

EXHIBIT NO. ___(EAF-3T)
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

Dockets UE-121697 and UG-121705
(Consolidated)

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

SUPPLEMENTAL TESTIMONY OF EDWARD A. FINKLEA

ON BEHALF OF

THE NORTHWEST INDUSTRIAL GAS USERS

May 13, 2013

1 **SUPPLEMENTAL TESTIMONY OF EDWARD A. FINKLEA**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 **A.** My name is Edward A. Finklea. I am the Executive Director of the Northwest Industrial
4 Gas Users (“NWIGU”). My business address is 326 Fifth Street, Lake Oswego, OR
5 97034.

6 **Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

7 **A.** I am testifying on behalf of NWIGU. NWIGU is a non-profit trade association whose
8 members are large volume industrial customers served by local distribution utilities
9 throughout the Pacific Northwest, including Puget Sound Energy (“PSE” or “Company”).

10 **Q. HAVE YOU ALREADY SUBMITTED TESTIMONY IN THIS PROCEEDING?**

11 **A.** Yes. My earlier testimony was submitted as Exhibit No. __ (EAF-1T).

12 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?**

13 **A.** After the submittal of my earlier testimony, NWIGU continued to engage in settlement
14 discussions with the other parties, including PSE, Staff and the Northwest Energy
15 Coalition (“NWEC”). During those discussions, PSE, Staff and NWEC demonstrated
16 their willingness to revise the Decoupling Mechanism to address many of the concerns I
17 identified in my initial testimony, as well to as adjust the K-factor so it does not apply to
18 the demand charge on industrial sales and transportation schedules 85, 85T, 87 and 87T.
19 As a result, NWIGU is now able to support the proposed multiparty settlement of issues
20 related to Dockets UE-121697 and UG-121705 (the “Decoupling Docket”), Docket UE-
21 121373 (relating to the acquisition of Coal Transition Power), and PSE’s Expedited Rate
22 Filing (“ERF”) in Dockets UE-130137 and UG-130138. This settlement proposal is also

1 referred to as the “Global Settlement.” The purpose of this supplemental testimony is to
2 address NWIGU’s support for the Global Settlement.

3 **Q. PLEASE DESCRIBE IN SUMMARY TERMS WHAT YOUR INITIAL**
4 **CONCERNS WERE WITH THE DECOUPLING MECHANISM.**

5 In my earlier testimony, I addressed my opinion that the Decoupling Mechanism as
6 proposed did not provide any gas conservation benefits for industrial customers, and,
7 therefore, should not apply to gas industrial sales and transportation customers. I noted
8 that the record lacked any legitimate basis for applying the Decoupling Mechanism to
9 PSE’s industrial customers – especially those industrial customers on a transportation
10 schedule.

11 **Q. YOU INDICATED NWIGU NOW SUPPORTS THE GLOBAL SETTLEMENT.**
12 **HOW DOES THE SETTLEMENT ADDRESS THE CONCERNS YOU**
13 **IDENTIFIED IN YOUR INITIAL TESTIMONY?**

14 **A.** Staff, PSE and NWECA have agreed that the Decoupling Mechanism will not apply to
15 industrial customers on Schedules 85, 85T, 87 and 87T, and that those customers will
16 instead be treated consistent with “rate plan customers.” The Northwest Industrial Gas
17 Users’ Joinder in the Multiparty Settlement, filed on May 8, 2013, describes in more
18 detail how the treatment of those industrial customers consistent with “rate plan
19 customers” will occur. First, the basic charge, all blocks of the delivery charge, and the
20 gas procurement charge under Schedules 85, 85T, 87, and 87T will increase over the
21 levels proposed in PSE’s ERF at the K-factor for gas service. Additionally, the K-Factor
22 will not apply to the demand charges under those schedules.. The amount PSE does not

1 collect from the demand charge component will not be reallocated to the volumetric
2 charge or any other customer charge.

3 **Q. DOES THE GLOBAL SETTLEMENT ADDRESS ALL OF THE CONCERNS**
4 **NWIGU IDENTIFIED IN ITS EARLIER TESTIMONY?**

5 **A.** No.

6 **Q. WHY IS NWIGU WILLING TO JOIN THE GLOBAL SETTLEMENT WITHOUT**
7 **ADDRESSING ALL OF ITS CONCERNS?**

8 **A.** NWIGU supports the Global Settlement because the overall result is a fair compromise of
9 the issues, and is in the public interest. While the signing parties may each hold different
10 positions on the individual components of the Global Settlement, NWIGU supports the
11 settlement because: (a) the K-Factor has been adjusted appropriately and will not apply to
12 the demand charge portion of industrial customers' bills on Schedules 85, 85T, 87, and
13 87T; and (b) the Decoupling Mechanism will not apply to industrial sales or
14 transportation customers on those schedules. It is important from NWIGU's perspective
15 that the Commission stick with its principled long-standing policy of not applying
16 decoupling to large industrial gas customers, especially large gas transportation
17 customers. The throughput incentive that drives much of the decoupling conversation
18 simply does not exist for gas transportation customers, because those customers purchase
19 their own gas. Additionally, company-sponsored conservation programs for non-
20 transportation gas customers are unique and cannot be evaluated in the same way that
21 conservation programs for other customer classes can be evaluated. Industrial customers'
22 demands for gas, for example, are more closely tied to swings in the economy than they
23 are to conservation programs. In addition, NWIGU believes excluding the demand

1 portion of industrial customers' bills from the application of the K-Factor is a fair
2 compromise of the issues in dispute. The revenue PSE does not collect from these
3 customers will not be collected or reallocated to other customers or charges. For the
4 reasons set forth above, NWIGU believes the Global Settlement is in the public interest
5 and should be approved by the Commission.

6 **Q. DOES NWIGU SUPPORT THE ELEMENTS OF THE GLOBAL**
7 **SETTELEMENT RELATING TO THE COAL TRANSITION POWER**
8 **DOCKET?**

9 As I noted in my initial testimony, and as stated in Michael Deen's Response Testimony
10 on behalf of NWIGU, issues related to PSE's proposed acquisition of Coal Transition
11 Power are strictly related to electricity service and have no significance or value for
12 natural gas customers. NWIGU did not intervene or participate in that docket. NWIGU
13 therefore has no position on those elements of the Global Settlement, or any other
14 element that applies to electric service.

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 **A.** Yes.