

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKET UG-200112

**FULL SETTLEMENT
STIPULATION AND AGREEMENT**

I. INTRODUCTION

1 This Settlement Stipulation and Agreement (“Settlement”) is entered into by and between the following parties in this case: (i) Puget Sound Energy (“PSE”), (ii) the regulatory staff of the Washington Utilities and Transportation Commission (“Commission Staff”),¹ and (iii) the Public Counsel Unit of the Washington Office of the Attorney General (“Public Counsel”), as of May 22, 2020 (the “Settlement Date”). These parties are hereinafter collectively referred to as “Settling Parties” and individually as “Settling Party.”

2 Because this Settlement is entered into by all parties and it resolves all issues in the case, it is a “full settlement,” as that term is defined in WAC 480-07-730(1).

3 This Settlement is subject to review and disposition by the Washington Utilities and Transportation Commission (“Commission”). The Settlement is effective on the date

¹ In formal proceedings, such as this, the Commission’s regulatory staff participates like any other party, while the Commissioners make the decision. To assure fairness, the Commissioners, the presiding administrative law judge, and the Commissioners’ policy and accounting advisors do not discuss the merits of this proceeding with the regulatory staff, or any other party, without giving notice and opportunity for all parties to participate. *See* RCW 34.05.455.

executed except that Section III of the Settlement is effective on the date the Commission order approving it becomes final (unless the Commission establishes a different date).

II. BACKGROUND AND NATURE OF THE DOCKET

4 On February 19, 2020, PSE filed with the Washington Utilities and Transportation Commission (“Commission”) an Application seeking to sell its optional water heater rental service, which currently provides service to customers under Natural Gas WN U-2 Tariff Schedules 71 and 72 (the “Water Heater Service”), to Grand HVAC Leasing USA LLC (“GHL”). In its Application, PSE requested an order from the Commission determining that the water heaters, related property, and rental agreements owned by PSE associated with the Water Heater Service (the “Water Heater Assets”), are no longer necessary or useful. Alternatively, PSE requested an order authorizing the sale of the Water Heater Service because the sale is consistent with the public interest. In addition to the Application, PSE submitted proposed tariff revisions to Schedules 71 and 72, discontinuing the Water Heater Service. In support of the Application and tariff revisions, PSE submitted prefiled direct testimony from two witnesses.

5 PSE and its predecessor companies have offered water heater rental services to customers for more than half a century whereby customers rent from PSE natural gas water heaters. The Water Heater Service currently has about 25,000 customers.

6 Commission Staff and other parties have been opposed to the Water Heater Service for years. In 2000, PSE agreed to close the service to new customers. In 2015, in Dockets UE-151871/UG-151872, PSE proposed several tariff revisions that would expand the service, which Commission Staff, Public Counsel, and other stakeholders opposed. Ultimately, the Commission denied PSE’s proposal to expand the service.

7 In PSE’s 2017 general rate case in Dockets UE-170033/UG-170034, Commission Staff recommended that the service end. In that case, the parties entered into a Multiparty Settlement Stipulation and Agreement where PSE agreed to enter a collaborative with Commission Staff and other stakeholders to address the future of the service. As part of the collaborative and after discussions with Commission Staff and other stakeholders, PSE agreed to discontinue the Water Heater Service.

8 Accordingly, PSE entered into an Asset Purchase Agreement with GHL for PSE to sell the Water Heater Service to GHL and submitted tariff revisions discontinuing Schedules 71 and 72.

9 On March 4, 2020, in Order 01, the Commission suspended operation of the as-filed tariffs and set the matter for hearing. On March 13, 2020, the Commission convened a prehearing conference in this proceeding at Lacey, Washington.

10 The Settling Parties convened a formal telephonic settlement conference on April 3, 2020, participated in several settlement-related calls and correspondence after the formal settlement conference, and convened a second formal settlement conference on April 24, 2020. On April 29, 2020, some of the parties reached an agreement in principle for all issues currently pending before the Commission in this case and provided notice of this agreement in principle to Administrative Law Judge Rayne Pearson and Administrative Law Judge Michael Howard. The remaining party joined the agreement on May 21, 2020. On May 22, 2020, the Settling Parties filed this Settlement and accompanying brief with the Commission.

11 This Settlement Agreement sets forth the terms of the agreement reached by the Settling Parties.

III. AGREEMENT

12 The Settling Parties agree that PSE’s Application to sell its Water Heater Service to
GHL, and that its tariff revisions to Schedules 71 and 72, as set forth in PSE’s initial filing
in this Docket, are consistent with the public interest,² and should be approved by the
Commission, subject to the following additional terms for settlement.

A. Payment Plans

13 Overview. PSE will offer a payment plan option that will be available to all water
heater customers, including low income customers. This payment plan option will be for
customers who want to terminate their lease rather than transition to GHL and have a payoff
balance for their water heater. The payment plan option will allow leasing customers to
spread their payoff balance across equal installments up to a twelve-month period without
interest.

14 Eligibility. To be eligible, customers will be required to terminate their lease, agree
to take ownership of their water heater equipment, and assume liability and responsibility
for all repairs and/or replacement of their water heater equipment. The payment plan would
begin after documentation of accepting ownership has been received from the customer.
Consistent with the revisions to Schedules 71 and 72, once ownership is transferred, PSE
will no longer provide repair and/or maintenance service on the equipment. To initiate a
payment plan, the customer is required to call PSE Lease Services to request the installment
plan. Self-serve capability is not available.

² Commission Staff and Public Counsel take no position on PSE’s request for a Commission determination that the Water Heater Assets are no longer necessary or useful pursuant to RCW 80.12.020 and WAC 480-143-180. The Settling Parties agree that resolution of this issue is not necessary for a final disposition of this case.

15 Customer Awareness. The availability of a payment plan will be communicated to customers in the customer transition letter and on PSE’s transition website.

16 Other Payment Plan Options. Leasing customers will also be able to take advantage of existing PSE payment arrangements available on pse.com and currently have a maximum term of three months. This option is available in a self-service manner.

17 Accounting. As set forth in the Prefiled Direct Testimony of Susan E. Free, Exh. SEF-1CT, proceeds received equal to the undepreciated value (or net book value) of the water heater from customers who terminate their rental service and elect to take ownership of their water heater will be included in the calculation of the gain/loss from the proposed transaction. This will remain true as the full amount of the customer payoff even when a customer elects to enter into a payment plan which will be recorded as a receivable and included in a FERC 187 account (Deferred losses from disposition of utility plant). There would be a debit to the receivable and a credit to the FERC 187 account. As customer payments are made this will offset the receivable without impacting the balance recorded to the FERC 187 account.

B. Customer Communication

18 Customer Transition Letters. As part of the customer communication plan to inform customers of the sale of the service to GHJ, PSE will distribute to customers transition letters that incorporate the revisions agreed to by the parties as provided in Appendix A to this Agreement, subject to additional minor, non-substantive edits and formatting changes. These letters differ based on whether a pay off balance remains for the customer’s rented water heater.

19 Communication on PSE/GHL Program Differences. As an attachment to the customer transition letters described above, PSE will provide customers a GHL/PSE service comparison document, as provided in Appendix B to this Agreement, subject to additional minor, non-substantive edits and formatting changes.

20 Phone Communication. PSE will include a phone call to customers as part of the customer communication plan. This call will occur after the email and direct mail campaigns are complete in the fourth month of the transition.

C. Accounting Treatment of Transaction

21 The Settling Parties agree with the accounting treatment proposed by PSE in this proceeding, provided that arguments relating to the final disposition of any losses from this transaction are preserved until such time PSE files for the final treatment of any losses. Although gains are not anticipated from the transaction, parties agree that the return to customers of any gains would also be addressed when PSE files for final treatment of the gains.

D. Procedural Considerations

22 The Settling Parties agree that this proceeding is not a general rate case and that review should proceed on a timetable for less complex matters, as provided in WAC 480-07-740(2)(b). In order to allow for Commission review of the Settlement and, pending Commission approval of the Settlement, adequate time for a timely customer transition from PSE to GHL, the Settling Parties agree that the Settlement and any supporting documents will be presented to the Commission as soon as possible, but no later than May 22, 2020. The Settling Parties also agree that a formal settlement hearing is not necessary in this case

and support the Commission considering the Settlement based on a paper record, unless the Commission determines a hearing is necessary.

23 The Settling Parties agree that the procedural schedule is suspended in this matter as a result of the Settlement, including discovery, but that a public comment hearing will still be held, which will occur no later than July 6, 2020, subject to Commission availability.

IV. GENERAL PROVISIONS

24 Entire Agreement. This Settlement is the product of negotiations and compromise amongst the Settling Parties and constitutes the entire agreement of the Settling Parties. Accordingly, the Settling Parties recommend that the Commission adopt and approve the Settlement in its entirety as a full resolution of contested issues in this docket. This Settlement will not be construed against any Settling Party on the basis that it was the drafter of any or all portions of this Settlement. This Settlement supersedes any and all prior oral and written understandings and agreements on such matters that previously existed or occurred in this proceeding, and no such prior understanding or agreement or related representations will be relied upon by the Settling Parties to interpret this Settlement or for any other reason.

25 Confidentiality of Negotiations. The Settling Parties agree that this Settlement represents a compromise in the Settling Parties' positions. As such, conduct, statements and documents disclosed during the negotiation of this Settlement are not admissible in this or any other proceeding and will remain confidential. Notwithstanding the foregoing, the Settlement itself and its terms do not fall within the scope of this confidentiality provision, and each Settling Party is free to publicly disclose the basis for its own support of the Settlement.

26 Precedential Effect of Settlement. The Settling Parties enter into this Settlement to avoid further expense, uncertainty, inconvenience and delay. No Settling Party may cite this Settlement as precedent in any proceeding other than a proceeding to enforce its terms.

27 Positions Not Conceded. In reaching this Settlement, the Settling Parties agree that no Settling Party concedes any particular argument advanced by that Settling Party or accedes to any particular argument made by any other Settling Party. Nothing in this Settlement (or any testimony, presentation or briefing supporting this Settlement) shall be asserted or deemed to mean that a Settling Party agreed with or adopted another Settling Party's legal or factual assertions in this proceeding.

28 Manner of Execution. This Settlement is executed when all Settling Parties sign the Settlement. A designated and authorized representative may sign the Settlement on a Settling Party's behalf. The Settling Parties may execute this Settlement in counterparts. If the Settlement is executed in counterparts, all counterparts shall constitute one agreement. A Settlement signed in counterpart and sent by facsimile or emailed as a pdf is as effective as an original document. A faxed or emailed signature page containing the signature of a Settling Party is acceptable as an original signature page signed by that Settling Party. Each Settling Party shall indicate the date of its signature on the signature page. The date of execution of the Settlement will be the latest date indicated on the signature page(s).

29 Approval Process and Support of Settlement. Each Settling Party agrees to support in this proceeding the terms and conditions of this Settlement as a full and final resolution of all contested issues between them in the above-captioned docket. Each Settling Party agrees to support or not to oppose the Settlement during the course of whatever proceedings and procedures the Commission determines are appropriate for approval of the Settlement.

30 Commission Approval with Conditions. In the event the Commission approves this Settlement, but with conditions not proposed in this Settlement, the provisions of WAC 480-07-750(2)(b) will apply. The Settling Parties will have ten (10) business days to seek reconsideration and/or file a letter with the Commission accepting or rejecting each such condition. If, in such a timely filed letter, a Settling Party rejects a condition, this Settlement is deemed rejected and void and the Settling Parties will jointly and promptly request the Commission convene a prehearing conference to address procedural matters, including a procedural schedule for resolution of the case at the earliest possible date.

31 Commission Rejection. In the event the Commission rejects this Settlement, the provisions of WAC 480-07-750(2)(c) will apply. In that event, the Settling Parties agree to jointly and promptly request the Commission convene a prehearing conference to address procedural matters, including a procedural schedule for resolution of the case at the earliest possible date.

[Remainder of Page Intentionally Left Blank. Signature Page to Follow]

DATED this 22nd day of May 2020.

Respectfully submitted,

ROBERT W. FERGUSON
Attorney General

/s/ Jeff Roberson

Jeff Roberson
Assistant Attorney General
Counsel for Washington Utilities and
Transportation Commission Staff

PUGET SOUND ENERGY

/s/ Jon A. Piliaris

Jon A. Piliaris
Director, Regulatory Affairs

ROBERT W. FERGUSON
Attorney General

/s/ Ann Paisner

Ann Paisner
Assistant Attorney General
Public Counsel Unit

APPENDIX A-1

**Draft Customer Notification Letter for Customers with Fully
Depreciated Equipment**



Puget Sound Energy
P.O. Box 97034
Bellevue, WA 98009-9734
PSE.com

[DATE]
[CUSTOMER NAME]
[MAILING ADDRESS]

Lease Equipment: [EQUIPMENT NUMBER]
Service Address: [SERVICE ADDRESS]
Account Number: [ACCOUNT NUMBER]
Remaining Payoff Balance: \$0

Dear Valued Customer,

The purpose of this letter is to inform you of changes to PSE's gas water heater rental service. Our records indicate you are currently renting a water heater from Puget Sound Energy (PSE) as identified above. If this information is incorrect, please contact Lease Services so we may update our records.

As of [date], Grand HVAC Leasing (GHL) will be taking over PSE's water heating rental service. GHL is a leader in providing residential and commercial new and replacement equipment rentals across North America. GHL will provide you the same reliable worry-free hot water you have enjoyed with PSE. Enclosed is additional information on GHL, and a comparison between PSE's rental service and GHL's rental service.

You have a choice to continue service with GHL or end your participation in the rental service. Should you continue your rental service with GHL, we are committed to making the transition of your water heater rental to GHL as seamless as possible. This means you enjoy 100% parts and labor coverage with your GHL rentals for as long as you remain on the program. Your monthly rental rate for your current equipment will be \$xx.xx for a minimum of two years with a guarantee cap on any price increase in your third year. Please review the enclosed GHL Rental Agreement for more information.

As we move forward with this transition, there are a few steps that you would need to complete to ensure continued protection of your water heating service.

Enroll with GHL

You have two options for enrolling in GHL's service, either online or by phone.

[To Enroll Online \(Internet Access Required\)](#)

To enroll online, please visit www.ghlsolutions.com

You will be asked to fill in your contact and billing information. GHL offers direct withdraw from your bank account or charge to your credit/debit card, so you do not have to worry about receiving a delivered bill and paying your bill on time. Finally, you will be asked to review and agree to the new and updated terms and conditions.

To Enroll via Phone (No Internet Access Required)

To enroll over the phone, please call GHL at 1-855-754-0530.

GHL support staff will complete the necessary steps for you over the phone for enrollment today. No computer or internet access required from you. You will then be emailed or direct mailed any and all required documentation.

Regardless of when you enroll, GHL will not be taking over your rental water heater service until [date], 2020. Prior to that date, please contact PSE Lease Services for any billing or service related issues.

Ending Your Rental

If you choose not to continue your rental service with GHL, you must end your rental service with PSE prior to [date] by visiting pse.com/LeaseServices.

To end your rental service, you can request to take ownership of the water heater at no additional cost, or request for PSE to remove the water heater. If you choose to take ownership of the water heater, you will be solely responsible for repair or replacement of the water heater and for ensuring that your gas water heater continues to operate safely and reliably.

PSE appreciates your participation in the water heater rental service and is here to help you with the change to the service. PSE Lease Services can be contacted at LeaseServices@pse.com, pse.com/leaseservices, or by phone at 800-421-7368.

Thank you for being a PSE customer.

Sincerely,

Lease Services
Puget Sound Energy

APPENDIX A-2

**Draft Customer Notification Letter for Customers with
Remaining Undepreciated Balance**



Puget Sound Energy
P.O. Box 97034
Bellevue, WA 98009-9734
PSE.com

[DATE]
[CUSTOMER NAME]
[MAILING ADDRESS]

Lease Equipment: [EQUIPMENT NUMBER]
Service Address: [SERVICE ADDRESS]
Account Number: [ACCOUNT NUMBER]
Remaining Payoff Balance: [\$XXX.xx]

Dear Valued Customer,

The purpose of this letter is to inform you of changes to PSE's gas water heater rental service. Our records indicate you are currently renting a water heater from Puget Sound Energy (PSE) as identified above. If this information is incorrect, please contact Lease Services so we may update our records.

As of [date], Grand HVAC Leasing (GHL) will be taking over PSE's water heating rental service. GHL is a leader in providing residential and commercial new and replacement equipment rentals across North America. GHL will provide you the same reliable worry-free hot water you have enjoyed with PSE. Enclosed is additional information on GHL, and a comparison between PSE's rental service and GHL's rental service.

You have a choice to continue service with GHL or end your participation in the rental service. Should you continue your rental service with GHL, we are committed to making the transition of your water heater rental to GHL as seamless as possible. This means you enjoy 100% parts and labor coverage with your GHL rentals for as long as you remain on the program. Your monthly rental rate for your current equipment will be \$xx.xx for a minimum of two years with a guarantee cap on any price increase in your third year. Please review the enclosed GHL Rental Agreement for more information.

As we move forward with this transition, there are a few steps that you would need to complete to ensure continued protection of your water heating service.

Enroll with GHL

You have two options for enrolling in GHL's service, either online or by phone.

To Enroll Online (Internet Access Required)

To enroll online, please visit www.ghlsolutions.com

You will be asked to fill in your contact and billing information. GHL offers direct withdraw from your bank account or charge to your credit/debit card, so you do not have to worry about receiving a delivered bill and paying your bill on time.

Finally, you will be asked to review and agree to the new and updated terms and conditions.

To Enroll via Phone (No Internet Access Required)

To enroll over the phone, please call GHL at 1-855-754-0530.

GHl support staff will complete the necessary steps for you over the phone for enrollment today. No computer or internet access required from you. You will then be emailed or direct mailed any and all required documentation.

Regardless of when you enroll, GHl will not be taking over your rental water heater service until [date], 2020. Prior to that date, please contact PSE Lease Services for any billing or service related issues.

Ending Your Rental

If you choose not to continue your rental service with GHl, you must end your rental service with PSE prior to [date] by visiting pse.com/LeaseServices.

To end your rental service and take ownership of the water heater, you must pay the remaining payoff balance of \$XXX.XX. Upon request, PSE will offer payment plans that allow you to pay your payoff balance over a period of up to 12 months. If you choose to take ownership, you will be solely responsible for repair or replacement of the water heater and for ensuring that your gas water heater continues to operate safely and reliably. You also have the option for PSE to remove the water heater to end your rental service.

PSE appreciates your participation in the water heater rental service and is here to help you with the change to the service. PSE Lease Services can be contacted at LeaseServices@pse.com, pse.com/leaseservices, or by phone at 800-421-7368.

Thank you for being a PSE customer.

Sincerely,

Lease Services
Puget Sound Energy

APPENDIX B

Draft Comparison Matrix of GHL/PSE Water Heater Rental Services

DRAFT - Comparison Matrix of GHL/PSE Rental Services

DRAFT	COMPARISON	
	PSE	Grand HVAC Leasing
100% Worry-Free Coverage		
100% Coverage of Replacement and Repairs	✔	✔
24 x 7 Emergency Replacement or Repairs	✔	✔
Trusted Contractor Partners	✔	✔
Replacement Options		
Replacements Include Code Upgrades Costs	✘	✔
Replacement Starts a New Lease Term	✔	✔
Tankless Replacement Options	✘	✔
HVAC Bundling Options	✘	✔
Rental Payments		
Guarantee Monthly Rental Rate for 24 Months	✘	✔
4.9% Cap on Annual Price Increase After 24 months*	✘	✔
Worry-Free Automatic Payment Options	✔	✔
Rental Terms		
Rental Term Length	12 Months	36 Months
Ownership Option After 36 Months	✔ with a payoff	✔
Automatic Extended Protection at the End of the Term	Monthly	Annual
Cancellation Penalty	✘	✘
Cancellation Terms	Pay out value of equipment	Pay out remaining months on term
Easily Transferrable	✔	✔

*Grand HVAC Leasing has **never** increased customers' rental fees!