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Ms. Amanda Maxwell, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: Customer Notice and Fees Rulemaking, Docket U-210800

Dear Ms. Maxwell:

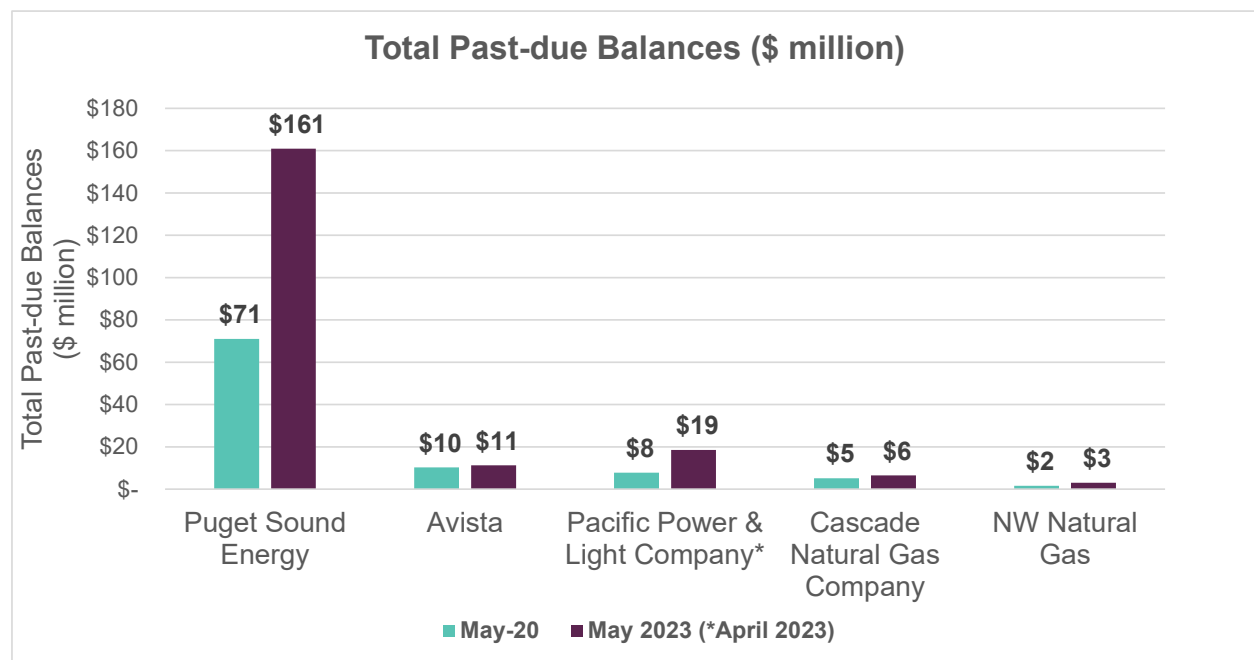
Puget Sound Energy (“PSE” or “the Company”) provides the following comments to the Washington Utilities and Transportation Commission (“Commission” or “WUTC”) in response to the Notice of Opportunity to Provide Comments and Workshop Agenda (“Notice”) issued on June 2, 2023 in Docket U-210800, rulemaking to consider potential long-term changes and improvements to customer notice, credit, and collection rules, including permanent elimination of late fees, disconnection and reconnection fees, and deposits. In addition to general comments and responses to the questions in the Notice herein, a copy of the PSE’s presentation for the upcoming workshop is included as Attachment A.

PSE currently faces staggering and growing arrearage balances. Disconnection should certainly be a last resort to address a past due balance, however, the current credit and collections system is built around disconnects as an option. The primary focus of reform for the credit and collections process should be on how to motivate customers to address and remit timely payment on their bills, or take advantage of the many assistance programs that will help them do that. The status quo of freezing credit and collections processes is not working for PSE and this may indicate that eliminating disconnections as an optional last resort may not be in the best interests of customers. PSE’s total arrearages have increased by 127% from \$71.1 million in May of 2020 to \$161.0 million in May 2023, as seen in Figure 1. **Error! Reference source not found.** PSE has a much larger scale of arrearages than any other Washington State investor-owned utility (IOUs). Whereas other IOUs have returned to normal dunning operations, PSE’s have continued to grow due to restrictions on changes to the dunning process. We will discuss this pattern in more detail later in these comments.

PSE’s current level of past-due balances is unprecedented, despite the equally unprecedented \$164.6 million in energy assistance that PSE provided to customers between

March 2020 and December 2022 (Figure 4). This assistance included \$84 million distributed by PSE through the COVID-19 Crisis Affected Customer Assistance Program (CACAP)-1, CACAP-2, CACAP-3, and Commerce Arrearage Relief to 91,307 PSE customers,¹ and \$80.6 million combined through Low Income Home Energy Assistance Program (LIHEAP) to 36,248 PSE customers and PSE Home Energy Lifeline Program (HELP) to 42,135 PSE customers. Both PSE HELP and LIHEAP offer up to \$1,000 of assistance per year towards bills or arrearages. Still, as of May 31st, there were approximately 9,000 residential customers with past-due balances of \$2,000.00 or more.

Figure 1. Washington IOUs' arrearage balances in May 2020 and in May (*April) 2023



Source: UTC Docket U-200281

Background

The disconnection moratorium, which began in April 2020 due to the COVID-19 pandemic, was lifted in Washington State on September 1, 2021. The Commission extended the disconnection moratorium through September 30, 2021, as well as certain consumer protections, through March 29, 2022. To address the sheer volume of customers in arrears and reporting requirements for the WUTC, PSE developed a process that facilitated a gradual return to normal

¹ This total reflects the total amount of unique customers assisted (meaning a customer could have received assistance from 3 different programs, but they would only be counted once for the total count).

disconnect process operations, creating multiple phases of dunning activity to manage workload with our field staff and within our Customer Care Center.

As part of Phase I, PSE resumed disconnects in May 2022 with a small subset of customers in arrears. The first phase included customers with an arrearage of \$1,000 or more and excluded all known and estimated low-income customers. In subsequent phases, PSE planned to gradually decrease the arrearage dollar threshold and to add back in low-income customers over several months to give customers the opportunity to apply for assistance and/or make long-term payment plans. However, as an outcome of PSE's 2022 General Rate Case (GRC) Settlement, PSE has been required to hold dunning to the first phase, which excludes customers with a balance lower than \$1,000 dollars and all known and estimated low-income customers, until the conclusion of Docket U-210800. As a result, customers who are not in dunning due to these restrictions receive their regular bill indicating they have a previous charge due, but do not receive urgent and/or final notices. As an alternative to our normal dunning practices, PSE has done outreach to inform customers of assistance options and payment arrangements. It is not clear to PSE when this docket and the associated dunning restrictions will conclude. Meanwhile, arrearages continue to accumulate and will continue to rise if PSE is unable to return to dunning procedures beyond Phase I.

As of May 31, 2023, PSE has 261,213 customers in arrears with an average balance of \$616.00, up from an average balance of \$242.00 in May of 2020 (Figure 2). While the number of customers with arrearages has stayed relatively constant, the average past-due balance has increased by 155%. This is largely the effect of the state-wide COVID-19 disconnect moratorium and the continued inability to pursue the full dunning process for PSE's known and estimated low-income customers, as well as customers with arrearages below the \$1,000 threshold. PSE is the only Washington IOU that has not returned to the pre-COVID dunning process.

Energy assistance data shows that during the disconnection moratorium even though past-due balances increased (Figure 2), enrollment in payment arrangements and energy assistance programs decreased, down 55% from 2019 to 2021 (Figure 3) and down 14% from 2019 to 2021 (Figure 4). These results may indicate that customer behavior is predicated on whether there is urgent, targeted, and direct outreach through the dunning process and whether there are tangible repercussions for non-payment via the potential for disconnection.

Figure 2. PSE's number of customers past-due and total \$ past-due balances, monthly from 2018 through May 31, 2023, with timelines of Crisis Affected Customer Assistance Programs (CACAPs).

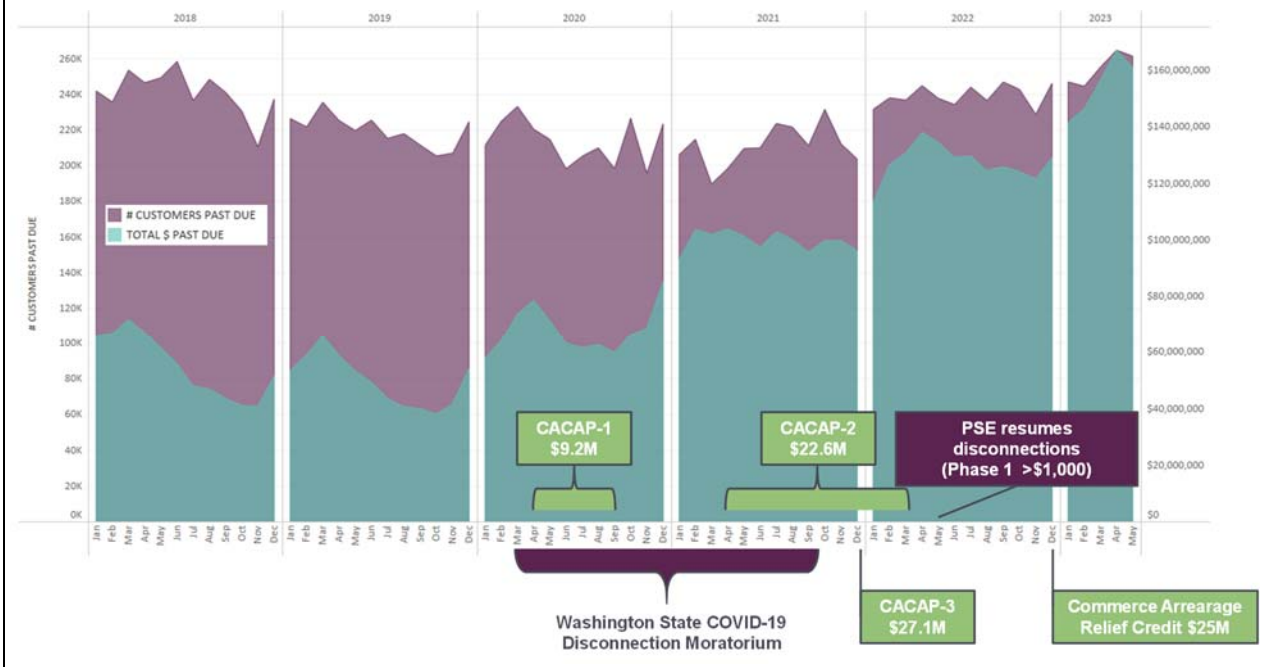


Figure 3. PSE's number of payment arrangements, monthly from 2018 through May 31, 2023.

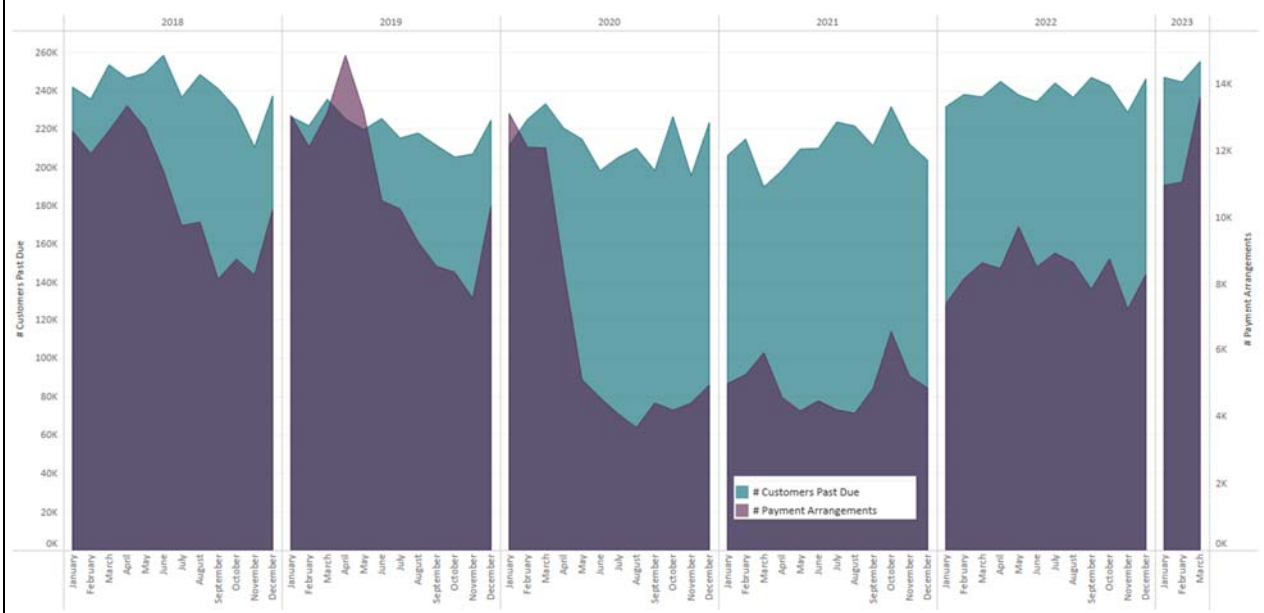
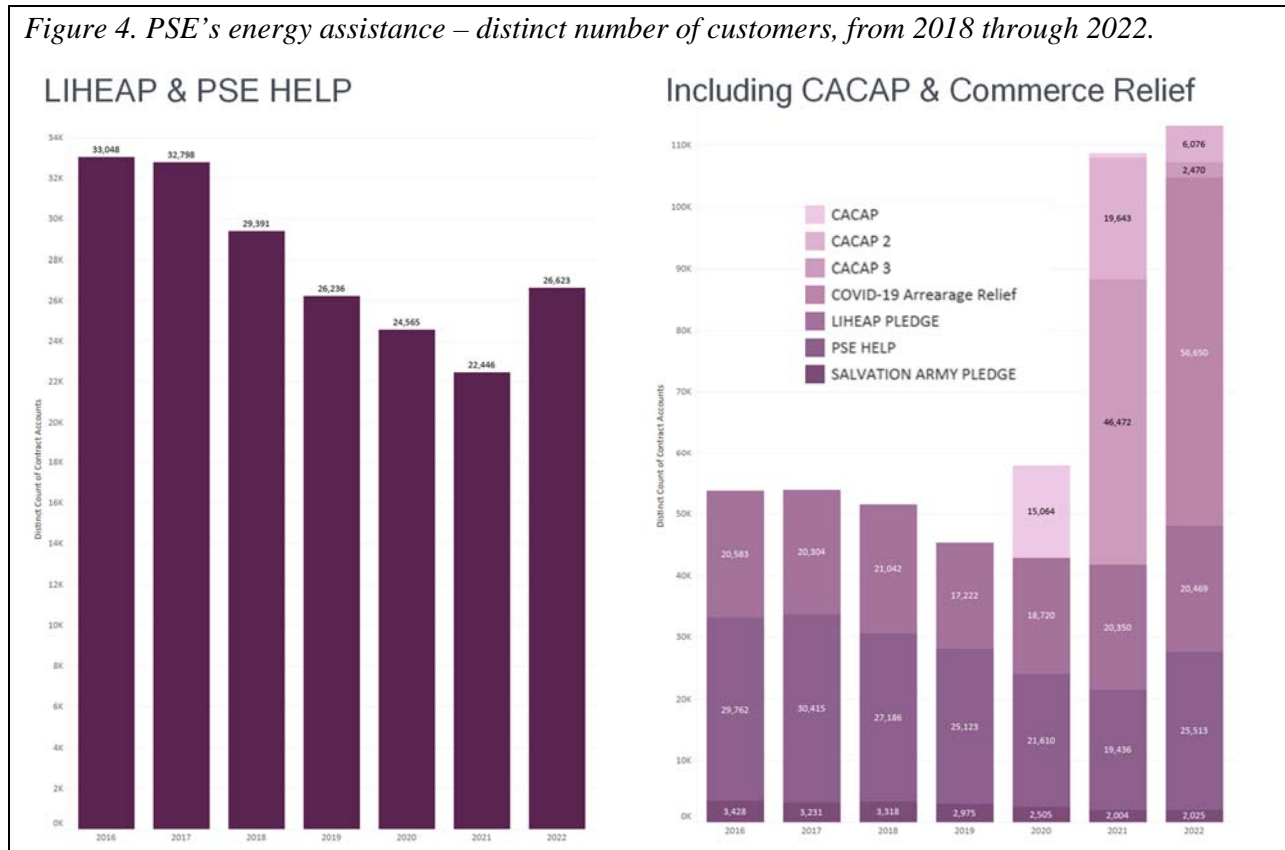


Figure 4. PSE’s energy assistance – distinct number of customers, from 2018 through 2022.



Protections and Arrearage Assistance Programs

PSE offers arrearage assistance and arrearage prevention assistance programs to all customers, including known and estimated income-qualified customers:

- Extended 18-month payment arrangements
- Budget payment plans for preventing future arrearages
- Energy efficiency programs for preventing future arrearages
- Extended COVID-19 Docket U-200281 protections:
 - No late fees
 - No disconnection fees
 - No reconnection fees
 - No deposits at reconnection
- Per Docket U-180525 for Remote Disconnection:
 - Disable remote disconnection functionality for medical facilities and critical infrastructure as identified in or pursuant to the Washington state military department's Washington state infrastructure protection plan; and limit the

- number of remote disconnections in a twenty-four-hour period or take other reasonable measures to prevent unauthorized disconnections;
- Perform all remote disconnections for nonpayment between the hours of 8:00 a.m. and 12:00 p.m. and remotely disconnect service only if the utility provides customers with a reasonable opportunity to submit payment and have the utility reestablish service on the same day;
 - Prior to involuntarily disconnecting a customer who has a medical certificate in accordance with subsection (8) of this section, visit the customer's premises and provide the customer with an opportunity to pay via appropriate methods including providing payment to the dispatched utility representative;
 - Prior to disconnecting a customer for nonpayment who the utility is aware has received low-income assistance in the prior two years, visit the customer's premises and provide the customer with an opportunity to pay via appropriate methods including providing payment to the dispatched utility representative;
 - If a site visit is not required to disconnect the service, the utility may not charge any fees for the disconnection.
- Inclement Weather Moratorium: Cease disconnection for non-payment in areas with inclement weather events, which are days characterized by extreme cold or excessive heat and the average daily temperature is forecasted to be at or below 32 degrees Fahrenheit, or at or above 90 degrees Fahrenheit. The Company uses the prior day's forecast as received from the National Weather Service.

PSE offers additional extended arrearage and bill assistance programs to income-qualified customers:

- PSE HELP: up to \$1,000 in bill and arrearages assistance
- LIHEAP: up to \$1,000 in bill and arrearages assistance
- Salvation Army Warm Home Fund: up to \$600 if received disconnect notice (YTD the program has collected \$552k, average for past three years is \$1.39 million collected)
- Starting in October 2023 PSE will offer a supplemental arrearage program until the company's long term Arrearage Management Plan is implemented in October of 2024
- Bill Discount Rate: discounts on customer bills to prevent/decrease future arrearages
- Low-income Weatherization Assistance: to decrease future bills and prevent/decrease future arrearages
- Income-Qualified Community Solar Program: to decrease future bills and prevent/decrease future arrearages
- Winter Moratorium: Depending on income a customer may qualify for payment assistance and disconnect protection during the winter months, from November 15th to March 15th.

Outreach Efforts

PSE has also done significant outreach, especially to vulnerable customers, and offers expanded protection for all customers, especially known low-income (KLI) customers.

- Between April and October 2021, PSE's Customer Care Center called 10,285 customers during four rounds of outbound call campaigns. These calls were made to customers who were past due, but not yet in PSE's dunning process (customers in the dunning process already receive written notifications as well as outbound call attempts). These calls targeted customers who might not be familiar with PSE's past due process and/or the program options available to them. As a result, 39% of customers contacted took some type of action on their account in the days following PSE's call/voicemail.
- PSE has a goal of ensuring that all customers, no matter their income level, language proficiency or where they live, have access to financial assistance, energy saving solutions, along with clean energy options. PSE has taken the following steps to ensure that all customers are knowledgeable about these programs:
 - Overcoming language barriers through multilingual outreach
 - Emphasizing reaching customers in Named Communities (highly impacted communities and vulnerable populations) to achieve awareness and increase engagement
 - Utilizing our community partners to extend our reach and provide trusted advocacy
 - Since the disconnection moratorium has lifted, PSE has made a concerted effort to increase communication to customers behind on their bills:
 - **CACAP related communications:**
 - Email quantity: 405,000
 - Print quantity: 65,800
 - Timing: 12/21-2/22, 10/22, 12/22-1/23
 - **Payment Arrangements related communications:**
 - Email quantity: 203,000
 - Print quantity: 27,500
 - Timing: 1/22, 7/22, 10/22, 3/23
 - Bill insert articles: 11/21, 12/22
 - **Multilingual engagement:**
 - Using multilingual advertising and community outreach to reach all in-need customers
 - Developing close relationships with key local non-profits serving non-English proficient communities to help advocate for PSE assistance programs
 - Utilizing PSE's bilingual community-based outreach team, with 5 members who are native Spanish speakers

- All energy & bill assistance advertising campaigns now integrated using Spanish & English
- Digital and print collateral available in Spanish, Russian, Chinese, Vietnamese & Korean
- Participation at Spanish, Chinese and Vietnamese events, with native language speakers
- **Integrated campaigns reaching Named Communities:**
 - Reaching these communities that are facing heightened environmental burdens, combined with socioeconomic and health challenges, PSE developed initiatives tailored to address localized needs. Examples of a few of these campaigns:
 - Senior campaign: outreach activities at local senior centers, utilizing radio, direct and community newspaper to reach rural customers.
 - Vietnamese/Chinese campaign: held events at selected community centers, utilizing native language speaking associates and utilizing in-language collateral.
 - Spanish campaign: leverages relationships with non-profits serving the Hispanic community to hold classes on available assistance options and includes presence at multiple community events, advertising on Spanish radio, social media, and in newspapers.
 - Tribal campaign: localized campaigns working with tribal food pantries and social services.
- **Upcoming campaign: Bill Discount Rate (BDR):** The program will go live on Oct. 1st, pending UTC approval, with the launch of the BDR program page on pse.com. To gain visibility and customer engagement, we are planning the following campaign elements:
 - **“Do I qualify?” widget.** In addition to linking to the application portal, the program page on pse.com will feature a widget, which after inputting household income, number in household and county of residence, will provide the customer with a preliminary “Looks like you qualify” or “Sorry, looks like you don’t qualify”. It then directs the customer to the application portal.
 - **Community Outreach.** Our bilingual team will engage with local non-profits in targeted communities.
 - **Social Media & Digital advertising.** Using geo-targeted advertising in English and Spanish social and digital media. Mindful of internet access limitations, we are also using geo-targeted advertising on English & Spanish radio and bilingual direct mail.
 - **Earned Media.** An extensive PR effort to gain visibility for the program in local English and Spanish media.

PSE's Disconnect Reduction Plan

PSE filed their Disconnection Reduction Plan in accordance with the Settlement Stipulation in the 2019 General Rate Case (UE-190539). In the plan, PSE outlined specific actions that the company will take to reduce the number of customers that reach the disconnection queue, receive a disconnection notice, and temporarily lose utility service due to non-payment. In this filing, PSE describes existing business practices, how customers can exit collections, and outlines programs offered to help avoid disconnection:

- Bill alerts
- "Pick your own due date"
- Budget payment plan
- Payment plans
- Home Weatherization Assistance Program
- Home Energy Lifeline Program (HELP)
- Warm Home Fund

Future enhancements and programs identified:

- Bill discount rate
- Increased access to cash payment stations
- Increased access to energy assistance programs
- Arrearage management plan
- Continuing education, outreach and reporting
- Multi-language support
- Extended payment arrangements
- Customer focused field visits for KLI and medical emergency
- Customer first focus

Responses to Questions Posed in the Notice

The Commission requests that each regulated company file in this Docket prior to the workshop the amount of bad debt currently being recovered in rates.

Response: For 2023, the amount of bad debt currently being recovered in rates: \$16,161,840 (electric) and \$4,154,334 (gas).

1. What are the approximate rate impacts and bill impacts for each of the proposed alternatives listed above? Please provide a brief description of the underlying assumptions.

Response: PSE is unable to calculate the impacts of the following proposals with current data available in our customer information system:

1. *Prohibit disconnection for nonpayment for households with a high energy burden (i.e., the sum of all energy utility bills divided by household income is six percent or above).*
2. *Prohibit disconnection for nonpayment for households with a high utility burden with modifications to income to account for household economic pressures (i.e., the sum of all utility bills divided by modified household income is six percent or above).*
6. *Prohibit disconnections for named populations (e.g., low-income, elderly, disabled, families with young children, etc.)*

PSE is also unable to calculate the impacts of scenario 4 as a definition of “small business customers” wasn’t provided.

PSE is providing estimates based on current arrearages for approximate one-time* rate impacts and bill impacts for proposed alternatives 3 and 5 (Figure 5) in the Notice:

3. *Prohibit disconnections for nonpayment for all residential customers.*

Using the May 31, 2023 arrearage data (as seen in Table 1 below) and estimated forecasted revenue at rates effective May 1, 2023, scenario 3 “Prohibiting disconnects for all residential customers” would result in an approximate residential rate increase for electric customers of 3.9% and for gas residential customers, an approximate rate increase of 2.5%.*

5. *Prohibit disconnections for nonpayment for all customers.*

Using the May 31, 2023, arrearage data (as seen in Table 1 below) and estimated forecasted revenue at rates effective May 1, 2023, a modification of scenario 5, “Prohibiting disconnects for all customers” would result in an approximate rate increase for electric customers of 4.8% and for gas customers, an approximate rate of 3.2%.²

² *It is important to note that these estimated rate impacts would become regular (e.g., annual) and perpetual, if scenarios 3-5 were to become disconnection moratoriums on a permanent basis. Additionally, these rate impacts do not include the cost of debt.*

Figure 5. Approximate rate impacts based on total annual projected revenue at rates effective May 1, 2023

Arrearage data (as of May 31, 2023)	Electric		Gas	
	Arrearages (\$)	Estimated rate impact* (%)	Arrearages (\$)	Estimated rate impact* (%)
Residential	\$97,401,506	3.9%	\$30,733,658	2.5%
Commercial & Industrial	\$24,277,023	1.0%	\$8,603,179	0.7%
Total	\$121,678,529	4.8%	\$39,336,837	3.2%
Assumption for Rate Impacts:				
Rule of thumb*		Every \$25M = ~1% rate increase		Every \$12M = ~1% rate increase
*Based on Total Forecasted Revenue at rates effective May 1, 2023		\$2,528,010,382		\$1,230,546,123

2. What are the possible impacts of each of the proposed alternatives on:

a. IOUs

Response: PSE relies in large part on the revenue we receive from customers’ bills to fund utility service. The more customers unable to pay their bills, the more PSE must finance those uncollected revenues in the form of debt, which has a cost to the utility and in turn to customers. If disconnections are prohibited in perpetuity, there would be significant, ongoing rate impacts to all PSE customers as demonstrated in Question 1.

Additionally, the inability to collect revenue owed to PSE puts downward pressure on PSE’s credit metrics. Credit metrics are a measure of PSE’s ability to pay its financial obligations on time (interest expense and borrowings). Credit metrics inform what rating (i.e., grade) PSE receives from Rating Agencies (e.g., S&P, Moody’s, and Fitch) and the higher the rating, the lower the cost of borrowing for our customers. A company can mitigate this increase in borrowing and borrowing cost by reducing operational expenditures (OpEx) and capital expenditures (CapEx) spending elsewhere in the business. However, doing so would mean customers may not receive the original benefits as intended in many areas of PSE’s business, such as reliability, customer experience, and programs to realize a clean energy future.

Disconnections are always the last resort for past due customers, and PSE makes every effort to prevent disconnections. The dunning process is an effective way to remind customers that they are still financially responsible for receiving energy utility services. A small number of customers who enter dunning end up being disconnected. Of the customers who are disconnected and initiate a reconnect, 60% get re-connected within the same day, and 10% more

within the next day. This process of disconnection and same/next-day reconnection allows these customers to start afresh, without responsibility for their prior arrears and without significant interruptions in service. The process also allows the financial mechanisms for the closed account collection process to begin, where arrears are resolved through payment or write-off.

If any of the proposed options for prohibition of disconnects occur, there could be significant impacts to the Company, including but not limited to:

- 1) Uncertainty around recovering arrearage balances
- 2) Billing and IT implications – changes and increased costs
- 3) Significant time and resources needed to evaluate, analyze, and implement new systems and approaches in order to address the following questions:
 - a. What happens to the prior obligation process?
 - b. How would we “process” long standing arrearages?
 - i. Write-off on active account?
 - ii. Close account administratively and open a new account and follow normal closed account collections processes?
 - c. What other alternatives can be made available for customers who can’t pay their bills?
 - d. What safeguards could be put in place for rate impacts not to spiral out of control due to fundamental change in business model and therefore in customer behavior?

b. Consumers

Response: Consumers will experience higher energy costs as rates increase due to covering the cost of uncollected revenue resulting in bad debt write offs. Additionally, individual customers have a more difficult time paying off their balances as they grow.

Since the Disconnect Moratorium ended in Washington State in September 2021, PSE has had many interactions with customers who have expressed severe concern over the rise in their past-due energy bill and are questioning why PSE would allow the balance to continue to grow without disconnecting their service sooner. These customers often have past due balances multiple times above what energy assistance programs can provide.

There is also the question of whether imposing costs for customers that do not pay their bill to all other customers is a fair or equitable policy. Any customer, regardless of income or circumstance, can refrain from paying their bill. If prohibition of disconnections occurs, what are the additional rules that the Commission would consider to ensure fairness to customers that pay their bills as those bills get higher as a result of covering the cost of unpaid bills? Is it preferable to design deliberate assistance programs that target benefits and motivate customers that qualify to enroll in those programs?

c. Communities

Response: We defer to community members to share what the impacts may be.

3. How should the Commission weigh and consider these factors to balance the interests of regulated companies and consumers while applying an equity lens?

Response: Ultimately, it is important to determine what is in the best interest of all customers, while ensuring equitable outcomes, particularly for vulnerable and highly impacted community members. The financial viability of utility services, which fundamentally depends on payments for energy and services consumed, impacts all customers.

PSE offers many assistance programs to low-income customers and does significant outreach to highly-impacted communities and vulnerable populations, but the customers must take some level of action to obtain these services. Protections in the dunning process, such as field visits prior to taking any disconnect action, as required in the AMI Rule, offer additional steps to assist vulnerable customers.

Disconnections are the end of a long process, make up less than 1% of all past-due customers, and 70% of disconnected customers are reconnected within the same or next business day. Whether disconnections remain as a last resort option or not, the primary focus of reform for the credit and collections process should be on preventing disconnections by making customers aware that they are financially responsible for receiving energy services, and motivating and assisting them to pay their bills through:

1. Increased access to assistance programs through self-service options and self-attestation.
2. Adopting rules like those in Oregon that provide for:
 - Changes to the rule defining disconnection of service to ensure vulnerable populations are protected.
 - Adjustments to the language defining what actions a utility has to take before disconnecting a customer that offers to pay cash at the door.
 - Waiving select charges for low-income customers.
 - Extension of the period of time required to notify customers of a disconnection of service due to nonpayment.
3. Continued implementation of Disconnect Reduction Plans.

Ms. Amanda Maxwell, Executive Director and Secretary

June 21, 2023

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Thank you for the opportunity to provide comments ahead of the June 23rd workshop in this rulemaking to consider potential changes and improvements to electric and natural gas customer notice, credit, and collection rules, including the permanent elimination of late fees, disconnection and reconnection fees, and deposits. Please contact Carol Wallace at (425) 282-8659 for additional information about these comments. If you have other questions, contact me at (425) 462-3051.

Sincerely,

/s/ Wendy Gerlitz

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cc: Lisa Gafken, Public Counsel
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Attachment:

Attachment A – Workshop Presentation 6-23-2023