

**EXHIBIT NO. \_\_\_(EAF-3)**  
**Docket Nos. UE-121697/UG-121705**  
**WITNESS: Edward A. Finklea**

**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

Dockets UE-121697 and UG-121705  
(Consolidated)

**EXHIBIT TO  
RESPONSE TESTIMONY OF EDWARD A. FINKLEA  
ON BEHALF OF  
THE NORTHWEST INDUSTRIAL GAS USERS**

**April 26, 2013**

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Docket No. UE-121697**

**Docket No. UG-121705**

**Puget Sound Energy, Inc. and NW Energy Coalition  
Joint Petition for Approval of a Decoupling Mechanism**

**NORTHWEST INDUSTRIAL GAS USERS' DATA REQUEST NO. 011**

**NWIGU DATA REQUEST NO. 011:**

Please identify all gas conservation targets that will be met or exceeded by the implementation of PSE's full decoupling proposal.

**Response:**

Puget Sound Energy, Inc.'s ("PSE") gas conservation target is tied to the Settlement Terms for Conservation (Exhibit F to Settlement Stipulation) in Docket No. UG-011571. PSE will continue to be bound to meet or exceed the target set through these settlement terms with or without PSE's decoupling proposal.

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Docket No. UE-121697**

**Docket No. UG-121705**

**Puget Sound Energy, Inc. and NW Energy Coalition  
Joint Petition for Approval of a Decoupling Mechanism**

**NORTHWEST INDUSTRIAL GAS USERS' DATA REQUEST NO. 013**

**NWIGU DATA REQUEST NO. 013:**

Please describe how the decoupling proposal impacts PSE's throughput incentive, as referenced on page 4 of the Amended Petition For Decoupling Mechanisms, with respect to PSE's gas transportation customers.

**Response:**

The decoupling proposal ensures comprehensive coverage of customers so that Puget Sound Energy, Inc.'s ("PSE") authorized nonfuel revenue requirement is not linked to throughput. It also eliminates a potential incentive for customers to shift back and forth between rate classes in ways that might shift costs to other consumer or adversely affect PSE's ability to recover its authorized nonfuel revenue requirement.

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Docket Nos. UE-121697 and UG-121705**

*Washington Utilities and Transportation Commission v. Puget Sound Energy, Inc.*

**NORTHWEST INDUSTRIAL GAS USERS' ("NWIGU'S") DATA REQUEST NO. 3**

**NWIGU'S DATA REQUEST NO. 3:**

Please describe how the decoupling proposal impacts PSE's throughput incentive, as referenced on page 4 of the Amended Petition For Decoupling Mechanisms, with respect to PSE's gas transportation customers.

**Response:**

The inclusion of all customers helps to ensure that none of PSE's non-fuel revenue requirements are linked to throughput, and guards against a potential incentive for customers to shift back and forth between rate classes in ways that might adversely affect the company's ability to recover its authorized nonfuel revenue requirement.

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Docket Nos. UE-121697 and UG-121705**

*Washington Utilities and Transportation Commission v. Puget Sound Energy, Inc.*

**NORTHWEST INDUSTRIAL GAS USERS' ("NWIGU'S") DATA REQUEST NO. 5**

**NWIGU'S DATA REQUEST NO. 5:**

Please identify all proceedings in other states in which NWECC or Mr. Cavanaugh has advocated for a decoupling mechanism. For each proceeding identified, please state whether the decoupling mechanism was approved, how such approval deviated from NWECC's position, and whether any approved mechanism applies to a utility's gas transportation customers.

**Response:**

NWECC has advocated for decoupling mechanisms outside of Washington in the following proceedings:

- Idaho Power – IPC-E-O3-13, IPC-E-04-15. NWECC advocated for an electric only – decoupling mechanism. The approved Idaho Power mechanism differs from the proposed mechanism here in that it does not contain a K-factor adjustment.
- NW Natural Gas – OPUC-UG-143 – NWECC advocated for a partial decoupling mechanism. The approved NWN mechanism differs from the proposed mechanism here in that it does not contain a K-factor adjustment and does not apply to transportation customers (Schedules 31 or 32).
- NW Natural Gas – OPUC-UG-221 – NWECC advocated for a continuation of the existing mechanism with minor adjustments that do not impact transport customers. The parties reached a settlement that maintains the existing mechanism with some minor changes and the OPUC approved this settlement.
- Cascade Natural Gas – OPUC-UG-167 – NWECC advocated for a mechanism that applies to residential and commercial customers. Schedules 163 & 164 are not included in the decoupling mechanism. NWIGU was a party to the settlement agreement. The settlement was approved by the Commission.

Pamela Morgan's comprehensive study, an addendum to Mr. Cavanaugh's testimony, lists and describes all the revenue decoupling mechanisms adopted in the U.S. Mr. Cavanaugh has

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NWECC's Response to NWIGU's Data Request No. 5

Date of Response: April 3, 2013

Person Who Prepared Response: Ralph Cavanaugh, Nancy Hirsh, Danielle Dixon

Persons Who Reviewed Response: Ralph Cavanaugh, Nancy Hirsh, Danielle Dixon, Amanda Goodin

Person Who Will Testify: Ralph Cavanaugh, Nancy Hirsh

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Response Testimony of Edward Finklea

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supported such mechanisms primarily through articles and public advocacy at industry and regulatory forums rather than testimony in proceedings, and he has conducted no study of the application of approved mechanisms to natural gas transportation customers. Here is a list of proceedings outside Washington in which Mr. Cavanagh has testified in support of decoupling (but not on behalf of NWECC):

Arizona: Docket No. G-01551A-10-0458, 2011, Southwest Gas (decoupling mechanism adopted); Docket No. E-01345A-11-0224 (APS, settlement approved with limited decoupling features);

Idaho: Case No. IPC E-11-19 (decoupling mechanism adopted);

Illinois: Docket No. 10-0467, 2011, ComEd (decoupling decision deferred);

Maryland: Case No. 9230, 2010, BG&E (decoupling mechanism retained);

Michigan: Case No. U-17087, CMS (pending);

Montana: Docket No. D2009.9.129, Northwestern Energy (decoupling mechanism adopted);

New Mexico: Case No. 10-00086-UT, 2010, PNM (case settled, with decoupling issues deferred);

Nevada: Docket No. 07-06046, 2008 (decoupling mechanism adopted for SW Gas);

Oregon: UE 94 (Phase II), 1998, Pacificorp (decoupling mechanism adopted); UE 197, PGE, 2209 (decoupling mechanism adopted);

Utah: Docket 05-057-T01, 2006, Questar Gas (decoupling mechanism adopted); Docket 09-035-23, 2010, RMP (decision on decoupling deferred); and

Wisconsin: Docket No. 6080-UR-114, 2005, Wisconsin Power & Light (decoupling mechanism adopted).