedule 40 and as a result,
13 at least for these tariff services, assure that the customers taking service under Rate
14 Schedules 449 and 40 will not be harmed as a result of this transaction.

15 **Q. DOES COMMITMENT 60 IN ANY WAY CHANGE THE UNDERLYING**
16 **SETTLEMENT AGREEMENT BETWEEN PSE AND THE 449 CUSTOMERS?**

17 **A.** No. This Commitment in no way changes the settlement agreement between 449
18 customers and PSE that ensures a right to direct access for the customers under
19 specifically delineated terms and conditions. The Settlement Agreement remains in effect
20 even after the 5 year period in Commitment 60.

21 **Q. WHY DID YOU SEEK A COMMITMENT ON DECOUPLING?**

22 **A.** In response to the request of Northwest Energy Coalition, PSE adopted several
23 commitments associated with energy efficiency and conservation. While ICNU supports
24 cost effective conservation, we do not support decoupling as a rate recovery mechanism.

1 Commitment 63 clarifies that these commitments on energy efficiency and conservation
2 do not require or necessarily lead to a cost recovery or profit stabilization mechanism
3 such as decoupling.

4 **Q. DO COMMITMENTS 60, 61, AND 63 IN ANY WAY HARM RESIDENTIAL OR**
5 **COMMERCIAL CUSTOMERS?**

6 **A.** No. These Commitments protect the status quo during this transition period of two-five
7 years.

8 **Q. DO YOU HAVE ANYTHING ELSE FURTHER TO ADD?**

9 **A.** No.