

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**DOCKETS UE-220066 & UG-220067
and UG-210918, (*Consolidated*)**

RESPONSE TESTIMONY OF

LORENA A. SHAH (EXH. LAS-1T)

ON BEHALF OF

THE ENERGY PROJECT

Low-Income Issues

Bill Discount Rate, Arrearage Management Plan

July 28, 2022

RESPONSE TESTIMONY OF LORENA A. SHAH (EXH. LAS-1T)

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I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Lorena A. Shah. My business address is 1111 Cornwall Ave,
Bellingham, WA 98225.

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

A: I am the Assistant Director of Community Programs at the Opportunity Council in
Bellingham, Washington, a Community Action Agency.

Q: How long have you been employed by the Opportunity Council?

A: I have been employed by the Opportunity Council from 2004-2007 and from 2009
to the present.

**Q: Would you please summarize your professional background as it relates to
low-income programs?**

A: From 2004-2005, I was the Energy Office Assistant at the Opportunity Council
answering phones and screening and scheduling for energy assistance
appointments. From 2005-2006, I was an Energy Intake Specialist conducting
energy assistance appointments, completing applications, receiving household
documents, and calculating award benefits. From 2006-2007 and in 2009, I was
the inaugural Conservation Education Lead processing weatherization,
conservation education, and home repair referrals, scheduling home visits, and
creating education materials. From 2009 to 2013, I was the Energy Services
Manager managing energy assistance, conservation education, and healthy homes,
including program planning, compliance, budgeting, and staff supervision and
development. From 2013 to early 2022, I was the Community Services Manager

1 managing all aspects of energy assistance, employment programs, and COVID
2 rental assistance programs. In May 2022 I became the Assistant Director of
3 Community Programs adding Asset Building, Care Coordination, Community
4 Resource Center, and Outreach projects to my portfolio of programs. I hold a
5 Bachelor of Arts from Humboldt State University (now Cal Poly Humboldt) in
6 Arcata, California, and a Masters of Arts from University of Essex in Colchester,
7 Essex, United Kingdom.

8 **Q: On whose behalf are you testifying?**

9 **A:** I am testifying on behalf of The Energy Project (TEP), an intervenor in this
10 proceeding, on behalf of the Community Action Partnership (CAP) organizations
11 that provide low-income energy efficiency and bill payment assistance for
12 customers in Puget Sound Energy's (PSE) service territory. These agencies
13 include: Byrd Barr Place; Community Action Council of Lewis, Mason,
14 Thurston; Community Action of Skagit County; Hopelink; Hopesource;
15 Metropolitan Development Council; Multi-Service Center; Kitsap Community
16 Resources; Opportunity Council; Pierce County Community Action, and
17 Snohomish County Community Action.

1 **II. PURPOSE AND SUMMARY OF TESTIMONY**

2 **Q: What is the scope of your testimony?**

3 A: My testimony is primarily concerned with the PSE programs that provide bill
4 assistance to low-income customers in PSE’s service territory, as well as selected
5 issues in this docket that impact low-income populations.

6 **Q: Could you please summarize your testimony?**

7 A: My testimony identifies concerns regarding the PSE proposal for a Bill Discount
8 Rate (BDR) and an Arrearage Management Program (AMP). In addition to these
9 areas, my testimony will also discuss issues regarding the basic monthly customer
10 charge, recovery of PSE’s COVID-19 costs and some credit and collection issues.

11 **III. HELP FUNDING**

12 **Q: Is TEP proposing any additional funding for the PSE Home Energy Lifeline**
13 **Program (HELP) in this docket?**

14 A: No. The Washington legislature, in passing SB 5295 last year, required that an
15 investor-owned utility filing a General Rate Case (GRC) with a multiyear rate
16 plan must include a proportionate increase in bill assistance. The bill assistance
17 increase must take effect in each year of the rate plan and be set, at a minimum, at
18 a level equal to double the percentage increase in residential base rates approved
19 for each year of the plan.¹ PSE included such an increase in its filing. As detailed
20 in the testimony of Birud D. Jhaveri,² PSE proposes the following increases

¹ RCW 80.28.425(2).

² Jhaveri, Exh. BDJ-1T at 83:27- 84:2.

1 combined for electric and gas funding:

2 October 1, 2023: \$9.05 million

3 October 1, 2024: \$1.54 million

4 October 1, 2025 \$0.75 million

5 The Energy Project does not propose any additional funding over and above these
6 amounts.

7 **IV. BILL DISCOUNT RATE**

8 **A. General Comments**

9 **Q: What is TEP's general view of bill discounts as a form of energy assistance**
10 **for low-income customers?**

11 A: Bill discounts are one of several reasonable approaches to making electric and
12 natural gas service affordable for low-income customers. The other primary tool
13 for assistance, the most common in Washington historically, is the energy
14 assistance grant. Washington utilities have for many years, with Commission
15 approval, offered low-income bill assistance through grant programs. Puget
16 Sound Energy's permanent bill assistance grant program, HELP, has been in
17 place for twenty years, since PSE agreed to implement the program as part of a
18 2002 rate case settlement.

19 The federal Low Income Home Energy Program (LIHEAP) is a grant
20 program, as are other types of assistance offered by PSE, such as the Salvation
21 Army Warm Home fund. The primary exception in Washington to these types of
22 grant programs is PacifiCorp's Low-Income Bill Assistance (LIBA) program.

23 The LIBA program was first initiated in 2003 and is provided under PacifiCorp's

1 Schedule 17. Low-Income Bill Assistance provides tiered discounts based on
2 income levels for customers with incomes up to 200 percent of Federal Poverty
3 Level (FPL).

4 With the passage of SB 5295 in 2021, along with grants and other low-
5 income programs, the Washington legislature required Washington regulated
6 utilities to propose bill discount rates when the utility files a general rate case.³ In
7 keeping with the statute, PSE has proposed such a discount rate in this case,

8 **Q: How would you compare grant programs to discount rate programs?**

9 A. A discount rate is forward-looking assistance, providing the customer with an on-
10 going “break” on the bill each month. Grants provide a credit to the customer’s
11 account which can be drawn upon to offset bills going forward for the full
12 program year until exhausted. A very important additional feature of the grant is
13 that it can be applied to a customer’s past due balance (arrearage).

14 **Q: Have you reviewed the PSE BDR proposal in this case?**

15 A: Yes.

16 **Q: What is your understanding of what PSE is requesting?**

17 A: PSE states that it is asking the Commission to approve its BDR proposal as filed,
18 without modification, including the program design and tariffs, in the final order
19 in this GRC, to take effect in October of 2023.⁴

³ RCW 80.28.068(1).

⁴ PSE Response to TEP Data Request No. 43(a).

1 **Q: What is TEP's general response to the PSE BDR proposal?**

2 A: The Energy Project agrees that PSE should adopt a bill discount program as part
3 of its portfolio of energy assistance in time for the program year beginning
4 October 1, 2023. However, TEP believes it is premature for the Commission to
5 approve the as-filed BDR in its final order in this case. The Commission should
6 instead direct the Company to work further with its stakeholders to finalize the
7 discount rate plan to address the issues discussed in my testimony. The finalized
8 plan would be brought back to the Commission in time for approval and
9 implementation in October 2023

10 **Q: Why is it premature to approve the BDR now?**

11 A: Approval of the BDR in its current form would be premature and problematic for
12 several reasons:

- 13 • Puget Sound Energy's main planning process for the program has
14 not yet begun and internal PSE approval has not yet been received.
- 15 • No major stakeholder has approved or stated support for the program
16 design. The stakeholder work group formed to focus on the BDR
17 has only just begun its work.
- 18 • Some aspects of the program design are problematic and some
19 customers may lose benefits.
- 20 • Puget Sound Energy has not yet determined how to track the impact
21 and effectiveness of the BDR, including metrics.
- 22 • Puget Sound Energy has not yet developed a communications plan
23 for the bill discount.

- 1 • Puget Sound Energy administrative costs are not known and tariff
2 amounts are not determined.
- 3 • Adequate planning for coordination with PSE’s partner agencies
4 (including Community Action Agencies) for implementation has not
5 yet occurred and plans are unclear.

6 I will elaborate on each of these concerns in my testimony below.

7 **Planning**

8 **Q: What is your understanding regarding PSE’s planning process for the BDR**
9 **program?**

10 **A:** Planning appears to be only at the very preliminary stages. Puget Sound Energy
11 witness Carol Wallace attached to her testimony a copy of the Corporate
12 Spending Authorization (CSA) for the BDR.⁵ The CSA states that the “Start
13 Date” for the planning process for the BDR proposal is January 2023. In response
14 to discovery, PSE explained that the Start Date “is the date a project team will be
15 assigned to begin the planning phase of the project. Activities described include:
16 a kick-off meeting, high level requirement identification, and development of a
17 timeline for the design phase of the project.”⁶ Puget Sound Energy states it
18 anticipates four phases for the BDR project -- Planning, Design, Execution and
19 Closeout --- to take place over a period of 15 months. The CSA describes the
20 project as “complex and not well-articulated.”⁷

⁵ Wallace, Exh. CLW-6.

⁶ PSE Response TEP Data Request No. 44 (c).

⁷ Wallace, Exh. CLW-7 at 3.

1 The Planning phase, from January through February 2023, “is when a
2 project team is created, high level requirements are identified, risks or impacts are
3 identified, and the project plan is created. The Design phase, from March through
4 May 2023, “is when detailed level requirements are created to define the business
5 and technical processes.”⁸

6 In the Execution Phase, from June 2023 through December 2023, “the
7 project team builds what was agreed upon in design. The systems and processes
8 are tested, all necessary training is performed, and internal and external customers
9 receive communication. Systems and processes are then deployed and monitored
10 to ensure that anticipated processes are working correctly.”⁹

11 Finally, in the Closeout phase, from Jan 2024 through March 2024,
12 “knowledge transfer from the project team to the business operations and
13 technical team occurs to support the system and process needs, as the project team
14 completes the implementation of the scope of the project.”¹⁰

15 **Q: Does PSE have any activities planned regarding the BDR prior to the**
16 **January 2023 Start Date, to your knowledge?**

17 **A:** The Energy Project asked PSE this question in discovery. Puget Sound Energy
18 responded that “PSE has had one small work group meeting where members from
19 PSE’s Community Action Partner Agencies, the Low-Income Advisory
20 Committee, the Washington Utilities & Transportation Commission, and Public
21 Counsel attended and where some high-level BDR items were discussed. Puget

⁸ PSE Response to TEP Data Request No. 44(e).

⁹ *Id.*

¹⁰ *Id.*

1 Sound Energy is planning to continue to meet with this workgroup in 2022;
2 however, the BDR project is not currently scheduled to begin until January
3 2023.”¹¹ This is consistent with their Start Date for the project planning discussed
4 above, so it appears that PSE’s in-depth internal planning and stakeholder work
5 for BDR won’t begin until early next year.

6 Since the GRC was filed, it is my understanding that one additional
7 meeting of the small work group has been held. I am not aware of any new work
8 group meetings currently scheduled during the rate case. It is unclear whether any
9 meaningful planning will take place prior to 2023.

10 **Q: Has PSE indicated how it intends to track the effectiveness and impact of the**
11 **BDR, or identified metrics?**

12 **A:** No. In response to a data request from Commission Staff, PSE states that “PSE
13 will determine how to track the impact and effectiveness of the BDR, including
14 metrics, during the design phase of the project.” The Design Phase is scheduled
15 for March through May 2023.¹²

¹¹ PSE Response to TEP Data Request No. 44(d).

¹² PSE Response to Staff Data Request No. 239.

1 **Q: Has PSE developed a communication plan for the bill discount?**

2 A: No. When asked this question by Staff, PSE states that it “will develop the
3 communications plan for the BDR during the project design phase.” As just
4 noted, this phase takes place in March through May 2023.¹³

5 **Q: Do you know if PSE management has finally approved the BDR project?**

6 A: It appears not. The “Approvals” section of the CSA for the BDR project is blank.
7 When asked about this in discovery, PSE stated that “[t]hese approvals are for
8 when the project moves through different activities of planning, design,
9 execution, deployment, monitoring, and close out as applicable. As this project is
10 not yet active, the approval fields are currently blank.” As I noted above,
11 according to PSE these planning phases do not start until January 2023.

12 **Administrative Cost and Tariff Rates**

13 **Q: Has PSE provided information about the administrative costs of the BDR?**

14 A: Not at this time. Puget Sound Energy witness Birud D. Jhaveri testifies that “[t]he
15 program’s administrative costs are currently unknown and are assumed at \$0.” In
16 responds to discovery, PSE explained that it has not conducted any internal
17 estimates, projections, or other cost analysis regarding administrative costs for the
18 BDR program and that this analysis will not occur until the execution of the
19 project in 2023.¹⁴

¹³ *Id.*

¹⁴ PSE Response to TEP Data Request No. 49.

1 **Q: Has PSE determined the tariff rates for the BDR program?**

2 A: No. The proposed tariff rates for the discount program (Schedule 129D) filed
3 with the GRC show a tariff rate of zero.¹⁵

4 **Program Year Mismatch**

5 **Q: What is PSE proposing for the “program year” for BDR?**

6 A: After a transitional period from October 2023 to December 2024, PSE is
7 proposing that the BDR program year be based on a calendar year (January 1-
8 December 31).

9 **Q: Do you have a concern about the “program year” proposal made by PSE?**

10 A: Yes. Currently the “program year” for PSE’s HELP bill assistance program runs
11 from October 1 to September 30. This has at least two benefits: (1) appropriate
12 seasonality; and (2) coordination with federal LIHEAP.

13 In terms of seasonality, the program year is tailored to the Pacific
14 Northwest winter heating season. Particularly in PSE’s service territory, customer
15 need for bill assistance is at its greatest in the winter months when bills increase
16 as result of result of home heating. Demand for and distribution of assistance
17 ramps up in the fall months. While PSE proposes a changed program year for the
18 BDR, PSE witness Birud D. Jhaveri testified that the statutorily required bill
19 assistance will be provided annually consistent with the existing program year
20 schedule.¹⁶

¹⁵ Jhaveri, Exh. BDJ-19, Sch. 129D.

¹⁶ Jhaveri, Exh. BDJ-1T at 83:27-84:7.

1 Secondly, the federal LIHEAP program utilizes an October to September
2 program year. Puget Sound Energy’s proposal would mean two different program
3 years would be in use simultaneously for similar types of customer assistance
4 which are provided in coordination with each other. This may create
5 administrative inefficiency or confusion.

6 **Absence of Stakeholder Support**

7 **Q: Does PSE represent that its BDR proposal has been approved by its**
8 **stakeholders?**

9 A: No. In discovery PSE was asked whether PSE is representing that any of the key
10 stakeholders have agreed in full to the BDR proposal. Puget Sound Energy
11 responded that it is “not representing agreement in full from key stakeholders for
12 the BDR.”¹⁷ Puget Sound Energy stated that stakeholders provided feedback
13 which was used where feasible to develop the preliminary proposal.
14 As Ms. Wallace indicates in her testimony, PSE conducted initial outreach to
15 stakeholders to begin outreach about the discount rate proposal through meetings
16 and presentations and discussions. However, these were preliminary in nature
17 and as Ms. Wallace indicates, helped PSE to identify plan elements that “needed
18 to be determined as part of the program design process” in the future.¹⁸
19 Agreement was not reached on the final plan, and PSE itself states that planning
20 and design has not yet begun.

¹⁷ PSE Response to TEP Data Request No. 71.

¹⁸ Wallace, Exh. CLW-1T at 6-7.

1 Coming out of the preliminary discussions, the stakeholders and the
2 Company determined that, due to the significance and complexity of the program
3 changes planned, a workgroup should be established that could focus on the
4 development of the BDR design and implementation issues. As PSE notes, the
5 stakeholder workgroup has just begun its work, and only one small workgroup
6 meeting had been held, according to the Company, prior to the GRC filing. It is
7 not clear how much work will take place in the group prior to the beginning of
8 PSE's 2023 planning phase.

9 Under these circumstances, going forward to seek Commission approval
10 of the BDR as-filed without this stakeholder workgroup process, does not appear
11 consistent with the legislative intent in SB 5295 that the Company "must use
12 reasonable and good faith efforts to seek approval for low-income program
13 design, eligibility, operation, outreach, and funding proposals from its low-
14 income and equity advisory groups in advance of filing such proposals with the
15 commission."¹⁹ The Company should continue to work with its stakeholders in its
16 planning process in an effort to bring a broadly supported program to the
17 Commission for approval.

18 **Agency Coordination**

19 **Q: What is your understanding of PSE's plans for coordination with the**
20 **agencies that deliver bill assistance regarding the rollout and implementation**
21 **of the new BDR program?**

¹⁹ RCW 80.28.068 (1).

1 A: SB 5295 specifies that “low-income discounts or grants approved [under the
2 statute] must be provided in coordination with community based organizations in
3 the company’s service territory, including, but not limited to grantees of the
4 department of commerce, community action agencies, and community-based
5 nonprofit organizations.”²⁰ Ms. Wallace testified that the CAP agencies will be
6 involved in program delivery, including application, eligibility determination, and
7 audit activity.²¹ In discovery PSE was asked to provide its plans for working with
8 the CAP agencies to prepare for program implementation by the stated
9 implantation date of October 1, 2023. PSE was asked to provide any available
10 written documentation of implementation planning, including agency functions,
11 technical requirements (e.g., software changes, schedules, training dates) and any
12 other planned actions.

13 Puget Sound Energy’s answer referenced the project timeline I discussed
14 above, which has a “Start Date” for the planning process of January 1, 2023.
15 Puget Sound Energy also referenced Low-Income Advisory Group meetings
16 which have already occurred which agencies attended, and quarterly PSE HELP
17 Managers Meetings. These meetings occurred before the program has been
18 finalized. As PSE itself states, “there is no further documentation available as
19 technical requirements and functions are part of the capital project process, which
20 will begin January 1, 2023.”²²

²⁰ *Id.*

²¹ Wallace, Exh. CLW-1T at 25:6-13.

²² PSE Response to TEP Data Request No. 52.

1 The Energy Project’s concern is that while preliminary discussions may
2 have been held with agencies, as reflected in the meeting notes, PSE is
3 acknowledging that the focused technical training and planning for
4 implementation has not yet begun, either within PSE, or with the agencies. No
5 plans, schedules, agency functions, or technical requirements are available. This
6 is problematic. The current HELP assistance grant program has been in place for
7 twenty years. The introduction of a discount rate structure and the modification
8 of HELP to operate in a hybrid program is a significant change. It is not practical
9 or realistic to efficiently transform overnight a system that delivers assistance to
10 tens of thousands of customers through a dozen agencies, in coordination with the
11 federal LIHEAP program.

12 Puget Sound Energy’s own past experience confirms this. The rollout of
13 the Get-to-Zero program, for example, involved twelve HELP manager and
14 advisory group meetings for over a year prior to project start. The period from
15 “project start” to “in-service date” was another ten months, during which fifteen
16 more meetings were held, including HELP manager meetings, advisory group
17 meetings and multiple training sessions.²³

18 Here, PSE has filed a request for approval of an unfinished discount rate
19 program without stakeholder support and with a stakeholder process yet to be
20 completed. Its own internal planning and approval process will not take place
21 until after the Commission issued a final order in this case. There is a serious

²³ PSE Response to TEP Data Request No. 91.

1 question about whether there is sufficient time for agency coordination on
2 implementation on the Company's stated timelines.

3 **Program Cost Recovery**

4 **Q: Is there an issue with the recovery of the costs for PSE's ratepayer funded**
5 **bill assistance?**

6 A: Historically, there has not been an issue about recovery of program costs for bill
7 assistance. Recovery of the cost of the direct financial assistance provided to
8 customers and of program operation and administrative costs has occurred under
9 Schedule 129 and has not generally been controversial. The Energy Project seeks
10 to ensure in this case that this status quo is maintained as to the type of costs that
11 are recovered from ratepayers. The Energy Project understands that costs of the
12 BDR assistance, including administrative costs are recoverable, comparable to the
13 way the HELP costs are currently recovered. However, TEP is seeking to
14 confirm in discovery whether PSE is seeking to expand the types of costs which it
15 recovers in connection with its discount or other low-income programs. If a
16 concern arises, TEP may request that the Commission clarify by order that PSE
17 may not expand the types or categories of costs that are recovered in the low-
18 income tariffs.

19 **B. Program Design Issues with BDR**

20 **Q: Do you have any concerns with the preliminary program design proposal for**
21 **a BDR described by PSE?**

22 A: Yes. I have several concerns: (1) the BDR itself is limited to customers at or
23 below 50 percent of Area Median Income (AMI), rather than being made

1 available to all low-income customers; (2) the modifications to the existing HELP
2 are unclear; (3) the benefits projected for some customers may be lower than
3 under the existing HELP plan; and (4) more work is needed to create an integrated
4 assistance approach which includes an AMP along with bill assistance.

5 **Customer Eligibility**

6 **Q: Why is it problematic that the BDR would only be provided to customers at**
7 **or below 50 percent of AMI?**

8 A: It is preferable that low-income bill assistance programs be offered to all eligible
9 customers, if possible, unless there are particular reasons for targeting assistance.
10 This has long been the case with the PSE HELP, where all customers meeting the
11 definition of low-income in the tariff are eligible, with assistance then varying
12 based on income and household size. The federal LIHEAP is similarly designed.
13 PacifiCorp has had a discount program for many years, and it is now offered to all
14 customers who are classified as low-income, up to 200 percent FPL.²⁴

15 Most recently, Avista has proposed a BDR to be in compliance with
16 Washington's new law adopted in SB 5295. Avista's program will be offered to
17 all low-income customers. This proposal has been agreed to by all major
18 stakeholders, including Public Counsel, Commission Staff, NWEC, and The
19 Energy Project and is before the Commission for approval as part of a multiparty
20 Settlement Stipulation of the current Avista GRC.²⁵

²⁴ PacifiCorp, Schedule 17.

²⁵ *Washington Utilities & Transportation Commission v Avista Corporation d/b/a Avista Utilities*, Dockets UE-220053, UG-220054, and UE-210854, Full Multiparty Settlement Stipulation (June 28, 2022).

1 Making the discount available to all low-income customers avoids the risk
2 of creating somewhat arbitrary subdivisions between low-income customers. The
3 subdivision may not be understood by customers and may be perceived as
4 inequitable. A customer at 55 percent of AMI may not understand why a discount
5 rate is not offered to her household, while it is available to someone at 50 percent
6 AMI. The PSE proposal also introduces additional complexity, in terms of
7 program administration, with otherwise similar groups of customers being eligible
8 for a grant versus a discount program. If a household income changes from year
9 to year the customer would have to be moved back and forth between programs.

10 **Interaction with the HELP program**

11 **Q: Do you have concerns about how the new BDR and the existing HELP**
12 **program will work together?**

13 A: Yes. While PSE states that the two programs will be complementary, the
14 relationship remains somewhat unclear. The current HELP is a grant program
15 which provides a lump-sum payment as a credit to a customer's account. This
16 grant can be used both to pay any arrearage and as a credit towards ongoing
17 energy bills. Under its new proposal, PSE states that HELP will continue, but that
18 the benefit will be calculated as a percentage discount. At the same time, PSE
19 explains that the HELP benefit would still be provided as a grant. It is not
20 entirely clear how this will work.

1 Puget Sound Energy states that the new BDR will only be available to
2 customers at or below 50 percent of AMI.²⁶ Elsewhere in testimony, however,
3 PSE describes an overall program that apparently would provide a percentage
4 discount to all low-income customers, including those up to 80 percent of AMI or
5 200 percent of FPL, whichever is greater.²⁷ When asked to clarify this plan in
6 discovery, PSE then stated that while the HELP assistance amounts would be
7 calculated on a percentage basis, HELP will actually still be provided as grants,
8 not as a discount rate.²⁸ Again, the overall operational details and rationale for
9 this approach are unclear. Further development and planning is required, in
10 collaboration with stakeholders, to determine the relationship and the role which
11 the HELP will play as part of an integrated bill assistance framework.

12 **Avoiding Potential Loss of Benefits**

13 **Q: Do you have a concern about the level of benefits that customers would**
14 **receive under the new program as compared to previously?**

15 **A:** Yes. It is important that PSE's new program be designed so that a household will
16 not be worse off under the new program than under the existing HELP program,
17 particularly with regard to payment of arrearages. Based on initial discovery,
18 TEP had a concern that there could be instances under certain scenarios where
19 benefits could be lower under the new program in regard to arrearage payment.
20 The Energy Project is still reviewing this issue based on additional comparison
21 scenarios provided by PSE in response to discovery. In any event, this is an issue

²⁶ Wallace, Exh. CLW-1T at 24:1-6.

²⁷ Wallace, Exh. CLW-1T at 24:9-14.

²⁸ PSE Response to TEP Data Request No. 78 (c).

1 which is most appropriate for PSE and stakeholders to address in the upcoming
2 planning and design phases which the Company will be initiating. Premature
3 approval of the as-filed BDR program would not allow the opportunity for that
4 review to occur.

5 **V. ARREARAGE MANAGEMENT PLAN**

6 **Q: Could you please explain the concept of an AMP?**

7 A: Yes. Typically, an AMP allows a customer with an outstanding balance to enter
8 into an agreement with the company to make ongoing payments to pay for
9 monthly usage for a set period of time in exchange for a credit/forgiveness of the
10 past due balance (arrearage) of a predetermined amount.

11 **Q: Has the Commission encouraged the adoption of AMP for Washington**
12 **IOUs?**

13 A: Yes. In October 2020, in its COVID-19 relief docket, the Commission ordered
14 Washington regulated utilities to explore development of an AMP, Percentage of
15 Income Plan (PIPP) or other potential programs, in order to address potential
16 long-term solutions for customers' energy burdens beyond time payment plans,
17 including the cost of development and implementation. Discussions were
18 required to be started within 60 days.²⁹

19 **Q: Do arrearages continue to be a significant problem for PSE customers?**

20 A: Yes. Arrearage levels increased substantially as a result of the pandemic. While
21 an increase of bill assistance funding during the pandemic helped to mitigate this

²⁹ *In the Matter Of Response To The COVID-19 Pandemic*, Docket U-200281, Order 01, ¶ 21 and Appendix A.

1 somewhat, arrearage levels have remained persistently high. Arrearage data is
2 being reported to the Commission in the COVID-19 relief docket U-200281. As
3 of April, 2022, PSE's arrearages had reached \$73.3 million, according to a
4 presentation by Commission Staff at a recent technical workshop regarding equity
5 and customer outreach in the COVID-19 docket.³⁰ In addition, PSE's top five zip
6 codes for arrearages as of March 2022 all contained highly impacted
7 communities.³¹

8 **Q: Has PSE developed an AMP?**

9 A: That is my understanding, although the details of PSE's AMP implementation
10 plans are somewhat unclear. Ms. Wallace indicates that PSE will be starting a
11 pilot AMP program in the third quarter of 2023. Puget Sound Energy is not
12 seeking approval of the pilot in this docket, however, but is seeking approval for
13 the permanent AMP program, with an in-service date of October 2024.³²

14 Some details of the plan are not clear and apparently have not been
15 developed yet. Puget Sound Energy states that the manner in which arrearages
16 will be paid off will not be determined until the project design phase which has
17 not yet begun.³³ Puget Sound Energy does not have a projection of the number of
18 customers that will be served by the AMP.³⁴ Eligibility and projected costs,

³⁰ Docket U-200281, June 15, 2022 Technical Workshop on Equity, Customer Communications and Outreach, UTC Staff Workshop Slide Deck, at page 13 (June 16, 2022).

³¹ *Id.*, at page 17.

³² PSE Response to TEP Data Request No. 63.

³³ PSE Response to TEP Data Request No. 57.

³⁴ PSE Response to TEP Data Request No. 59.

1 beyond capital costs, have not been determined.³⁵ Ms. Wallace states that “PSE
2 will propose a permanent AMP program launch in 2023” based on the pilot.

3 On the other hand, Ms. Wallace provides as an attachment to her
4 testimony a Corporate Spending Authorization containing a description of a
5 proposed AMP. The program is described in detail in the CSA.³⁶ In summary, an
6 eligible customer with up to \$2500 in arrearages, over 60 days overdue, can
7 receive a credit for 1/12 of the past due balance if monthly usage is paid for 12
8 consecutive months. If a customer misses three monthly payments they are
9 removed from the AMP and all current and past due amounts become payable.
10 This describes a reasonable framework for an AMP and it is not clear why two
11 more years would be required before the program could be implemented.

12 **Q: What reason does PSE provide for not proposing an AMP to be in service**
13 **before 2024?**

14 A: The reasons appear to be administrative in nature. In discovery PSE was asked
15 why, given that in October 2020 the Commission required Washington utilities to
16 explore AMPs, and Avista has adopted such a plan, PSE was not proposing to
17 implement AMP until late 2024. Puget Sound Energy replied that “[d]ue to
18 budget constraints, PSE had to prioritize projects. The Bill Discount Rate was a
19 higher priority and will be implemented first. Consistent with Order 01 in Docket
20 U-200281, PSE is exploring AMPs.”

³⁵ PSE Responses to TEP Data Request Nos. 60 and 61.

³⁶ Wallace, Exh. CLW-6 at 2.

1 **Q: What is your concern about PSE’s approach to adopting an AMP?**

2 A: The Energy Project is pleased that PSE now is committing to the adoption of a
3 permanent AMP. The concern relates to PSE’s proposed timing. As noted, PSE
4 indicates that its AMP would be not be adopted until October 2024, one year after
5 introduction of the BDR and four years after the Commission’s Order in the
6 COVID-19 relief docket U-200281. Arrearage levels remain troublingly high,
7 creating additional urgency. Having an AMP in place at the time of the
8 introduction of the BDR should be a key part of an integrated package of
9 programs to address affordability of energy. Avista has proposed such an
10 approach in its GRC. In the past, grant programs such as HELP have been
11 available to help pay for arrearages. Bill discounts, on the other hand, do not
12 address arrearages. To the extent that PSE’s bill assistance moves toward
13 discount rates, there is a potential gap in addressing customer needs.

14 For these reasons, TEP recommends that the PSE AMP should be in place
15 for customers at the time that BDR is introduced, not at a later time. Building on
16 the framework outline in the CSA, PSE can work with its Low-Income Advisory
17 Group to finalize the plan for adoption.

18 **VI. THE ENERGY PROJECT LOW-INCOME RECOMMENDATIONS**

19 **Q: Can you please summarize TEP’s recommendations for PSE’s BDR and**
20 **AMP.**

21 A: Yes. The Energy Project believes it would be premature for the Commission to
22 approve the BDR proposal in its as-filed form. Additional work is needed in
23 coordination with stakeholders, including the existing work group created for the

1 purpose, in order to finalize the BDR plan, which should incorporate the
2 following key features:

- 3 • The BDR should serve all low-income customers up to 80 percent
4 AMI or 200 percent FPL, whichever is greater.
- 5 • Discounts would be based on a multi-tier structure.
- 6 • The plan would include implementation of an AMP concurrent
7 with the introduction of the discount rate.
- 8 • The program year would remain as it is currently, running from
9 October 1 to September 30.
- 10 • Puget Sound Energy would provide an integrated plan which
11 would include the BDR, and AMP, and a clear delineation of the
12 role of the HELP.
- 13 • No recovery through low-income tariff riders of new types or
14 categories of costs.
- 15 • Develop a plan for timely coordination with agencies regarding
16 implementation and delivery of the integrated plan.
- 17 • Require the BDR and AMP to be presented to the Commission for
18 approval in time for the program year beginning October 1, 2023.

19 **VII. OTHER ISSUES AFFECTING LOW-INCOME CUSTOMERS**

20 **A. Credit and Collection**

21 **Q: Does TEP have any recommendations regarding PSE's credit and collection**
22 **practices?**

1 A: Yes. The Energy Project has two recommendations in this docket: (1) Puget
2 Sound Energy should continue to offer time payment plans for 18 months to allow
3 customers to pay off overdue balances, with no down payment requirement; and
4 (2) Puget Sound Energy should refrain from referring customers to collection
5 agencies, or reporting them to credit rating agencies. Both of these protections
6 are important for customers who continue to face economic challenges emerging
7 from the pandemic, helping them to stay connected to utility service. They are
8 also important because the added protection that utilities must contact UTC's
9 Consumer Protection Division prior to disconnection will end in October 2022.

10 **Q: Why are you making these recommendations at this time?**

11 A: Both of these customer protections were put in place as part of the COVID-19
12 relief framework established by the Commission in its Orders in Docket U-
13 200281. Both expired on March 30, 2022. However, the Commission has
14 initiated a rulemaking in Docket U-210800 to review all its credit and collection
15 rules. It makes sense in terms of continuity for the Company to keep these
16 protections in place until the Commission makes a final decision about
17 appropriate practices in its rulemaking. In addition, customers still face high
18 arrearages and still need these tools to help them reduce the risk of disconnection.

19 **Q: Has PSE stated a position on these issues?**

20 A: Yes, in part. In response to discovery, PSE has indicated that it is currently
21 offering payment terms up to 18 months and is willing to continue to do so until
22 credit and collection rulemaking related to Docket 210800 has concluded. Puget

1 Sound Energy does not require any down payment amount to be paid for any of
2 its payment plans.³⁷

3 I am not aware that PSE has taken a position regarding referral to
4 collection agencies in this docket. The Energy Project requests that the
5 Commission also consider extending this protection to its customers until the end
6 of the credit and collection rulemaking.

7 **Q: Does TEP have any other concerns about credit and collection issues?**

8 A: Yes. The Energy Project believes that the full review of regulated utility credit
9 and collection practices currently under way in the Commission’s credit and
10 collection rulemaking (Docket U-210800) is essential. As one example, TEP has
11 a particular interest in the Company’s use of credit scoring as part of its credit and
12 collections process. The experience of the pandemic for low-income, vulnerable
13 populations and highly impacted communities has made it clear that simply
14 returning to “business as usual” and reinstating pre-pandemic credit and collection
15 practices and policies is not an appropriate policy choice.

16 **B. COVID-19 Cost Recovery**

17 **Q: Please explain TEP’s position on COVID-19 cost recovery.**

18 A: The Energy Project requests that the Commission not approve PSE’s request to
19 recover certain deferred COVID-19 related costs from customers in rates. The
20 Energy Project is concerned in particular with two categories of costs: (1) direct

³⁷ PSE Response to TEP Data Request No. 83, subpart 1. PSE Response to TEP Data Request No. 85.

1 costs; and (2) unrecovered fees (late payment fees/disconnection
2 fees/reconnection fees).

3 **Q: What is the concern regarding direct costs?**

4 A: I am not a revenue requirement analyst so my concerns are based on policy and
5 equity considerations. In this cost category, PSE is asking its customers to pay
6 the Company's costs for items like personal protective equipment, cleaning
7 supplies, medical testing, and equipment for remote work options. These types of
8 costs were incurred by nearly every individual household in Washington state
9 including PSE's customers. These customers had no ability to shift the costs to
10 someone else, the costs were just borne as part of coping with the pandemic.
11 There is a fundamental inequity in PSE now asking its own customers to bear the
12 Company's PPE, cleaning, and remote work costs, on top of their own. The
13 Commission should also examine whether these costs were offset by savings that
14 the Company experienced during the pandemic.

15 **Q: What is the concern regarding recovery of unrecovered fees?**

16 A: The basic issue here is whether it is appropriate for PSE to now charge all its
17 customers for unrecovered "uncharged" fees (late
18 payment/disconnection/reconnection) during the pandemic, fees which it was
19 barred from charging during the pandemic by proclamations of the Governor and
20 by Orders of the Commission. Puget Sound Energy had no right to recover these
21 fees from customers at the time and they were never charged. It is unfair to now
22 permit the Company to, in effect, charge those prohibited fees to all of its
23 customers by including them in rates going forward. While I am not an attorney,

1 I am aware that the Attorney General's Office of Public Counsel, The Energy
2 Project, and the Commission's Staff all raised questions about the legality of
3 recovering this category of COVID-19 costs at the time deferral of the costs was
4 requested. The Commission should not allow these costs to now be included in
5 rates.

6 **C. Monthly Customer Charge Increase**

7 **Q: Please explain TEP's position regarding PSE's proposal.**

8 A: In this case, PSE proposes to increase its basic monthly customer charges for
9 both electric and gas residential customers. The electric monthly charge would
10 increase by 10 percent for \$7.49 to \$8.24. The natural gas monthly charge would
11 increase slightly more than 10 percent from \$11.52 to \$12.75 (Schedule 23).

12 While I have not conducted a cost-of-service analysis, I have policy
13 concerns with allowing an increase in these charges. Increases in the basic
14 customer charge reduce the customer's ability to control their own household
15 utility bills. A reduction in usage by the customer has a smaller impact on the
16 bill, since a larger portion is unaffected by their behavior. As a result, customers
17 have a diminished price incentive to reduce their usage, and therefore, their utility
18 bill, through conservation. Increases in basic charges, therefore, run counter to
19 state policies and utility programs that promote energy efficiency and encourage
20 customer to weatherize homes, purchase energy-efficient appliances and reduce
21 usage in other ways.

22 In addition, as a general proposition, increases to the basic customer
23 charge disproportionately burden low volume customers, since a greater portion

1 of the bill is fixed, relative to higher use customers. For these policy reasons,
2 increases to basic customer charges should be avoided or minimized where
3 possible.

4 VIII. CONCLUSION

5 **Q: Please summarize your recommendations.**

6 **A:** The Energy Project respectfully recommends that the Commission:

- 7 • Approve PSE’s proposed increases to bill assistance funding for each
8 year of the rate plan.
- 9 • Not approve PSE’s BDR in this GRC order, but require PSE to file a
10 finalized BDR proposal and related tariffs in a timely fashion to allow
11 for implementation by October 1, 2023, after consultation and
12 coordination with its low-income Advisory Group and affected
13 agencies, including through the designated work group.
- 14 • Adopt a permanent AMP to take effect on October 1, 2023, concurrent
15 with the introduction of the BDR.
- 16 • Require the BDR proposal to include:
 - 17 ○ The BDR should serve all low-income customers up to 80 percent
18 AMI or 200 percent FPL, whichever is greater.
 - 19 ○ Discounts to be based on a multi-tier structure.
 - 20 ○ The program year would remain as it is currently, running from
21 October 1 to September 30.
 - 22 ○ An integrated plan which includes the BDR, and AMP, and a clear
23 delineation of the role of the HELP.

- 1 ○ No recovery through low-income tariff riders of new types or
2 categories of costs.
- 3 ○ Develop a plan for timely coordination with agencies regarding
4 implementation and delivery of the integrated plan.
- 5 ○ Require the BDR and AMP to be presented to the Commission for
6 approval in time for the program year beginning October 1, 2023.
- 7 • Not approve the proposed increases to the basic monthly charge for
8 electric and natural gas service.
- 9 • Not approve direct costs or unrecovered fees related to the COVID-19
10 pandemic.
- 11 • Extend the requirement to offer 18-month time payment arrangements
12 until the conclusion of the credit and collection rulemaking.
- 13 • Extend the prohibition on referral of customers to collection agencies
14 until the conclusion of the credit and collection rulemaking.

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

16 **A: Yes.**