

Docket No. UG-200112 - Vol. III

WUTC v. Puget Sound Energy

July 15, 2020



206.287.9066 | 800.846.6989

1325 Fourth Avenue, Suite 1840, Seattle, Washington 98101

www.buellrealtime.com

email: info@buellrealtime.com



BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND) DOCKET NO. UG-200112
TRANSPORTATION COMMISSION,))
))
Complainant,))
))
vs.))
))
PUGET SOUND ENERGY,))
))
))
Respondent.))

TELEPHONIC SETTLEMENT HEARING, VOLUME III

Pages 70-110

CHAIR DANNER, COMMISSIONERS RENDAHL AND BALASBAS, JUDGE
HOWARD AND JUDGE PEARSON

July 15, 2020

9:30 a.m.

Washington Utilities and Transportation Commission
621 Woodland Square Loop Southeast
Lacey, Washington 98503

REPORTED BY: TAYLER GARLINGHOUSE, CCR 3358

Buell Realtime Reporting, LLC
1325 Fourth Avenue, Suite 1840
Seattle, Washington 98101
(206) 287-9066 | Seattle
(360) 534-9066 | Olympia
(800) 846-6989 | National

www.buellrealtime.com

1 A P P E A R A N C E S

2 COMMISSIONERS:

3 DAVE DANNER, Chair
4 ANN RENDAHL, Commissioner
5 JAY BALASBAS, Commissioner

6 ADMINISTRATIVE LAW JUDGES:

7 MICHAEL HOWARD
8 RAYNE PEARSON

9 FOR COMMISSION STAFF:

10 JEFF ROBERSON
11 Assistant Attorney General
12 Office of the Attorney General
13 PO Box 40128
14 Olympia, Washington 98504
15 (360) 664-1188
16 jeff.roberson@utc.wa.gov

17 FOR PUBLIC COUNSEL:

18 ANN PAISNER
19 Assistant Attorney General
20 Office of the Attorney General
21 800 Fifth Avenue, Suite 2000
22 Seattle, Washington 98104
23 (206) 521-3211
24 ann.paisner@atg.wa.gov

25 FOR PUGET SOUND ENERGY:

DAVID STEELE
Perkins Coie LLP
10885 NE 4th Street, Suite 700
Bellevue, Washington 98004
(206) 359-3758
dsteele@perkinscoie.com

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S (Cont.)

WITNESS PANEL:

WILLIAM EINSTEIN, for PSE
SUSAN FREE, for PSE
ELIZABETH O'CONNELL, for Staff
STEPHANIE CHASE, for Public Counsel

* * * * *

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

EXAMINATION INDEX

STEPHANIE CHASE	PAGE
By Ms. Paisner.	84
ELIZABETH O'CONNELL	
By Mr. Roberson.	87

EXHIBIT INDEX

EXHIBITS FOR ADMISSION	PAGE
WTE-1T(C) Direct Testimony (Confidential)	75
WTE-2 professional Qualifications	75
WTE-3(C) Executed Asset Purchase Agreement (Confidential)	75
WTE-4 Grand HVAC Leasing Business & Management Overview	75
WTE-5 HVAC Leasing Transition Plan	75
SEF-1(C) Direct Testimony (Confidential)	75
SEF-2 Professional Qualifications	75

1 LACEY, WASHINGTON; JULY 15, 2020

2 9:30 A.M.

3 --o0o--

4 P R O C E E D I N G S

5

6 JUDGE HOWARD: Let's be on the record.

7 Today is Wednesday, July 15th, 2020, at 9:30 a.m. We're
8 here today for a settlement hearing in Docket UG-200112,
9 which is captioned Washington Utilities and
10 Transportation Commission versus Puget Sound Energy.

11 My name is Michael Howard. I am an
12 administrative law judge with the Commission. I'm
13 joined today by Administrative Law Judge Rayne Pearson,
14 Chair Dave Danner, Commissioner Ann Rendahl, and
15 Commissioner Jay Balasbas.

16 Let's start by taking short form appearances
17 beginning with the Company. Could we have an appearance
18 for PSE?

19 MR. STEELE: Good morning, Your Honor and
20 Commissioners. My name is David Steele, with Perkins
21 Coie, on behalf of Puget Sound Energy. And with me is
22 my colleague, Sheree Carson, also with Perkins Coie, for
23 PSE.

24 JUDGE HOWARD: Thank you, Mr. Steele.

25 Could we have an appearance for Staff?

1 MR. ROBERSON: Good morning, Judge Howard.
2 My name is Jeff Roberson. I'm an assistant attorney
3 general representing Commission Staff.

4 JUDGE HOWARD: Thank you.

5 And could we have an appearance for Public
6 Counsel?

7 MS. PAISNER: Yes, this is Ann Paisner. I'm
8 the assistant attorney general for the Public Counsel
9 Unit in the Washington State Office of the Attorney
10 General.

11 JUDGE HOWARD: Thank you.

12 On the issue of the evidence and exhibits
13 that have been submitted so far, are the parties willing
14 to stipulate to the admission of the prefiled exhibits
15 and testimony in this docket?

16 MR. ROBERSON: Staff will stipulate to the
17 admission of those exhibits.

18 MR. STEELE: Same for PSE.

19 MS. PAISNER: And also for Public Counsel.

20 JUDGE HOWARD: Thank you.

21 Then all prefiled testimony and exhibits are
22 admitted, and I'll provide a copy of the exhibit list to
23 the court reporter so it can be made part of the record.

24 (All prefiled exhibits and testimony
25 admitted.)

1 JUDGE HOWARD: Next, I'd like to ask if the
2 parties intend to give an opening statement in support
3 of the settlement?

4 MR. ROBERSON: Yes, I will be delivering
5 opening remarks on behalf of the parties with
6 potentially some supplementation by both PSE and Public
7 Counsel.

8 JUDGE HOWARD: All right. Mr. Roberson, if
9 you'd like to begin, feel free to go ahead.

10 MR. ROBERSON: Good morning, Chairman
11 Danner, Commissioner Rendahl, Commissioner Balasbas,
12 Judge Pearson, and Judge Howard. As Judge Howard has
13 already noted, in front of the Commission this morning
14 is a settlement to resolve all issues in Docket
15 UG-200112, which concerns PSE's application to
16 discontinue its rental service and sell that leasing
17 service to Grand HVAC Leasing.

18 This settlement is in some sense years in
19 the making. As Mr. Einstein notes in his prefiled
20 testimony, both PSE and its corporate predecessors have
21 offered leasing services for decades. As Mr. Einstein
22 also notes, those services have long been contentious.
23 In 1971, a challenge to one of those programs reached
24 the State Supreme Court and as recently as 2016, this
25 Commission held a full adjudication concerning potential

1 expansion of PSE's leasing program.

2 In its final order resolving PSE's 2017
3 general rate case, the Commission approved a settlement
4 that required the parties to engage in discussions about
5 the future of the leasing program. The parties held
6 those discussions, and afterwards, PSE determined that
7 the way forward was to sell the leasing program.
8 Mr. Einstein's testimony details the process PSE went
9 through to generate buyers and how to select
10 [inaudible]. This settlement is effectively the
11 culmination of that process.

12 The settlement before the Commission does
13 four main things. It authorizes PSE to sell the leasing
14 program to GHL, it provides for detailed communications
15 between PSE and its customers. Those communications
16 will provide information helpful to customers in order
17 to make an informed decision about whether to continue
18 leasing through GHL, including the cost of purchasing
19 the water heating from PSE, payment plan options,
20 comparison of PSE and GHL's leasing terms, and
21 information about customer obligations if they decide to
22 purchase their water heater.

23 The third thing this settlement does is
24 provide for an additional payment plan option for
25 customers who wish to terminate their participation in

1 the leasing program and purchase their water heater.
2 That payment plan option allows customers to spread the
3 cost of the water heater over a 12-month period without
4 accruing interest.

5 And finally, this settlement preserves all
6 parties' abilities to make argument about the proper
7 treatment or gains and losses from the sale when PSE
8 files for final treatment of those gains or losses.

9 WAC 40-07-740 governs the Commission's
10 review of the settlement. Under that provision, the
11 Commission will approve the settlement if its terms
12 comply with applicable law and adoption of the
13 settlement is in the public interest.

14 The parties before you urge the
15 Commission -- or urge the Commission to approve the
16 settlement as consistent with both of those
17 requirements. With regard to the first requirement,
18 which concerns the consistency of applicable laws, the
19 parties submit that the settlement complies with public
20 service laws and all other relevant laws. For example,
21 the settlement gives effect to WAC -- or -- or sorry,
22 RCW 80.12.020's requirement that PSE obtain an order
23 authorizing a sale of any property necessary or useful
24 to its public duties before completing the sale.

25 With regard to the second prong, which is

1 the public service prong, or the public interest prong,
2 the settlement is in the public interest for at least
3 three reasons. First, the settlement authorizes PSE to
4 sell the leasing program to GHL, a provider that has
5 made guarantees offering customers great stability and
6 which is also committed to guarantees concerning --
7 concerning service law.

8 Second, the detailed communication between
9 PSE and its customers will provide customers with the
10 information that they need to make a fully informed
11 choice about whether or not to terminate their
12 participation in the leasing program or whether to
13 continue leasing.

14 And third, the settlement expands customers,
15 including low income customers, payment plan options,
16 which should make it easier for customers who wish to
17 purchase their water heater, make it easier for them to
18 do so.

19 Given that the settlement complies with the
20 criteria for approval under WAC 40-07-740, the parties
21 request the Commission approve it without condition.

22 If the Commission has no questions for me,
23 I'll yield the floor to Mr. Steele and Ms. Paisner in
24 case they have other thoughts.

25 JUDGE HOWARD: Thank you, Mr. Roberson.

1 Are there any questions for Mr. Roberson
2 before we give the other parties an opportunity to
3 supplement the opening remarks if they wish?

4 COMMISSIONER RENDAHL: Not from me, thank
5 you.

6 CHAIR DANNER: No for me. Let's hear from
7 the others.

8 JUDGE HOWARD: Would PSE or Public Counsel
9 like to add to the opening remarks?

10 MR. STEELE: Your Honor, PSE has just a few
11 comments to add on. PSE agrees with the comments made
12 by Mr. Roberson and supports the settlement in this
13 proceeding in its whole. Over the last year or so, PSE
14 has worked extremely hard to close the water heater
15 rental service in a manner that maximizes customer
16 choice and minimizes the disruption to customers.

17 PSE's application and the settlement in this
18 proceeding achieved these objectives. The settlement in
19 this proceeding was a highly collaborative and
20 cooperative process aimed where it should be, ensuring
21 customers fully understand the sale and transition
22 process to GHL. Indeed, nearly all of the changes
23 agreed to in the settlement focus on improving and
24 enhancing the customer transition process.

25 As set forth in the application and

1 supporting testimony, PSE strongly believes that selling
2 the service to GHJ is in the best interest of PSE and
3 its customers and it's consistent with the public
4 interest.

5 Before the Commission today on behalf of PSE
6 is William Einstein, PSE's director of product
7 development and growth, and Susan Free, PSE's director
8 of revenue requirement and regulatory compliance. Both
9 are available for questions. Their qualifi- -- their
10 qualifications are included with their prefiled direct
11 testimony.

12 Again, PSE fully supports the settlement and
13 asks that the Commission approve the settlement today
14 without condition. Thank you.

15 JUDGE HOWARD: Thank you, Mr. Steele.

16 Would -- are there any questions for
17 Mr. Steele?

18 Hearing none, would the Public Counsel like
19 to make any remarks at this time?

20 MS. PAISNER: I just want to make a couple
21 remarks. Public Counsel is -- also agrees with the
22 statements made by Mr. Roberson and supports the
23 settlement in full that was filed on May 22nd, 2020.
24 Public Counsel sees this settlement agreement as
25 focussing on providing and clarifying information

1 regarding options to customers during the sale
2 transition period. And as I just stated, we support the
3 settlement in full.

4 I do at some point, because we did not
5 submit testimony on the record in writing, I do want to
6 make sure that I have the opportunity to introduce my
7 witness and her -- so that she can provide her
8 qualifications on the record.

9 JUDGE HOWARD: Certainly, Ms. Paisner.
10 We'll -- we'll give both Staff and Public Counsel the
11 opportunity to introduce their witnesses.

12 Any questions for Public Counsel? Okay.
13 Hearing none, let's move on to calling the witnesses.
14 Because this is a virtual hearing, let's have -- first
15 have the witnesses identify themselves and the party
16 they're appearing for beginning with the witness -- the
17 two witnesses for Puget Sound Energy. Then I will swear
18 in the witnesses at the same time and we will hear
19 testimony from the witnesses together as a panel.

20 And also I ask that the witnesses turn on
21 the -- their video while they are -- they are
22 testifying, and the party representatives can
23 temporarily turn off their video feeds.

24 So can we have introductions from the PSE
25 witnesses?

1 MR. EINSTEIN: Good morning. This is Will
2 Einstein. I'm the director of product development and
3 growth for Puget Sound Energy.

4 MS. FREE: Good morning. This is Susan
5 Free. I am the director of revenue requirements and
6 regulatory compliance for PSE.

7 JUDGE HOWARD: Thank you.
8 And could we have the witness for Staff?

9 MS. O'CONNELL: Good morning. This is
10 Elizabeth O'Connell, regulatory analyst from Staff.

11 JUDGE HOWARD: Thank you.
12 And could have the witness for Public
13 Counsel?

14 MS. CHASE: Good morning. My name is
15 Stephanie Chase, and I'm regulatory analyst with the
16 Public Counsel Unit of the Washington State Office of
17 the Attorney General.

18 JUDGE HOWARD: Thank you.
19 I will swear in each of you here at the same
20 time. Please stand and raise your right hand.

21 (Witness panel sworn.)

22 JUDGE HOWARD: Thank you. You may be
23 seated.

24 And as -- as we noted, Public Counsel and
25 Staff have requested an opportunity to introduce their

1 witnesses and set forth their qualifications on the
2 record. Puget Sound Energy has done this in the
3 petition filed earlier in this docket.

4 So let's begin with allowing Public Counsel
5 a brief opportunity to set forth their witness's
6 qualifications.

7 MS. PAISNER: Thank you, Judge Howard. This
8 is Ann Paisner.

9

10 E X A M I N A T I O N

11 BY MS. PAISNER:

12 Q. Ms. Chase, please state your name for the record
13 and spell your last name.

14 A. My name is Stephanie Chase. My last name is
15 spelled C-h-a-s-e.

16 Q. Thank you.

17 And by whom are you employed?

18 A. I am employed by the Public Counsel Unit of the
19 Washington State Attorney General's Office as a
20 regulatory analyst.

21 Q. Thank you.

22 What is your occupation?

23 A. I'm a regulatory analyst with the Public Counsel
24 Unit.

25 Q. And on whose behalf are you testifying?

1 A. I am testifying today on behalf of the Public
2 Counsel Unit.

3 Q. Thank you.

4 Please describe your education.

5 A. I have a JD from the University of Wisconsin Law
6 School and a master's in public affairs from the La
7 Follette School of Public Affairs at the University of
8 Wisconsin-Madison. I also have a bachelor's degree in
9 political science from South Dakota State University in
10 Brookings, South Dakota.

11 Q. Thank you.

12 Please describe your experience.

13 A. Prior to joining Public Counsel, I worked as an
14 associate attorney with the Environmental Law and Policy
15 Center in the Madison, Wisconsin office. I -- as an
16 associate attorney, I worked on a variety of legal and
17 policy matters related to energy and environmental
18 issues in Wisconsin, North Dakota, and South Dakota. My
19 work representing -- at ELPC, my work included
20 representing the organization along with senior
21 attorneys in general utility rate cases and transmission
22 siting cases in front of the Wisconsin Public Service
23 Commission. And prior to that, I have also worked as a
24 research assistant on consumer and financial product
25 protection for Michael Collins at the University of

1 Wisconsin-Madison.

2 Since joining Public Counsel in January of this
3 year, I have worked on a variety of energy and
4 transportation matters. I was the analyst in the Super
5 Friends moving company complaint and the -- the
6 Washington Movers Help Restitution. I'm also currently
7 working on the natural -- Cascade Natural Gas general
8 rate case as well as the Clean Energy Transformation Act
9 rulemaking dockets and the AMI rulemaking docket.

10 I also represent Public Counsel on PSE's
11 Conservation Resource Advisory Group as well as the
12 technical group for the IRP and for PacifiCorp's DSM low
13 income advisory groups and then their IRP group as well.
14 And I also completed the Public Utilities Reports
15 Principles of Public Utility Operations and Management
16 guide course in May of 2020.

17 Q. Thank you, Ms. Chase.

18 Does Public Counsel support the settlement that
19 was filed on May 22nd, 2020, in this docket?

20 A. Yes, Public Counsel does support the settlement
21 agreement because as PSE has decided to sell the water
22 heater rental program, it's -- it's in the public
23 interest to wrap up the program in a way that informs
24 customers and enables them to make the best choice for
25 their situation and for a number of the consumer

1 protections that have been enumerated by Mr. Roberson,
2 Mr. Steele, and by you.

3 MS. PAISNER: Thank you. I have no further
4 questions.

5 JUDGE HOWARD: Would Staff like to introduce
6 their witness?

7 MR. ROBERSON: Thank you, Judge Howard.

8

9 E X A M I N A T I O N

10 BY MR. ROBERSON:

11 Q. Ms. O'Connell, would you state your full name
12 and spell your last name for the record?

13 A. Yes, my name is Elizabeth O'Connell. My last
14 name is spelled O, apostrophe, C-o-n-n-e-l-l.

15 Q. Who is your employer?

16 A. I am employed by the Washington Utilities and
17 Transportation Commission.

18 Q. What position do you hold at the Commission?

19 A. I'm a regulatory analyst in the energy
20 regulation section of the regulatory services division.

21 Q. What are your duties as a regulatory analyst?

22 A. I'm on various duties. I'm responsible for
23 financial and accounting analysis, auditing records of
24 regulated companies, rate design, cost of service, among
25 other reviews for compliance purposes.

1 Q. Could you please provide an overview of your
2 educational background?

3 A. Yes, I have a Bachelor's in science -- of
4 Science in economics specializing in banks and finance
5 from the Universidad Central de Venezuela in Caracas,
6 Venezuela. I also have a Master's of Business
7 Administration in international oil and gas management
8 for -- from the University of Dundee in the United
9 Kingdom. I -- in 2016, I graduated from the University
10 of Washington in Seattle with an accounting diploma.

11 Q. Could you describe any training you've received
12 to help you carry out your duties as a regulatory
13 analyst?

14 A. Yes, I -- I participated in the regulatory
15 training from the University of New Mexico in 2016 among
16 other trainings in various areas of the regulatory -- in
17 regulatory aspects.

18 Q. And have you testified before the Commission
19 previously?

20 A. Yeah, I've testified in multiple general rate
21 cases in -- but most notably and most relevant for this
22 case, I provided testimony related to the leases --
23 leasing case from PSE Docket UE-151871 and UG-151872 in
24 2016. And I was also the Staff witness for the general
25 rate case 17 -- UE-170033, UG-170032 addressing the

1 rental program.

2 MR. ROBERSON: And at this point, I would
3 like to make Ms. O'Connell available for questions from
4 the Bench.

5 JUDGE HOWARD: Thank you.

6 At this point, we'll open up to questions
7 from the Commissioners.

8 COMMISSIONER RENDAHL: Good morning. This
9 is -- this is Commissioner Rendahl, and I have a few
10 questions for both PSE and the other parties.

11 So, Mr. Weinstein -- Mr. Einstein, you
12 called in to the public comment hearing, correct?

13 MR. EINSTEIN: Yes, that is correct.

14 COMMISSIONER RENDAHL: Okay. So you heard
15 the concerns that a number of the customers raised at
16 the public comment hearing. Do you believe that the
17 settlement terms and the actions outlined in the
18 customer transition plan including the additional
19 documents provided in response to the bench request will
20 address all of these concerns the customers raised?

21 MR. EINSTEIN: Yes, I do believe they will
22 address the concerns the customers raised on that -- at
23 that particular hearing.

24 COMMISSIONER RENDAHL: And what in
25 particular do you think will -- will provide

1 customers -- will reduce their concerns about the
2 change, a new entity, and whether that entity is going
3 to be financially secure and provide the customer
4 service that they're used to experiencing with PSE and
5 PSE's contractors?

6 MR. EINSTEIN: So I would say that the --
7 can you hear me? I'm hearing a bit of an echo, so I
8 just want to make sure.

9 COMMISSIONER RENDAHL: I'm hearing you.
10 It's probably my -- I will reduce my sound.

11 MR. EINSTEIN: Okay. No, that's fine.
12 Thank you.

13 At the public hearing that was held on May
14 18th -- on June 18th, excuse me, was the beginning of
15 the process to approve the request to -- by the Company
16 to sell the business. It wasn't the beginning of the
17 process that the Company is going through to work with
18 GHJ to transition customers and provide them with the
19 choices that we believe they need to have in order to
20 decide how they want to participate in a program going
21 forward.

22 As you saw in the documents that we filed as
23 part of the bench request, we have a very extensive
24 customer transition and communication plan that has been
25 agreed to with GHJ and is actually part of the asset

1 purchase agreement that they -- that each party signed
2 as part of that, so it's an attachment to that
3 agreement, which binds them to participating in that
4 customer transition plan.

5 In addition with GHJ, we believe we picked a
6 very strong service provider as part of this who is
7 going to be able to provide our customers today with the
8 best possible service going forward. GHJ is a company
9 that has excessive experience in providing rental
10 equipment options in the HVAC area for customers. They
11 have extensive experience working with other utilities
12 around North America, and we believe that they're going
13 to offer the best possible service package to other --
14 to our customers that we could -- if it wasn't going to
15 be offered by PSE.

16 COMMISSIONER RENDAHL: Thank you.

17 For the other parties, so for Ms. O'Connell
18 and also for Ms. Chase, a similar question. In light of
19 the issues -- and I'm assuming both of you called in to
20 the public comment hearing. In light of the issues that
21 the public commentators raised, many of them were quite
22 concerned about this change given what they were used
23 to. Are you still comfortable with the settlement and
24 PSE's sale of the water heater program to GHJ?

25 MS. O'CONNELL: This is Elizabeth O'Connell

1 with Staff. I -- I agree with what Mr. Einstein just
2 described. I think the settlement provides a lot of
3 terms and a lot of resources that customers can use for
4 making sure they feel comfortable with this transition.
5 Their -- I truly believe that this is the best vehicle
6 for PSE to terminate or phase out their program.

7 The settlement as- -- the settlement
8 provides not only for customers -- conditions for
9 customers to stay with their leasing program, but also
10 conditions in ways that they can move out of the program
11 or buy out their contract if they truly feel
12 uncomfortable with this transition.

13 Also, the quality of service, I think it's
14 pretty much the -- the company GHIL has committed to
15 maintain the level of quality of service, and from the
16 evidence that was submitted in the record, I believe
17 that we have seen enough that the Company is capable to
18 provide that kind of quality of service. And on top of
19 that, we recently -- the Company submitted their
20 response to bench request stating that the Company
21 just -- GHIL just partnered with PSE's service provider,
22 I believe it's called Fast, that they use for their
23 current rental program.

24 So I think there are a lot of aspects of the
25 settlement that provide for an easy transition to make

1 customers as comfortable as they can, as -- as -- as we
2 can, or as the settlement can to make this transition as
3 smooth as possible for them.

4 COMMISSIONER RENDAHL: Thank you.

5 Ms. Chase.

6 MS. CHASE: Yeah, I would agree with
7 Ms. O'Connell and Mr. Einstein's comments. We do
8 support the settlement because of those additional
9 consumer protections. If the settlement is approved by
10 the Commission, customers will be receiving tailored
11 letters depending on if they have any remaining
12 undepreciated balance. They'll receive information
13 about payment plans, and if they -- if they have a fully
14 depreciated piece of equipment, they will receive a
15 letter that tells them that specifically, that they
16 don't have to pay anything to take ownership of their
17 water heater, but, of course, they could choose to
18 transition.

19 And -- and we -- we think that -- that the
20 settlement provides enough information for customers and
21 a -- and a long period of time, several communications,
22 and then is also going to be followed up by a phone call
23 from PSE from -- from PSE to any customers who haven't
24 responded. So PSE will be reaching out to them to
25 actively respond to any concerns that they have.

1 COMMISSIONER RENDAHL: Thank you very much.
2 That concludes my -- my initial questioning,
3 so I turn it over to my colleagues if they have other
4 questions.

5 COMMISSIONER BALASBAS: Yes, good morning.
6 This is Commissioner Balasbas. I have a couple of
7 questions for Mr. Einstein and then one question for
8 Ms. O'Connell and Ms. Chase.

9 But I will start with you. Good morning,
10 Mr. Einstein.

11 MR. EINSTEIN: Good morning, Commissioner.

12 COMMISSIONER BALASBAS: So was one of the
13 reservations for PSE wanting to -- or concluding that it
14 should sell the water heater program was because it was
15 currently closed to new customers and has been closed
16 for some time?

17 MR. EINSTEIN: Yes, that is true. There are
18 several regulatory restrictions, I guess, on the
19 existing program and the -- the program is -- for the
20 last eight to ten years had a declining participation
21 base.

22 COMMISSIONER BALASBAS: If the Company were
23 allowed to add new customers to the -- to the program,
24 would PSE be interested in continuing to provide the
25 service?

1 MR. EINSTEIN: I think we'd have to go back
2 and evaluate the manner in which the program would
3 operate if we were allowed to add new customers to the
4 program. As you may be aware, we previously asked to
5 expand this type of a program and as well as add
6 additional equipment to it, and that request was
7 previously denied by the Commission.

8 So I think if something were to change in
9 the area of the restrictions we would be able to
10 provide, we would have to go back and reevaluate our --
11 the -- the future scenario and determine what the best
12 course of action was.

13 COMMISSIONER BALASBAS: And as Commissioner
14 Rendahl mentioned, we heard a lot at the public comment
15 hearing from current customers of the program who had
16 generally expressed satisfaction with the program. Are
17 you aware of recently of any customer complaints about
18 the program or any unhappiness from customers about the
19 services that PSE is providing?

20 MR. EINSTEIN: In general, we believe that
21 customers are happy with the service they provide.
22 That's why they are still customers who are part of the
23 program. However, as I -- as I previously indicated,
24 you know, there are customers who choose to end their
25 service with the program. Usually this occurs when they

1 take -- you know, if a new owner of the house takes
2 possession of that house at the time of a real estate
3 transaction they choose not to -- to lease at that time,
4 then they -- they cease participation in the program.

5 There are from time to time, you know,
6 complaints about specific issues as there is with any,
7 you know, retail services type of program, but I believe
8 the Company has addressed this over time in an excellent
9 fashion.

10 COMMISSIONER BALASBAS: All right. And then
11 my -- my last question for you, Mr. Einstein, is, in
12 reading the asset purchase and sale agreement, I believe
13 it's under the provisions of Article 9 for termination,
14 if the Commission were to -- were to reject the sale of
15 the program to GHL, would PSE be on the hook for either
16 like a termination fee or break-up fee or would they
17 have to pay something to GHL for the sale not going
18 through?

19 MR. EINSTEIN: I don't believe we would have
20 to do that, but I would have to review the -- that
21 specific provision again to ensure that I'm correct in
22 that. But I don't believe we have a break-up fee.

23 COMMISSIONER BALASBAS: All right. Judge
24 Howard, if PSE is not able to answer that question here
25 before the conclusion of the hearing, I would like to

1 have that responded to in a bench request.

2 JUDGE HOWARD: Certainly, Commissioner. I
3 will make a note.

4 COMMISSIONER BALASBAS: All right. Thank
5 you.

6 And then a question for Ms. O'Connell and
7 Ms. Chase. So I'm -- I'm curious as to why Staff and
8 Public Counsel have opposed, have in the past, and I
9 would presume maybe continue to oppose, new customers in
10 the water heater program.

11 MS. O'CONNELL: Good morning, Commissioner.
12 This is Elizabeth O'Connell with Staff. The reason --
13 the main reason why Staff has opposed this program for
14 so long is because of the way that it's laid out.
15 Essentially, customers have a water heater that
16 depreciates over time, and customers continue to pay
17 rates that are not corresponding to the underlying value
18 of their asset of their water heater. If we were to try
19 to fix the rates at a cost of service level, we would
20 find customers that are essentially paying close to
21 nothing because their water heater is fully depreciated,
22 and then we would have customers that would pay higher
23 rates because of their -- their equipment is newer or
24 the installation cost was much more expensive.

25 So the Commission has a statutory obligation

1 to create or to -- to make sure that rates are just,
2 fair, reasonable, and sufficient, and having those
3 disparities within the same rate class don't provide for
4 that -- for that -- for those principles to be hold
5 true. So it's -- it's really the way the program works
6 that it's not suitable for -- for -- to be handled as a
7 regulated business.

8 COMMISSIONER BALASBAS: Thank you.

9 And, Ms. Chase?

10 MS. CHASE: Yes, and Public Counsel agrees
11 with Ms. O'Connell's and Staff's analysis.

12 Historically, we have not supported expanding the water
13 heater program because of the difference in cost over
14 time both between renting and just an outright purchase
15 of the program. So I would -- I would -- I would think
16 that that would be our continued analysis in the future.

17 COMMISSIONER BALASBAS: All right. Thank
18 you.

19 MR. EINSTEIN: Commissioner Balasbas, I just
20 reviewed, I think you were mentioning Article 9 of the
21 asset purchase agreement. I am -- unless my attorneys
22 tell me differently, I'm not seeing anything that
23 constitutes a break-up fee or anything as part of the
24 provisions of that.

25 COMMISSIONER BALASBAS: All right. Thank

1 you, Mr. Einstein.

2 That -- that satisfactorily answers my
3 question, Judge Howard.

4 And at this time, that concludes my initial
5 questions, and I will yield it back to my other
6 colleagues.

7 CHAIR DANNER: All right. Good morning. Is
8 it my turn, Judge Howard?

9 JUDGE HOWARD: Yes, Chair. Thank you.

10 CHAIR DANNER: Well, first of all,
11 Mr. Einstein, I had a question. It looks like you do
12 have a number of customers when you -- when you broke it
13 down for us that have been on the program for less than
14 seven years insofar as it's been closed to new customers
15 since 2000. Can you explain that? Is that just home
16 sales or -- or what -- what is -- what is the reason for
17 that?

18 MR. EINSTEIN: Yeah, it is predominantly
19 home sales and/or on the commercial side. If a new
20 business opens a space and -- and the existing
21 commercial water heater is used for that business, then
22 we enter a new customer into the customer information
23 system. But the -- the -- because the agreement follows
24 the premise when customers move in or move out to either
25 commercial or residential to become a new customer in

1 the system, so that's the information you have before
2 you.

3 CHAIR DANNER: Okay. So -- so you -- you
4 haven't taken on new customers since 2000?

5 MR. EINSTEIN: No, no customers and/or what
6 I would call new water heaters because that's basically
7 the point of nexus.

8 CHAIR DANNER: Right, right.

9 So if we approve this sale, of course GHG is
10 not subject to Commission regulation. Has there been
11 any communication with the customers about what their
12 avenues of -- of redress would be if, in fact, the
13 company does not provide service to their satisfaction?
14 I mean, in the past, they can call us, we can -- we can
15 deal with those kinds of disputes, what are we telling
16 them going forward?

17 MR. EINSTEIN: Well, we haven't started the
18 communication with customers yet on this. We will wait
19 until after should the Commission approve this. But the
20 customers would have the same options to file a consumer
21 complaint with the Attorney General's Office as they
22 would of any other business that was providing service
23 to them. So, you know, if they feel that the business
24 is not meeting the terms or -- or of its -- of its
25 agreement, they could file those complaints with the

1 Attorney General's Office.

2 CHAIR DANNER: And thank you.

3 And right now, I'm -- I'm assuming that the
4 participants receive their monthly bill from Puget and
5 the leasing program is part of that overall utility
6 bill; is that correct?

7 MR. EINSTEIN: Yes, that is correct.

8 CHAIR DANNER: Okay. Have you had
9 discussions about the frequency of billing going
10 forward? I assume that the billing will now be handled
11 by GHL directly; is that correct?

12 MR. EINSTEIN: Yes, billing will be handled
13 by GHL directly and it will occur on a monthly basis.
14 GHL has a whole process by which -- as is outlined in
15 the customer transition agreement, by which they will
16 enroll those customers and then set up billing
17 arrangement, payment arrangements for those customers.

18 CHAIR DANNER: Okay. So yeah, those are --
19 those are my questions. My colleagues I think pretty
20 much asked the questions that I had hoped to get to. So
21 I -- I feel we've got -- that's all the information I
22 have.

23 I guess I would like to -- with regard to my
24 questions about communications with regard to service
25 and the -- the billing, I'd like to ask if Ms. O'Connell

1 or -- or Ms. Chase have anything to add.

2 (Simultaneous talking.)

3 MS. O'CONNELL: Thank you, Chairman. I -- I
4 support -- let me take that back. Staff supports the --
5 the proposal from the Company and from the transition
6 plan in terms of the communication and the adequacy of
7 the level of communication that the Company intends to
8 salvage with customers. And -- and they've -- they've
9 proposed several -- several aspects that the -- that
10 those letters and those communications are going to
11 include so customers feel comfortable and know all -- or
12 have all the information to feel empowered to take
13 action in whichever way they feel is best for them. So
14 I think we -- we -- we feel very comfortable with the
15 terms and -- and -- and the information that is going to
16 be included in those communications.

17 CHAIR DANNER: All right. Ms. Chase?

18 MS. CHASE: We -- Public Counsel also feels
19 very comfortable with the transition letters, with the
20 language that's used, with the fact that they will be
21 tailored to the customers to their specific information,
22 and -- and we think that that, along with the other
23 information that will be included such as the -- the
24 full term sheet and kind of the comparison chart, we
25 think that will be really helpful for customers to

1 understand really the full choice that they -- that they
2 can make and that they will have enough time to kind of
3 consider their options and -- and contact PSE with any
4 questions.

5 CHAIR DANNER: Okay. Well, for those of you
6 who heard or were attending the public comment hearing,
7 you heard that obviously there are a number of -- of
8 customers, several of whom I believe were senior
9 citizens, they are not comfortable with having a lot of
10 interaction or what they consider to be complicated
11 decision-making.

12 You know, so -- you know, just do you feel,
13 Ms. Chase, that -- that the company is -- the acquiring
14 company is going to be able to do the kind of
15 hand-holding that may be required to make those
16 customers comfortable?

17 MS. CHASE: Chair Danner, I have not had any
18 personal interactions with GHL, but I think during -- my
19 understanding is during the transition period to GHL,
20 PSE is going to be helping aid that transition. And GHL
21 I believe has offered a few different ways that
22 customers may set up their bill payment program and to
23 try and make this as -- as seamless for them as
24 possible. But maybe Mr. Einstein might be able to speak
25 more specifically to the measures between -- about how

1 the transition will go to or what assurances they've
2 been given from GHL, and we're comfortable with -- with
3 what we have seen.

4 CHAIR DANNER: Thank you.

5 Mr. Einstein?

6 MR. EINSTEIN: As Ms. Chase just
7 articulated, you know, we will be working during the
8 transition timeframe. There's a 120-day timeframe as
9 part of this in which we will be communicating with
10 customers, and then there is a joint website that GHL
11 and PSE will be putting up that will allow customers to
12 enroll online that they can also contact GHL's customer
13 care facilities and speak to folks to enroll over the
14 phone.

15 And so there's an elaborate process that
16 goes through that 120-day period of time, and then after
17 that, GHL will also be communicating with and supporting
18 customers as they make the transition prior to the final
19 close of the transaction.

20 CHAIR DANNER: Okay. So for those customers
21 who simply don't respond to your initial notices, will
22 you be reaching out to them personally or I mean, how do
23 you -- how do you go -- is there a default if they
24 simply --

25 MR. EINSTEIN: Well, as -- as we articulated

1 as part of the settlement, there will be a final phone
2 call made to all customers who haven't responded prior
3 to the end of the 120-day period of time, and then all
4 nonresponse customers will be transitioned over to GH
5 and GH will then work for 60 days to try and contact
6 those customers to set up the appropriate billing for
7 them and to enroll them.

8 CHAIR DANNER: Okay. And then for those
9 that you simply can't reach, how does -- how -- how do
10 you plan to deal with them or how does GH plan to deal
11 with them?

12 MR. EINSTEIN: They -- they will -- they --
13 their lease with PSE will end and their lease with GH
14 will not be enrolled. And then if they choose at some
15 point in time to take service, i.e., something happens
16 with their water heater, something like that and they
17 reach out to GH saying, you know, hey, I remember
18 hearing about this and they contact either PSE or GH,
19 they will be able to enroll with GH at that point to
20 take service from them.

21 CHAIR DANNER: All right. Thank you for
22 those clarifications, everyone.

23 That concludes my questions, Judge.

24 JUDGE HOWARD: Thank you.

25 Do we have any further questions from the

1 Commissioners?

2 COMMISSIONER RENDAHL: I have -- I have one
3 additional question. This is Commissioner Rendahl, and
4 this is to Mr. Wein- -- Mr. Einstein. Sorry, I'm having
5 issues with your name this morning.

6 So in the bench request responses, and also
7 Ms. O'Connell mentioned that -- that the PSE, the case
8 that GHJ recently partnered with Fast Water Heater to
9 service the water heater rental customers in Washington,
10 and this is the same company that PSE's used for water
11 heater service under its program. So can you tell us a
12 bit about PSE's experience with Fast Water Heater
13 service quality and -- and arrangements providing
14 service to customers and -- under PSE's water heater
15 program?

16 MR. EINSTEIN: Yes, PSE has been using Fast
17 water heating service as a vendor for the last several
18 years. They have an A-plus rating on the -- on the
19 consumer side with their business bureau. It is --
20 they've been a good service provider for PSE, and they
21 provide in effect all of the replacement and significant
22 water heater work on behalf of the Company with its
23 customers. And we were very pleased when we had heard
24 that GHJ had chosen to engage Fast as their service
25 provider here locally because we believe that that would

1 provide the most seamless service to customers in the
2 transition.

3 Obviously that was GHL's choice to make, and
4 we facilitated some introductions between the parties,
5 but, you know, we are -- as I said, we are very pleased
6 that they chose to engage them because we believe that
7 this would provide the best possible transition,
8 especially for those customers you heard from at the
9 public hearing who were saying they appreciated the
10 service they got from PSE. We strongly believe that
11 this arrangement, the selection of GHL, their retention
12 of Fast is going to provide our customers with the best
13 possible proxy for the service that we currently provide
14 today while not being a -- any longer a PSE-provided
15 service.

16 COMMISSIONER RENDAHL: And is that
17 information going to be provided to customers in the
18 letters? I'm not sure it's currently included because
19 it wasn't part of the discussion during the settlement
20 negotiations and the -- the revised letters, but is that
21 something that GHL and PSE will include to customers in
22 the letters about their choices for going forward?

23 MR. EINSTEIN: Well, their choice going
24 forward is going to take service from GHL. We will --
25 you know, we're happy to talk to GHL about including the

1 mention of Fast as the local service provider. You
2 know, as to how GHJ chooses to market that to customers,
3 we'd have to discuss that with them.

4 COMMISSIONER RENDAHL: Okay. I was just
5 thinking it might provide some additional comfort to
6 customers in making their decision.

7 MR. EINSTEIN: Yes.

8 COMMISSIONER RENDAHL: So it's just a
9 question about going forward in the transition because
10 this is all about making the customers comfortable with
11 this transition because most of the customers don't seem
12 to be comfortable with change.

13 MR. EINSTEIN: Yes, no, I definitely
14 understand that. I think the -- the -- you know, the
15 minor tension point is just making sure we don't confuse
16 customers as to who they're actually going to be taking
17 service from as GHJ is the -- is the owner of the
18 business and the service provider. But certainly we'll
19 take that into consideration as a suggestion from you.

20 COMMISSIONER RENDAHL: Thank you.

21 And I have no further questions.

22 JUDGE HOWARD: Thank you.

23 Any further questions from the
24 Commissioners?

25 Hearing none, I'd like to thank the panel of

1 witnesses. We appreciate your testimony today, your
2 participation.

3 Is there any -- anything further we should
4 address before we adjourn? Hearing nothing, that
5 concludes the settlement hearing today and we are off
6 the record. Thank you.

7 (Adjourned at 10:17 a.m.)

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

C E R T I F I C A T E

STATE OF WASHINGTON
COUNTY OF THURSTON

I, Tayler Garlinghouse, a Certified Shorthand Reporter in and for the State of Washington, do hereby certify that the foregoing transcript is true and accurate to the best of my knowledge, skill and ability.

Tayler Garlinghouse

Tayler Garlinghouse, CCR 3358



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25