

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

In the Matter of the Joint Application of PUGET SOUND ENERGY, ALBERTA
INVESTMENT MANAGEMENT CORPORATION, BRITISH COLUMBIA INVESTMENT
MANAGEMENT CORPORATION, OMERS ADMINISTRATION CORPORATION, AND
PGGM VERMOGENSBEHEER B.V. for an Order Authorizing Proposed Sales of Indirect
Interests in Puget Sound Energy.

DOCKET U-180680

SETTLEMENT TESTIMONY OF SARAH E. LAYCOCK
ON BEHALF OF
PUBLIC COUNSEL

January 22, 2019

SETTLEMENT TESTIMONY OF SARAH E. LAYCOCK (SEL-1T)

DOCKET U-180680

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I. INTRODUCTION / SUMMARY

Q: Please state your name and business address.

A: My name is Sarah E. Laycock, and my business address is 800 5th Avenue, Suite 2000, Seattle, WA 98104.

Q: By whom are you employed and in what capacity?

A: I am a Regulatory Analyst for the Public Counsel Unit of the Washington State Office of the Attorney General (Public Counsel). Public Counsel is a statutory party to proceedings before the Washington Utilities and Transportation Commission (Commission) under RCW 80.01.100, RCW 80.04.510, and RCW 81.04.500.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Public Counsel.

Q: Please describe your professional qualifications.

A: I earned a B.A. in English Literature from Sewanee: The University of the South, as well as a Master of International Relations from Webster University. Currently, I am pursuing a J.D. at Seattle University School of Law. Additionally, I completed The Basics Practical Regulatory Training for the Electric Industry in May 2018 through the Center for Public Utilities at New Mexico State University, and completed the Public Utilities Reports Guide Principles of Public Utilities Operations and Management course in May 2018.

My current employment as a Regulatory Analyst with Public Counsel began in November 2017. Since joining the Attorney General’s Office, I have worked on a variety of energy and telecommunications matters, including Cascade’s 2017 General Rate Case (UG-170929), the CenturyLink Line

1 Extension Complaint (UT-171082), the Avista/Hydro One Merger (U-170970),
2 Pacific Power's EV Pilot Program (UE-180757), and the Community Solar
3 Rulemaking (UE-171033). Additionally, I have worked on energy conservation,
4 and integrated resource plan issues. In particular, I participate in the conservation
5 advisory group for Pacific Power, the Pacific Power IRP, and the Statewide
6 Advisory Group (SWAG).

7 **Q: What is the purpose of your testimony in this proceeding?**

8 A: I am testifying in support of the Multiparty Settlement Stipulation and Agreement
9 (Settlement), filed in this docket on January 15, 2019. My testimony will describe
10 Public Counsel's interests in this proceeding, why Public Counsel believes the
11 Settlement is in the public interest, and why the Settlement meets the statutory no
12 harm standard.

13 Mr. J. Randall Woolridge is also testifying on behalf of Public Counsel,
14 Exhibit JRW-1T. His testimony focuses on the financial risks posed by the
15 proposed transaction and the terms in the Settlement that address those risks.
16 Together, our testimony will illustrate why, from Public Counsel's perspective,
17 the Settlement terms are sufficient to meet statutory requirements and are in the
18 public interest.

19 **Q: Please provide a brief outline of your testimony.**

20 A: I will address the no harm standard, Public Counsel's support of the Settlement,
21 and why the commitments under the Settlement satisfy the no harm standard and
22 are in the public interest.

23 **Q: Briefly explain Public Counsel's recommendations.**

1 A: Public Counsel recommends that the Commission approve the Settlement as it
2 resolves all contested issues between the Joint Applicants and the Settling Parties.

3 **II. THE NO HARM STANDARD**

4 **Q: Does the Settlement proposed by the Parties in this case meet the no harm**
5 **standard?**

6 A: Yes. Public Counsel believes that the Settlement mitigates transactional risk, and
7 as a result, meets the no harm standard. I will describe further in my testimony
8 below how Public Counsel's interests are satisfied.

9 **Q: Under what standard is the Commission evaluating the proposed**
10 **transaction?**

11 A: The Commission is evaluating the proposed transaction under a no harm standard.
12 Public Counsel and others initially advocated that the net benefit standard found
13 in RCW 80.12.020 should apply to this transaction. However, the Commission
14 issued an order on November 9, 2018 stating that the net benefit standard does not
15 apply in this instance because this transaction concerns a transfer of non-
16 controlling interest. Rather, the Commission determined that the public interest
17 standard, or "no harm" standard, in WAC 480-143-170 applies.

18 **Q: Please describe the "no harm" standard.**

19 A: The no harm standard stems from WAC 480-143-170, which states, "If upon the
20 examination of any application and accompanying exhibits, or upon a hearing
21 concerning the same, the commission finds the proposed transaction is not
22 consistent with the public interest, it shall deny the application." Essentially, there
23 must be no harm to the public interest, or the transaction should be denied. The
24 standard requires that ratepayers not be harmed by a transfer of property, but does

1 not go as far as the net benefit standard, which requires that the transfer of
2 property leave ratepayers better off as a result of the transaction.

3 **Q: Does Public Counsel believe that the no harm standard has been met in this**
4 **case?**

5 A: Yes. Public Counsel believes the Settlement mitigates transactional risks and is
6 sufficient to meet the no harm standard; thus, the Settlement is in the public
7 interest.

8 **III. DISCUSSION OF COMMITMENTS**

9 **Q: Please compare the Settlement with the Joint Applicant's initial filing.**

10 A: Public Counsel evaluated whether the Joint Applicant's initial filing met the no
11 harm standard, and whether the commitments offered by the Joint Applicants
12 were sufficient to mitigate any transactional risks. Public Counsel believed that
13 the Joint Applicants' initial filing failed to meet that standard; however, the
14 Settlement contains additional commitments that mitigate the transactional risks
15 identified by Public Counsel's witness Mr. Woolridge. Public Counsel believes
16 the Settlement meets the legal standard.

17 **Q: Does Public Counsel support other Settlement conditions not specifically**
18 **mentioned in this testimony or the Settlement Testimony of Mr. Woolridge?**

19 A: Yes. Public Counsel supports Commission approval of all 65 commitments listed
20 in the Settlement. The terms of the Settlement are the result of negotiations with
21 the Parties. Lack of discussion about specific terms in Public Counsel's testimony
22 does not indicate lack of support for the full Settlement package.

23 **Q: Are there any commitments Public Counsel would like to emphasize?**

- 1 A: Yes. As mentioned above, Public Counsel supports all of the commitments;
2 however, Public Counsel takes particular interest in certain commitments or sets
3 of commitments. In particular, the following commitments or sets of
4 commitments were important to Public Counsel in meeting the no harm standard:
- 5 • Commitments 40 through 48, addressing various low-income interests.¹
 - 6 • Commitment 15, Service Quality Terms,² which provides that PSE will
7 continue to maintain a Service Quality program, that PSE will not seek to
8 abolish its Service Quality program, and that PSE will serve any request to
9 modify its Service Quality program on Commission Staff and Public Counsel.
 - 10 • Commitment 64, Report of Non-compliance,³ which provides that PSE will
11 report any non-compliance with the transaction commitments, and that PSE
12 will serve its report of non-compliance on Commission Staff and Public
13 Counsel.
 - 14 • Commitments 49-55, addressing environmental and energy efficiency issues.⁴

15 I will discuss these commitments in more detail below. Mr. Woolridge
16 discusses commitments related to ring fencing, holding company debt, voting
17 agreements, and changes in law that govern the proposed owners.

18 Q: **Please discuss the low- income commitments included in the Settlement.**

19 A: The Settlement augments the low-income commitments found in the initial filing
20 by incorporating seven new commitments. Those commitments require PSE to
21 maintain existing low-income programs, and PSE and Puget Holdings commit to

¹ Multiparty Settlement Stipulation and Agreement, Appendix A at 13-14 (Commitment Nos. 40-48).

² Multiparty Settlement Stipulation and Agreement, Appendix A at 6 (Commitment No. 15).

³ Multiparty Settlement Stipulation and Agreement, Appendix A at 16 (Commitment No. 64).

⁴ Multiparty Settlement Stipulation and Agreement, Appendix A at 14 (Commitment Nos. 49-55).

1 increasing low-income energy efficiency program budgets. PSE and Puget
2 Holdings also commit to working with low-income agencies to address their
3 constituents' issues. The commitments also address low-income weatherization, a
4 service that provides great benefits to low-income customers, and also require
5 PSE to take reasonable steps to include low-income participation in renewable
6 energy programs, ensuring that there will be consideration of low-income
7 households.

8 While Public Counsel supports all of the low- income commitments under
9 the Settlement, we find Commitment 42, the bill assistance provision, to be of
10 particular importance. Under this term, PSE commits to continuing bill assistance
11 benefits for qualifying low-income customers under the Home Energy Lifeline
12 Program (HELP). Benefits are based on the funding components and
13 methodologies in the 2016-2017 PSE HELP Annual Report. Furthermore, the
14 commitment does not limit parties from requesting increases to HELP funding in
15 future proceedings based upon modified components or methodologies. Public
16 Counsel believes this commitment is critical in ensuring safety and affordability
17 for low- income customers in PSE's territory.

18 **Q: Please discuss Commitment 15, Service Quality Term.**

19 A: In the initial filing, PSE and Puget Holdings commit to continue the service
20 quality measures currently in place for PSE, or as modified in any future
21 proceeding.⁵ The Settlement enhances the service quality commitment by adding
22 a requirement that the Joint Applicants will not seek to abolish its existing service

⁵ Joint Application, Appendix 1 at 2 (Proposed Commitment No. 1).
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1 quality program, while allowing it to be altered, if warranted. This commitment
2 ensures that PSE will maintain an appropriate service quality program after the
3 proposed transactions close. Additionally, PSE commits to serve any request to
4 change a service quality measure on Commission Staff and Public Counsel. This
5 provides additional protection to customers, ensuring that service quality
6 standards will not be altered without notice and the opportunity to review and
7 respond to proposed changes. In particular, Public Counsel will have an
8 opportunity to address whether a desired change may lower PSE's service quality
9 standards.

10 **Q: Please discuss commitment 64, the Report of Non-compliance commitment.**

11 A: Under this commitment, PSE will file a report with the Commission if they fail to
12 comply with any of the 65 commitments. The report must include which
13 commitment the Company failed to comply with, a description of the failure, and
14 a description of any corrective action taken. This report is due to the Commission
15 within five business days once the failure has been identified, and must be served
16 on Commission Staff and Public Counsel.

17 Ensuring compliance with the commitments made in this docket is an
18 important regulatory function, and this commitment allows the Commission and
19 interested parties, particularly Public Counsel, to receive notice of non-
20 compliance. This notice is important to hold PSE accountable. Each of the
21 commitments play an integral part in this settlement and in protecting ratepayers.
22 Therefore, transparency is necessary to ensure the commitments are upheld.

23 **Q: Please discuss Commitments 53-55, Energy Efficiency commitments.**

1 A: Under the Settlement, there are three new energy efficiency commitments.
2 Commitments 53 and 55 support energy efficiency and encourage PSE to fully
3 support energy efficiency measures. Under Commitment 54, PSE will accelerate
4 the review of its business case of an on- bill repayment program for customer
5 investments in energy efficiency. We have long supported on- bill financing, and
6 while on- bill repayment is not the same as on- bill financing, Public Counsel
7 views this as step in the right direction. We appreciate the commitment to
8 accelerate the review of PSE's business case, and look forward to working with
9 stakeholders in the CRAG to discuss the issue further.

10 **Q: Please discuss Commitments 49-52, Environmental Commitments.**

11 A: Commitments 49 through 52 address environmental issues and ensure that PSE's
12 parent company supports the requirements to address environmental investments
13 and initiatives in Washington. These commitments are new under the Settlement,
14 and Public Counsel supports each of them as they are consistent with Washington
15 policy advanced before the UTC.

16 **Q: Are there any other commitments on which Public Counsel would like to**
17 **comment?**

18 A: Yes. In Commitment 38, PSE commits to file the total amount of debt held at
19 Puget Energy and PSE, including the material terms of any new issuances as of
20 December 31 of the previous calendar year. PSE will file this by March 31 of
21 each year, for five years following the date of a final order in this docket.⁶ This
22 provision was important to Public Counsel's ability to join this Settlement as it

⁶ Multiparty Settlement Stipulation and Agreement, Appendix A at 12 (Commitment No. 38).
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1 addresses debt at the holding company level. Please see Mr. Woolridge's
2 testimony for his discussion of this commitment.

3 Importantly, this commitment does not preclude any party from requesting
4 information on the level of debt held within the Puget Holdings corporate
5 structure above Puget Energy in a relevant proceeding to the extent such
6 information pertains to or affects PSE, nor does it preclude PSE from objecting to
7 providing such information on the grounds that it does not pertain to, or affect
8 PSE. Public Counsel has confirmed that the Joint Applicants share this
9 understanding of Commitment 38.

10 **Q: Why does Public Counsel believe the Settlement is in the Public Interest?**

11 A: The Settlement is the result of negotiations and compromise among the settling
12 parties. Public Counsel's concerns have been addressed such that we are satisfied
13 that the Settlement is in the public interest. For this reason, Public Counsel
14 believes that the Settlement meets the no harm standard.

15 **Q: What is Public Counsel's overall recommendation?**

16 A: Public Counsel recommends that the Commission approve the Settlement. Public
17 Counsel believes that the proposed Settlement meets the statutory threshold and is
18 in the public interest.

19 **Q: Does this conclude your testimony?**

20 A: Yes.