

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKET UE-240004 and UG-240005
(Consolidated)

TESTIMONY OF SHAYLEE N. STOKES

DIRECTOR OF THE ENERGY PROJECT

EXHIBIT SNS-1T

August 6, 2024

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- SNS-10 Gabriela Sandoval & Mark Toney, *Living Without Power: Health Impacts of Utility Shutoffs in California* (TURN 2018)
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1 **I. Introduction**

2 **Q: Please state your name, pronouns, and business address.**

3 A: My name is Shaylee Nicole Stokes and I use the pronouns she, her, and hers. My
4 business address is PO Box 7130, Olympia, WA 98507.

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

6 A: I am employed by the Washington State Community Action Partnership as the Director
7 of The Energy Project (TEP). TEP was previously a program of the Opportunity Council,
8 and is now housed at Washington State Community Action Partnership.

9 **Q: How long have you been employed by the Washington State Community Action
10 Partnership?**

11 A: I became TEP Director in September 2023. Prior to this, I was the Senior Manager of
12 Energy Programs at Hopelink, a Community Action Agency that serves low-income
13 families, children, seniors, and people with disabilities in King County.

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

16 A: I have been involved in the administration and design of low-income programs for more
17 than a decade. Hopelink hired me in 2010 to screen customers for energy assistance,
18 review customers' energy assistance applications, and award energy assistance grants to
19 low-income customers. Over time, I moved into a management role, training front-line
20 staff in the administration of energy assistance procedures and approving payments. By
21 the time of my departure in 2023, I was the Senior Manager of Energy Programs, leading
22 a staff of more than 30 in the day-to-day administration of energy assistance programs. In
23 2024, I was selected to serve on the Governance Board of the National Energy & Utility
24 Affordability Coalition. I hold a Bachelor of Arts from the University of Washington in

1 Seattle, WA. Exhibit SNS-2, included with this testimony, provides additional
2 information on my qualifications and professional experience.

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

4 A: I am testifying on behalf of TEP, an intervenor in this proceeding that represents the
5 interests of low-income customers and vulnerable populations. TEP works with
6 Community Action Agencies (CAAs or agencies) that provide low-income
7 weatherization and bill payment assistance for customers in Puget Sound Energy's
8 (PSE's or Company's) service territory.

9 **Q: Have you previously testified before the Washington Utilities and Transportation
10 Commission (UTC or Commission)?**

11 A: Yes. I provided testimony concerning PacifiCorp's 2023 General Rate Case, Docket UE-
12 230172; PacifiCorp's inaugural Clean Energy Implementation Plan, Docket UE-210829;
13 Puget Sound Energy's 2022 General Rate Case, Docket UE-220066/UG-220067; and
14 Avista Corporation's 2024 General Rate Case, Docket UE-240006/UG-240007. I also
15 previously provided public comments at UTC workshops and have worked closely with
16 Commission staff on numerous occasions, including as a member of PSE's low-income
17 advisory committee (LIAC) since 2018.

18 **Q: Are you sponsoring any exhibits?**

19 A: Yes, as described in the Exhibit List, I am sponsoring exhibits SNS-2 through SNS-18.

20 **II. Purpose and Summary of TEP's Testimony.**

21 **Q: Who are TEP's witnesses in this case, and what is the scope of their testimony?**

22 A: Roger Colton and I provide testimony for TEP. My testimony primarily concerns PSE's
23 low-income customer service and how PSE's requested rates affect low-income
24 ratepayers. Roger Colton analyzes the affordability of PSE's bills and identifies the

1 disproportionate impact of inflation and higher customer charges on low-income
2 households. Witness Colton also devotes a significant portion of his testimony to
3 analyzing the affordability, arrearage, and disconnection metrics reported at the census
4 tract level pursuant to PSE's multi-year rate plan.

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

6 A: Yes. My testimony addresses nine issues related to equity, affordability, and low-income
7 customer service.

8 First, I outline several of TEP's concerns with PSE's approach to working with
9 the LIAC. The Commission established the LIAC to serve as a bridge between PSE and
10 low-income ratepayers by amplifying the voices of CAAs and community members.
11 However, PSE has often used the LIAC as a space to announce policies or decisions
12 either without seeking, or after disregarding, the LIAC's input. To make LIAC a forum
13 for collaboration rather than one-way dialogue, I recommend the Commission order PSE
14 to hire an independent facilitator for LIAC meetings and to engage with the LIAC at the
15 "collaboration" level of the International Association for Public Participation Spectrum. I
16 also urge the Commission to require PSE to include voluntary demographic questions on
17 energy assistance applications.

18 Second, I provide support for the low-income electrification program included in
19 the second phase of PSE's Targeted Electrification Pilot. The low-income electrification
20 program is well positioned to replace most of the existing gas appliance measures in
21 PSE's weatherization program. Unfortunately, PSE's proposal limits this program to
22 dual-fuel customers. TEP recommends extending the low-income electrification program
23 to all income-qualified gas customers.

1 Third, I explain that PSE's existing disconnection policies are inequitable. The
2 Commission applies an equity lens in all public interest considerations and uses energy
3 justice tenets to evaluate utility policy. PSE subjects customers to the dunning process
4 and disconnection based in part on historical factors unrelated to a customer's present
5 arrearages. People of color, families with young children, low-income customers, renters,
6 and other Named Communities are disproportionately likely to have histories of energy
7 insecurity that produce worse scores on PSE's historical criteria. By penalizing customers
8 for a history of energy insecurity, PSE creates and worsens cycles of disconnection and
9 poverty and inordinately burdens historically marginalized and vulnerable populations. In
10 addition, PSE should not rely solely on email for its written communication for Targeted
11 Outreach and in the dunning process.

12 To rectify the disconnection policies' inequities and improve PSE's outreach, I
13 recommend PSE remove criteria unrelated to a customer's current arrearages from its
14 disconnection policies, undertake an equity review, and use hard copy notices for
15 Targeted Outreach and in the dunning process. In this rate case, TEP does not seek to
16 relitigate the issue of allowing disconnections for residential customers or debate the age
17 of arrears and dollar threshold at which PSE may threaten to disconnect a customer, as
18 the Commission recently issued a decision on those issues. However, the way that PSE
19 implements its dunning process is inequitable and should be reformed.

20 Fourth, I detail how PSE fails to meet the language access needs of its customers.
21 Despite serving at least 131,000 customers who speak a language other than English, PSE
22 has no system for tracking customers' language preferences and providing
23 communication in a customer's preferred language. PSE also has no Company policy or

1 guiding documents outlining when to provide services in a language other than English.
2 The Commission should order PSE to begin meeting its customers' language access
3 needs by tracking language preferences, providing information and communication in
4 customers' preferred languages when available, and developing a language access plan in
5 partnership with its Advisory Groups.

6 Fifth, I recommend that the Commission order PSE to continue tracking critical
7 affordability and equity performance metrics. PSE proposes to eliminate virtually all of
8 the 53 metrics relevant to affordability and equity, including metrics related to revenue
9 recovery, net plant in service, operations and maintenance spending, energy burdens,
10 residential disconnections for non-payment, arrearages, bill assistance enrollment, Named
11 Community benefits from utility electrification, advanced metering, and distributed
12 energy resources. PSE proposes four total metrics, none of which are segmented by
13 census tract, to cover the ground of the metrics it currently reports. As Roger Colton and I
14 explain, PSE should continue to report its existing metrics because each provides specific
15 insight that PSE's new metrics do not. The Commission should also reject PSE's
16 affordability metric proposals and adopt PSE's two new equity metrics only upon
17 significant revision.

18 The next section of my testimony rebuts PSE's argument that it needs financial
19 incentives to comply with Washington's energy policies. The Commission should not
20 award PSE's shareholders unreasonable financial incentives merely because PSE has
21 come around to supporting the state's climate goals. For example, I recommend that the
22 Commission reject PSE's proposal for gas plant depreciation. PSE's proposed schedule
23 would result in a significant increase in depreciation spending during this rate period.

1 PSE expresses concern that without faster depreciation, there will be fewer gas customers
2 left paying higher bills as the state transitions away from natural gas. TEP understands
3 these concerns, but PSE is still required by law to connect gas customers, and the
4 Legislature has already provided PSE with significant financial incentives. The
5 Commission should not place an even greater burden on low-income ratepayers. If the
6 Commission decides to adjust PSE's gas plant depreciation schedules, it should do so
7 much more gradually than proposed by PSE.

8 Further, PSE has not demonstrated that its demand response (DR) resource
9 acquisition or performance will increase if provided incentives, so the UTC should reject
10 PSE's two proposed incentives. The Commission is not required to provide PSE a rate of
11 return for power purchase agreements (PPAs), and it should not. In addition, the UTC
12 should reject PSE's DR performance incentive mechanism (PIM) because the target is
13 not based on an appropriate dataset and the design is flawed. A PIM's target should be a
14 stretch goal and include considerations of equity. It should not, as PSE proposes, be
15 merely based on signed contracts. A properly designed PIM includes financial penalties
16 for failures and only rewards shareholders when the utility substantially exceeds the
17 target. It is unreasonable, as PSE proposes, to reward shareholders for exceeding a target
18 by only five percent and include no penalties for failures.

19 Next, I analyze PSE's proposal to recover construction work in progress (CWIP)
20 for the Beaver Creek Wind Project. PSE claims that CWIP will benefit ratepayers, but
21 CWIP often allows shareholders to collect excessive short-term profits at ratepayer
22 expense. As the Commission has observed in the past, CWIP is an untested remedy. The

1 UTC should retain its longstanding practice and not permit PSE to recover expenses for
2 Beaver Creek until the project enters service.

3 Finally, I recommend that the Commission order PSE to solicit party feedback on
4 its time-varying rates (TVR) pilot evaluation before presenting the Commission a final
5 evaluation and permanent TVR. PSE's proposal to file its evaluation and final proposal at
6 the same time is unreasonable and inequitable because it does not give parties the
7 opportunity to review the evaluation and provide input into final program design.

8 **III. PSE should hire a low-income advisory group (LIAC) facilitator, engage with the**
9 **LIAC at the "collaboration" level of the International Association for Public**
10 **Participation Spectrum, and collect demographic information about customers**
11 **served by energy assistance programs.**

12 **A. The Commission should order PSE to hire an independent LIAC facilitator**
13 **and ensure that PSE "collaborates" with committee members.**

14 **Q: Please briefly describe the LIAC.**

15 A: The LIAC emerged from the settlement agreement in PSE's 2017 general rate case. The
16 settling parties agreed to establish a committee for bill assistance whose membership
17 includes PSE, TEP, Staff, Public Counsel, CAAs, and other interested parties.

18 **Q: What are the LIAC's objectives?**

19 A: According to the 2017 settlement agreement, the LIAC has four goals: "(i) to keep
20 customers connected to their energy service; (ii) to provide assistance to more customers
21 than are currently served; (iii) to lower the energy burden of PSE's HELP participants;
22 and (iv) to collect data necessary to assess program effectiveness and inform ongoing
23 policy discussion."¹

¹ *Wash. Utils. and Transp. Commn. v. Puget Sound Energy*, Dkts. UE-17033 & UG-170334, Multiparty Settlement Stipulation and Agreement, at ¶ 107 (Sept. 15, 2017) ("2017 PSE GRC"). The settlement terms were adopted in a subsequent Commission order. 2017 PSE GRC, Order 08, at ¶ 8 (Dec. 5, 2017).

1 **Q: Since you have participated in the LIAC since 2018, can you describe a typical**
2 **meeting?**

3 A: Ordinarily, PSE sends participants an agenda in advance of the meeting and then presents
4 on that agenda. PSE often invites guests from other departments to give program updates
5 and then presents on issues impacting low-income customers and programs. PSE often
6 asks members if they have questions about the content presented. Sometimes, PSE
7 requests input from committee members. However, PSE most often uses the LIAC as a
8 forum to communicate decisions it has already reached.

9 **Q: Does PSE often change its decisions in response to feedback from the LIAC?**

10 A: No, not often in my experience. Even when the LIAC has an open dialogue on a subject,
11 it is often not apparent if or how PSE considers the LIAC's advice when making
12 decisions. Once decisions and proposals are presented, PSE typically does not seem
13 prepared to receive or incorporate suggestions. Rather, PSE explains and defends the
14 content it shared. To me, this lack of flexibility and collaboration conveys the impression
15 that PSE treats LIAC meetings as a formality and does not value the expertise of the
16 LIAC or its mission to equitably serve low-income customers.

17 **Q: Have TEP's concerns about PSE's lack of collaboration changed over time?**

18 A: Unfortunately, my concerns have grown stronger in the last year. There have been several
19 instances in which PSE ignored input from committee members or did not even seek
20 input in the first place. I can provide three recent examples.

21 **Q: Please describe the first example.**

22 A: Before PSE presented its petition to amend Final Order 24/10 to resume disconnections,
23 there was no collaboration with LIAC members. PSE never solicited alternatives from

1 CAAs or modified the proposal in response to feedback. Even as the Commission granted
2 PSE’s petition, its order expressed concern about PSE’s failure to consult, let alone
3 engage in “honest dialogue” with the LIAC.²

4 **Q: Can you mention another recent example where PSE bypassed LIAC input?**

5 A: PSE failed to incorporate the committee’s perspective when it decided not to collect
6 voluntary demographic information on participants in the BDR and HELP programs.

7 **Q: Please elaborate.**

8 A: Within the LIAC’s BDR design workgroup, PSE at first committed to collecting
9 demographic information from BDR and HELP applicants who choose to voluntarily
10 provide the data. But in April 2023, PSE unilaterally decided to remove this agreed-upon
11 program requirement. In an email to LIAC workgroup members, PSE claimed that “we
12 did not have support for PSE to start collecting demographic data in our system in order
13 to ensure that there would be no appearance of unfair treatment.”³ PSE did not consult
14 with the LIAC before reversing the LIAC’s initial decision. PSE simply informed the
15 LIAC of its decision in an email.

16 In subsequent meetings, multiple LIAC members reaffirmed their strong
17 recommendation, or their agency’s programmatic need, to collect demographic data, but
18 PSE did not act upon this feedback. I attempted to raise this issue again with PSE in
19 November 2023 while the company was designing its BDR phase 2 system
20 improvements, but my request did not result in meaningful collaboration.

² *Wash. Utilities and Transp. Com. v. Puget Sound Energy*, Dkts. UE-220066/UG-220067 and UG-210918, Order 32/18 Granting Petition; Amending Final Order 24/10, Subject to Conditions, ¶¶ 69-70 (May 16, 2024).

³ See SNS-3 (Email from Theresa Burch LIAC workgroup (Apr. 20, 2023)).

1 **Q: Was there another recent instance where PSE made an important decision without**
2 **consulting the LIAC?**

3 A: Yes. As background, in June 2023, the Commission ordered PSE to work with the LIAC
4 to enroll at least 70,000 low-income gas customers in a bill discount or bill assistance
5 program by January 1, 2024.⁴ Following that order, PSE used various means to identify
6 and enroll customers in the BDR. After exhausting its preferred means for enrolling
7 customers in the BDR, PSE used Experian data to identify and automatically enroll
8 55,000 gas customers in the Climate Commitment Act's (CCA's) low-income bill credit
9 program. PSE also enrolled those customers in the lowest 5% bill discount tier. PSE
10 indicated that it would disenroll those customers from the BDR after six months if they
11 did not apply for the BDR by self-declaring their income.

12 **Q: Did PSE discuss these disenrollment plans with the LIAC?**

13 A: Yes, with TEP's prompting. In early 2024, PSE informed the LIAC of their intended six-
14 month enrollment term plans and their intention to perform outreach and notify auto-
15 enrolled customers of the need to enroll in the full BDR to continue getting benefits. TEP
16 reached out to PSE with questions about the status of the auto-enrolled group in the
17 spring. This resulted in a meeting between TEP, PSE, and a few other LIAC members on
18 May 17, 2024 to discuss these 55,000 Experian auto-enrollees. At that meeting, PSE
19 informed TEP that only 2,000 of the 55,000 had applied for the BDR and became
20 enrolled for a full 13-month term at that point. With approximately 53,000 low-income
21 customers scheduled to be disenrolled, TEP requested that PSE extend the enrollment

⁴ *Wash. Utilities and Transp. Com. v. Puget Sound Energy*, Dkt. UG-230470, Order 01 Allowing Climate Commitment Act Tariff Revisions to Become Effective Subject to Conditions, at ¶ 20 (Aug. 3, 2023).

1 period, at minimum, into the fall, and that PSE conduct additional rounds of outreach to
2 encourage those customers to complete an energy assistance application by self-declaring
3 their income. PSE expressed verbal support for this request at the May 17 meeting. I left
4 the meeting under the impression that PSE would work with the LIAC to develop the
5 details of an extension and conduct additional outreach in the coming weeks.

6 **Q: Did PSE follow up with LIAC members after that meeting?**

7 A: I heard nothing from PSE about this issue until I got PSE's presentation slides two days
8 before the July 9, 2024 LIAC meeting.

9 **Q: Can you provide the slides for this meeting?**

10 A: Yes, please see below for slide 18 from the July 9 meeting. The full slide deck can be
11 found as Exhibit SNS-4.

Group to hit 70k target

- ◆ The ask: explore extending the CCA flag and BDR enrollment from end of August to end of November
- ◆ Not Extending Pros/Cons
 - ◆ Timing with rate increases and winter heating
 - ◆ Noticing the discount fall off
 - ◆ Option for additional reach out after the end date
- ◆ Extending Pros/Cons
 - ◆ Timing with ballot measure
 - ◆ Option for additional reach out before end date
 - ◆ Forecast did not include these customers for CCA flag
 - ◆ System capacity with WA Families Clean Energy Credits
- ◆ Decision

18 | PSE PUGET SOUND ENERGY

12
13 **Q: Please describe this slide.**

14 A: Slide 18 appears designed to frame an open discussion about the pros and cons of
15 extending the bill discount rate term of these approximately 50,000 customers. When I
16 reviewed this slide before the meeting, I expected the meeting to include an open
17 discussion about next steps.

1 **Q: Did PSE facilitate an open discussion at the meeting?**

2 A: No. PSE simply informed the LIAC that it decided to disenroll these approximately
3 50,000 customers from both the BDR and the CCA bill credit. I felt blindsided by both
4 the content of the announcement and the way in which PSE communicated with the
5 LIAC.

6 **Q: How have these three interactions shaped your perspective on the LIAC?**

7 A: These are three instances in which I not only felt that PSE's approach to the LIAC lacked
8 transparency, candor, and intent to collaborate, but also resulted in insufficient or worse
9 outcomes for low-income customers. Because such episodes have occurred numerous
10 times over the years, I now question whether PSE values LIAC members' expertise. I
11 also question whether PSE is committed to collaborating with the LIAC to serve low-
12 income customers equitably.

13 **Q: If not resolved, how will your doubts about PSE's commitment to the LIAC's work
14 and expertise shape TEP's work with PSE?**

15 A: PSE's actions have eroded TEP's confidence in the LIAC's ability to develop functional
16 policies and practices outside formal Commission proceedings. This makes it more likely
17 that TEP will request granular, labor-intensive directions from the Commission, as
18 opposed to efficiently resolving issues through informal collaboration with PSE.

19 **Q: Is PSE more responsive to community input in other settings?**

20 A: Yes. I have participated in joint meetings of the LIAC and PSE's Equity Advisory Group
21 (EAG), which was formed to advise PSE on equity matters related to the Clean Energy

1 Transformation Act (CETA).⁵ In my experience, PSE is much more responsive to EAG
2 members.

3 **Q: Are there differences between the EAG meetings and LIAC meetings?**

4 A: Yes. In the EAG meetings I attended, PSE provided independent, third-party facilitators.
5 These facilitators prepare agendas, pre-meeting materials, and final group products.⁶ The
6 facilitators guided the group through discussion topics and elicited meaningful feedback
7 from participants.

8 **Q: What did you find valuable about the facilitation at these joint meetings?**

9 A: Outside facilitation created a welcoming space for participants to express opinions before
10 PSE made any decisions. Unlike LIAC meetings, I did not feel that PSE was simply
11 informing the group of previously decided plans. This broadened the scope of
12 participation and made the meetings more collaborative.

13 **Q: Do you attend meetings of other utilities' advisory committees?**

14 A: Yes, and I find them to be more expertly facilitated and more active in engaging
15 community members than PSE's LIAC. In that sense, they are similar to the EAG.

16 **Q: What is the International Association for Public Participation (IAP2) Spectrum, and
17 how does it relate to PSE's Advisory Groups?**

18 A: The IAP2 Spectrum describes modes of public participation in decision-making
19 processes. IAP2 defines five levels of participation, from least to most inclusive: inform,
20 consult, involve, collaborate, empower. As part of the settlement agreement in PSE's

⁵ See Puget Sound Energy, *Equity Advisory Group Charter* (updated Oct. 10, 2022) <https://irp.cdn-website.com/dc0dca78/files/uploaded/PSE%20EAG%20Charter%20v10.10.22.pdf> at 6-7 (listing guiding principles, which focus on engagement and incorporation of community perspectives).

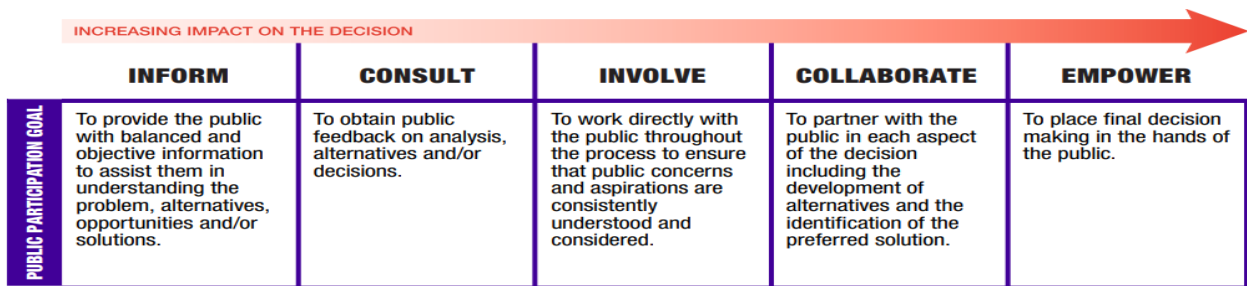
⁶ Puget Sound Energy, *Equity Advisory Group Charter*, at 4.

1 2022 general rate case, the Commission required PSE to engage with the EAG on at least
 2 the “collaboration” level of the Spectrum.⁷

3 **Q: Can you describe what “collaboration” means in this context?**

4 A: To “collaborate” means “to partner with the public in each aspect of the decision
 5 including the development of alternatives and the identification of the preferred solution.”
 6 Please see below for a graphic showing the IAP2 Spectrum.⁸

7 Figure 1: International Association for Public Participation Spectrum



8
 9 **Q: Who introduced the IAP2 principles to PSE’s 2022 rate case?**

10 A: Commission Staff. Staff expressed an expectation that “PSE will conduct meaningful and
 11 equitable engagement that mitigates barriers to participation and effectively includes the
 12 voices and desired decisions of historically underrepresented customers and other

⁷ *Wash. Utilities and Transp. Com. v. Puget Sound Energy*, Dkts. UE-220066/UG-220067 and UG-210918, Settlement Stipulation and Agreement on Revenue Requirement and All Other Issues Except Tacoma LNG and PSE’s Green Direct Program, at ¶ 26 (Aug. 22, 2022). The Commission has imposed a similar requirement on PacifiCop. *Wash. Utilities and Transp. Com. v. PacifiCorp d/b/a Pacific Power & Light Co.*, Dkt. UE-230172, Settlement Stipulation, at ¶ 18 (Dec. 14, 2023).

⁸ See International Association for Public Participation, *IAP2 Spectrum of Public Participation* (2018) https://iap2.org.au/wp-content/uploads/2020/01/2018_IAP2_Spectrum.pdf.

1 persons.”⁹ Staff also noted that “the best practice for engagement should encompass at
2 minimum involving, collaborating with, and empowering affected persons.”¹⁰

3 **Q: Has PSE acknowledged the relevance of IAP2 Spectrum in this proceeding?**

4 A: Yes. PSE’s testimony emphasizes the need for a “robust stakeholder engagement plan,”
5 particularly with underrepresented communities, based on the Spectrum.¹¹ PSE plans to
6 “engage named communities at various levels of the IPA2 spectrum depending on the
7 circumstance and purpose of the engagement.”¹²

8 **Q: How does TEP evaluate PSE’s plans to engage underrepresented communities at
9 “various levels” of the IAP2 Spectrum?**

10 A: PSE’s vague assurances are insufficient. As Staff noted in the 2022 rate case, the bare
11 minimum for community engagement starts with the third level of the spectrum,
12 involvement, and extends upward to collaboration and empowerment. PSE’s practice of
13 simply informing LIAC participants of already-decided plans does not meet Staff’s
14 minimum standard.

15 **Q: Given this recent history, how should PSE approach the LIAC going forward?**

16 TEP urges PSE to do more than the minimum. PSE should collaborate with LIAC
17 members. That means partnering with them to make key decisions rather than presenting
18 them with already-decided plans. Moreover, there is no reason for PSE to apply a
19 different standard of participation to the LIAC than to the EAG.

⁹ *Wash. Utils. and Transp. Commn. v. Puget Sound Energy*, Dkts. UE-220066, UG-220067, and UG-210918 (consolidated), Brewer, Exh. MAB-1T at 9:8-10.

¹⁰ *Id.*, Exh. MAB-1T at 9:1-2.

¹¹ Hutson, Exh. TAH-1T, 28:13-14.

¹² Hutson, Exh. TAH-1T, at 29:6-7.

1 **Q: How will this level of collaboration benefit the parties?**

2 A: When LIAC members feel like their voices are heard and respected, they are more likely
3 to share their unique expertise with each other and with PSE. This will improve the
4 relationship between the parties and make the LIAC more productive, and thus more
5 likely to achieve its stated goals.

6 **Q: With that in mind, what are TEP's recommendations for the Commission?**

7 A: The Commission should order PSE to hire an independent LIAC facilitator and instruct
8 PSE to engage with the LIAC at the "collaboration" level of the IAP2 Spectrum.

9 **B. To achieve the LIAC goal of assessing program effectiveness and informing**
10 **ongoing policy discussion, the Commission should require PSE to include**
11 **optional demographic questions in energy assistance applications.**

12 **Q: Given PSE's decision not to collect demographic data from BDR and HELP**
13 **applicants, are LIAC members collecting this information themselves?**

14 A: Yes, when possible. Agency representatives collect demographic information when they
15 speak to energy assistance applicants, but not when those clients sign up for the programs
16 through PSE's online portal.

17 **Q: Why is collecting demographic data important for the LIAC?**

18 A: Per the 2017 settlement agreement, one of the LIAC's objectives is collecting data to
19 assess the effectiveness of PSE's low-income programs and to inform related policy
20 discussions. Without specific customer demographic information, CAA evaluators cannot
21 measure program effectiveness—whether programs are serving hard-to-reach
22 populations, complying with CETA, and meeting other equity considerations.

23 **Q: Can you elaborate on how data collection will help PSE comply with CETA?**

24 A: CETA requires PSE to implement a Clean Energy Implementation Plan that ensures the
25 "equitable distribution of energy and nonenergy benefits and reduction of burdens to

1 vulnerable populations and highly impacted communities.”¹³ Accurate demographic
2 information will help the LIAC determine whether PSE is meeting that standard.

3 **Q: Is demographic information also important for individual CAAs?**

4 A: Yes. Data collection gives CAAs a crucial window into how well they are reaching
5 different communities in their service areas, which helps them focus outreach efforts on
6 underserved communities. Demographic data also allows Agencies to evaluate their
7 impact on different parts of their community, which is necessary to secure and increase
8 state and federal funding. A prominent example is the federal Community Service Block
9 Grant program (CSBG), which requires Agencies to report key demographics from all
10 clients served. Accordingly, Agencies use the demographic data tied to CSBG funding to
11 evaluate community needs and design various anti-poverty programs to meet those needs.

12 Often, clients who approach PSE or Agencies only seeking enrollment in the bill
13 discount rate ultimately receive a variety of other services, which CAAs call wrap-around
14 services. The Commission is familiar with some of these services: LIHEAP and
15 weatherization. However, wrap-around services also include, among others, food
16 assistance, childcare assistance, housing assistance, and financial literacy programs.

17 The value of wrap-around programs to customers can exceed that of ratepayer-
18 funded energy assistance. Please see exhibit SNS-5 for examples of wrap-around services
19 provided to community members served by Spokane Neighborhood Action Partners.
20 While Spokane is not in PSE’s service area, these examples are representative of the
21 wrap-around services provided by Agencies across the state and in PSE’s service
22 territory. CAAs design and write grants for these wrap-around programs using both

¹³ See RCW 19.405.060(1)(c)(iii), (2)(b)(iii).

1 CSBG funds, which are the most flexible available to CAAs, and the associated
2 demographic information required by CSBGs.

3 As new and different communities seek to access PSE's energy assistance
4 programs, CCAs need demographic data about these new and different communities in
5 order to access CSBG funding, which allows CCAs to design and solicit funding for anti-
6 poverty programs to meet pressing needs. In other words, asking for voluntary
7 demographic data contributes to agencies' financial stability and ability to serve more
8 communities. Currently, several agencies are expending staff time and resources to fill in
9 data gaps caused by the omission of demographic data from PSE's energy assistance
10 application.

11 **Q: Does TEP recommend requiring customers to answer demographic questions?**

12 A: No. Reporting is entirely voluntary, and customers may always choose not to answer.
13 Rather than making that choice for customers, PSE should give them the option to report
14 information that will ensure that PSE's services are provided equitably and will help
15 CAAs expand services.

16 **Q: What action should the Commission take with respect to demographic information?**

17 A: The Commission should require PSE to include optional demographic questions in its
18 energy assistance application. At minimum, the application should ask about language
19 preference, disability status, race, and ethnicity, as these questions will help CAAs
20 identify customers, monitor program efficacy, and secure necessary federal funding.

21 **Q: Please describe PSE's concerns about collecting demographic information.**

22 A: PSE has expressed concern about creating any appearance of unfair treatment related to
23 storing individual demographic information in its system of record.

1 **Q: What is TEP’s response to these concerns?**

2 A: TEP understands PSE’s perspective, but PSE does not need to store this information in its
3 system of record or retain it for a significant period of time. Once customers provide
4 demographic information in their applications, PSE can pass that information directly to
5 CAAs, who can then provide summary data to PSE for reporting purposes. In fact, in
6 May 2023, PSE informed TEP that it would be amenable to this method of collecting
7 demographic data. If PSE prefers, TEP would support PSE establishing a written policy,
8 in a tariff or elsewhere, not to retain this information or use it for any other purposes.

9 **Q: How should collaboration with the LIAC shape this process?**

10 A: In addition to asking about language preference, disability status, race, and ethnicity,
11 PSE may develop other demographic questions in collaboration with the LIAC. The
12 LIAC should discuss the relevant data, along with strategies to increase responses the
13 questions. Once the LIAC finalizes the questions, PSE should collect the data.

14 **IV. The Commission should allow all low-income households to participate in PSE’s**
15 **low-income electrification pilot.**

16 **Q: Please describe the first phase of PSE’s low-income electrification pilot.**

17 A: Phase 1 of the Targeted Electrification Pilot launched in September 2023 and ends with
18 the current rate plan period, in December 2024. PSE provides free installation of electric
19 appliances in low-income households, with a target of around 50 total installations by
20 December. Appliances include electric heat pumps for space and water heating and
21 electric stoves. TEP thanks PSE for collaborating with TEP and other CAAs to design
22 Phase 1 after PSE’s last general rate case. The pilot program leverages Agency expertise
23 in assessing low-income customer needs and covers electrification readiness measures
24 when certain repairs—*e.g.*, health and safety needs or panel upgrades—are required

1 before appliance installation.¹⁴ TEP looks forward to continued learning from Phase 1 as
2 well as collaboration with PSE on Phase 2. My testimony focuses primarily the Phase 2
3 of the Low-Income Heat Pump Direct Installation Pilot (Low-Income Pilot).

4 **Q: Please describe the Low-Income Pilot.**

5 A: PSE proposes to provide comprehensive, no-cost coverage of weatherization expenses
6 through PSE's existing weatherization program, and to cover installation costs of high-
7 efficiency electric appliances for space heating, water heating, and cooking. PSE plans to
8 implement Phase 2 over the multi-year rate plan period of January 2025 to December
9 2026.

10 **Q: Who is eligible for the Low-Income Pilot?**

11 A: According to PSE's proposal, the Low-Income Pilot will be open to dual-fuel customers
12 with incomes below 80% of area median income. PSE proposes to partner with CAAs to
13 manage eligibility verification and facilitate installation. This means most participants
14 will receive low-income weatherization and electrification services from their CAA at or
15 near the same time. The program would enroll up to 115 eligible customers at a projected
16 cost of \$4.6 million.¹⁵

17 **Q: How does PSE propose to recover the costs of the Low-Income Pilot?**

¹⁴ See, e.g., RCW 80.86.010(11).

¹⁵ Manetti, Exh. JM-1CT at 17:9-10. PSE estimates the total cost of all Phase 2 programs at \$22.3 million. Exh. JM-1CT at 23. Phase 2 also includes five additional pilots: the Small Business Heat Pump Pilot in Named Communities, the Multi-Family Heat Pump Rebate in Named Communities Pilot, the Targeted Electrification of Natural-Gas Constrained Geographic Area Pilot, the Income-Qualified Heat Pump Rebate Pilot, and the Commercial and Industrial Targeted Electrification Grant Pilot.

1 A: PSE proposes to recover the costs of the Low-Income Pilot and other Phase 2 pilots
2 through the Electric and Gas Schedules 141DCARB Decarbonization Rate Adjustment.¹⁶

3 **Q: Does Schedule 141DCARB recover costs from electric and gas customers?**

4 A: Yes. The 141DCARB charge would apply to all electric and natural gas customer
5 classes.¹⁷

6 **Q: Are there other sources of funding for low-income PSE customers seeking to
7 electrify their homes?**

8 PSE is pursuing other funding sources, including Inflation Reduction Act grant programs.
9 PSE also expects the state to allocate \$80 million in CCA funds for home electrification
10 and appliance rebate programs.¹⁸ In addition, the UTC approved PSE's proposal to
11 devote \$7.7 million per year from the sale of CCA allowances to electrification programs
12 in Named Communities.¹⁹ TEP again thanks PSE for its collaborative partnership in
13 identifying decarbonization opportunities and projects for these CCA funds, which
14 include capacity building for agencies working to stand up new electrification programs
15 alongside their weatherization programs.

16 **Q: Are all low-income customers eligible to participate in all of PSE's electrification
17 programs?**

¹⁶ Exh. JM-1CT at 23:3-5.

¹⁷ Mickelson, Exh. CTM-1T at 63:7-8; Free, Exh. SEF-1T at 100:19-101:2; Exh. SEF-23.

¹⁸ Exh. JM-1CT at 37:15-17.

¹⁹ *Wash. Util and Transp. Com. v. Puget Sound Energy*, Dkt. UG-230968, Order 01 Complaint and Order Suspending Tariff Revisions; Allowing Rates Subject to Later Review and Refund, at ¶¶ 6, 16. (Dec. 22, 2023).

1 A: No. While the core structure of the Low-Income Pilot is strong, PSE proposes to limit the
2 program to dual-fuel customers.²⁰ In contrast, the program funded by CCA allowances is
3 available to all low-income gas-only customers. For example, Tacoma Power and the
4 City of Seattle’s Seattle Homewise program have partnered with PSE and serve gas-only
5 PSE customers. Access remains uneven, but PSE’s CCA tariff allows the program to
6 serve any income-qualified gas customer.

7 **Q: Is the CCA a stable source of revenue for low-income home electrification?**

8 A: I am afraid not. CCA funds are at risk this November, when voters will decide whether to
9 repeal the CCA through Initiative 2117.²¹

10 **Q: Does this make TEP concerned that the Low-Income Pilot is only accessible to dual-**
11 **fuel customers?**

12 A: Yes. TEP strongly supports the Low-Income Pilot, which is well positioned to supplant
13 natural gas appliance replacement measures in PSE’s low-income weatherization
14 program. It would provide low-income customers with highly-efficient electric
15 appliances instead of gas appliances—but only if they live in PSE’s dual-fuel territory. If
16 the CCA is repealed, PSE’s low-income weatherization program will lose its only source
17 of funding for electrification of gas-only customers’ homes. Unless action is taken,
18 weatherization agencies would be unable to replace natural gas appliances and also
19 unable to install high-efficiency electric appliances when serving gas-only customers,
20 creating a gap in programming.

²⁰ Exh. JM-1CT at 16:13-17.

²¹ See Jerry Cornfield, *WA Decides: Initiative 2117 to repeal the Climate Commitment Act*, Washington State Standard (May 20, 2024), <https://washingtonstatestandard.com/2024/05/20/wa-decides-initiative-2117-to-repeal-the-climate-commitment-act/>.

1 **Q: What can the Commission do to make sure that all low-income customers have**
2 **access to electrification programs?**

3 A: The Commission should order PSE to expand eligibility for the Low-Income Pilot to
4 include all gas customers. As I noted before, gas-only customers pay for the Low-Income
5 Pilot through the DCARB141 schedule, which applies to all electric and natural gas
6 customer classes. It is unfair to exclude these gas-only customers from the program.
7 Home electrification is a crucial equity issue, and all Washingtonians deserve access to
8 clean, efficient appliances.

9 **Q: Does TEP support expanding program accessibility even if the CCA is not repealed?**

10 A: Yes. Even if the CCA survives this November, PSE should open the Low-Income Pilot to
11 all low-income gas customers so that weatherization agencies in PSE's gas-only territory
12 know the Commission is committed to low-income electrification, regardless of the
13 political winds.

14 **V. PSE's disconnection policies are inequitable and should be reformed.**

15 **Q: What is your understanding of the rules and procedures PSE follows when**
16 **determining whether to disconnect a customer?**

17 A: PSE follows four sets of rules for determining whether to disconnect a customer for
18 nonpayment. First, PSE is subject to Washington's rules and regulations governing
19 disconnection, including sections 480-100-128 and 480-100-143.²² Second, PSE follows
20 the disconnection rules contained in Rule 17 of Schedule 80 and Rule 9 of Schedule 21A

²² WAC 480-100-128 contains rules regarding utility disconnections, including a requirement to give customers at least 3 days advanced notice prior to disconnection. WAC 480-100-143 contains rules concerning the winter low-income payment program, including prohibitions on disconnecting customers during the winter months under certain conditions.

1 of its tariff.²³ Third, PSE follows Order 32/18, which requires Targeted Outreach and
2 establishes disconnection for nonpayment thresholds of \$250 and 90 days.²⁴

3 Fourth, PSE also maintains internal policies and procedures that it uses to
4 determine when it will disconnect a customer for nonpayment. Throughout this
5 testimony, I refer to these policies as PSE’s “Disconnection Policies.” These policies are
6 outlined in internal documents, not PSE’s tariff.

7 **Q: Do PSE’s Disconnection Policies change based on a customer’s arrearage or**
8 **disconnection history?**

9 A: Yes. PSE uses an internal process to determine whether to place a customer in the
10 dunning process and ultimately disconnect a customer for non-payment, but it only
11 applies that process to specific customers based on the customer’s “credit code.”²⁵ Credit
12 codes are a value assigned by Total Solutions Inc. (“TSI”), a third-party vendor that
13 develops a “propensity to pay score.”²⁶

14 **Q: What are the criteria used to calculate credit codes?**

15 A: Credit codes are calculated based on eight factors:

- 16 1. Account creation date;
- 17 2. Total open balance;
- 18 3. Last payment date;
- 19 4. Credit history;
- 20 5. All open items aging;
- 21 6. Prior obligation history;
- 22 7. Prior obligation amount; and

²³ PSE Tariff WN U-60, Rule 17 (June 5, 2024); PSE Tariff U-2, Rule 9 (June 5, 2024).

²⁴ *Wash. Utils. & Transp. Commn. v. Puget Sound Energy*, Dkts. UE-220066 and UG-220067, Order 32/18 Granting Petition: Amending Final Order 24/10, Subject to Condition, ¶¶ 56-58 (May 16, 2024) (PSE Disconnection Order); Exh. SNS-6 (PSE Response to TEP DR 052) (summarizing disconnection policies and procedures).

²⁵ Exh. SNS-7 (PSE Response to TEP DR 053).

²⁶ Exh. SNS-7 (PSE Response to TEP DR 053).

1 8. Collection history;²⁷

2
3 Based on these eight criteria, TSI uses an algorithm to assign customers in a credit code
4 ranging from 1 to 4.²⁸ In general, a lower credit code indicates that the algorithm has
5 deemed that a customer has a higher propensity to pay.²⁹

6 **Q: Does a customer’s credit code alter the Disconnection Policies PSE will apply in the**
7 **event of nonpayment?**

8 A: Yes. In fact, the credit code score dictates whether or not a customer will enter the
9 dunning process at all. A customer with a score of 1 or 2 does not enter the dunning
10 process.³⁰ A customer with a score of 3 or 4 is eligible to enter the dunning process.³¹ As
11 of July 2024, about 70 percent of customers were coded 1 or 2 and 26 percent were coded
12 3 or 4—meaning that about 1 in 4 PSE customers are vulnerable to disconnection, in part
13 based on their arrearage and disconnection history.³² However, PSE assigns a higher
14 percentage of known low-income customers and customers in highly-impacted
15 communities a credit code of 3 or 4, making them vulnerable to disconnection in part
16 based on their arrearage and disconnection history.³³

17 **A. PSE’s existing disconnection policies are inequitable.**

18 **Q: Do you have concerns with PSE’s Disconnection Policies?**

²⁷ Exh. SNS-7 (PSE Response to TEP DR 053).

²⁸ Exh. SNS-7 (PSE Response to TEP DR 053).

²⁹ Exh. SNS-7 (PSE Response to TEP DR 053).

³⁰ Exh. SNS-7 (PSE Response to TEP DR 053).

³¹ Exh. SNS-7 (PSE Response to TEP DR 053).

³² Exh. SNS-8 (PSE Response to TEP DR 056).

³³ Exh. SNS-8 (PSE Response to TEP DR 056) (36 percent of customers PSE assigns a credit code of 3 or 4 are known low-income; 29 percent of customers PSE assigned a credit code of 3 or 4 are in highly impacted communities).

1 A: Yes. The credit code methodology and its role in the Disconnection Policies are
2 inequitable. PSE has presented no evidence that they were adopted with equity in mind.

3 **Q: How does the UTC typically evaluate the equity implications of utility policy?**

4 A: The Commission applies an equity lens in all public interest considerations.³⁴ An equity
5 lens provides consideration to characteristics “for which groups of people have
6 historically, and are currently, marginalized.”³⁵ The Commission specifically seeks to
7 ensure that utility policy is “addressing historic underinvestment and exclusionary
8 policies and practices that have allowed inequity to flourish.”³⁶ In addition, regulated
9 companies must assess whether proposed modifications to their practices correct or
10 perpetuate inequities.³⁷

11 **Q: What frameworks or concepts does the Commission use in applying its equity lens?**

12 A: Energy justice and its core tenets, including distributional, procedural, recognition, and
13 restorative justice, are integral standards and sources of insight as the Commission
14 applies its equity lens.³⁸

15 **Q: Do PSE’s Disconnection Policies violate the Commission’s equity lens?**

16 A: Yes. The Disconnection Policies violate the Commission’s equity lens and the principle
17 of distributional justice through the application of credit codes. Policies that put an
18 “inordinate share of the burdens on or [deny] access to benefits” for marginalized and

³⁴ *Washington Utilities and Transportation Commission v. Cascade Natural Gas Corporation*,
Dkt. UG-210755, Final Order 09, ¶ 58 (Aug. 23, 2022).

³⁵ *Id.* (citing RCW 43.06D.010(4)).

³⁶ *Id.* ¶ 57 (citing Executive Order 22-04: Implementing the Washington State Pro-Equity Anti-Racism (PEAR) Plan and Playbook).

³⁷ *Id.* ¶ 58.

³⁸ *Id.* ¶ 56.

1 vulnerable populations violate the principle of distributional justice.³⁹ Whether the
2 Disconnection Policies violate distributional justice therefore depends on whether they
3 (1) generate significant burdens that (2) inordinately fall on marginalized and vulnerable
4 populations.

5 First, the Disconnection Policies create and perpetuate severe, unreasonable
6 burdens. TSI's credit codes include several criteria unrelated to present arrearages,
7 including criteria that cause worse scores if a customer has a recent history of energy
8 insecurity and disconnection. The Disconnection Policies then determine whether a
9 customer will be considered for dunning and disconnection based on these factors. Given
10 that many of the criteria do not relate to present arrearages, a customer's payment or
11 disconnection history may be the deciding factor in determining whether they are subject
12 to the dunning process and ultimately disconnected. Consequently, the Disconnection
13 Policies generate significant burdens and perpetuate energy inequity. Basing current
14 disconnection practices on a customer's history of energy insecurity accelerates a vicious
15 cycle of crisis and disconnection and creates new and severe burdens for the customer.

16 The Disconnection Policies place an inordinate share of these burdens on
17 marginalized and vulnerable populations because they are based on a customer's
18 disconnection history. People of color, families with young children, low-income
19 customers, and other highly impacted communities are disproportionately subject to
20 disconnections for nonpayment.⁴⁰ While communities of color are vulnerable to systemic

³⁹ *Id.* ¶ 56.

⁴⁰ The Energy Project, the Joint Advocates, and outside experts have provided evidence of these inequitable impacts in the COVID-19 docket and the Credit and Collections Rulemaking, among others. *See, e.g.*, Dkt. U-200281, In the Matter of Response to the COVID-19 Pandemic, Joint (footnote continued on next page)

1 inequities in economic security and access to wealth, documented racial disparities in
2 disconnections persist even after controlling for income.⁴¹ For example, in a study of data
3 from the United States Energy Information Administration’s Residential Energy
4 Consumption Survey, Hernández and Laird (2021) found that even after controlling for
5 “the effects of income, having a head of household who is Black or a household head
6 who does not have a college degree are both associated with higher odds of receiving a
7 disconnection notice.”⁴² These results are well-supported by several other studies.⁴³ Low-

Comments on Behalf of the Office of the Attorney General Public Counsel Unit, The Energy Project, NW Energy Coalition, Puget Sound Sage, Front & Centered, and Sierra Club, at 15 (Sept. 30, 2020) (presenting evidence showing that “[c]ommunities of color are disproportionately impacted by utility disconnections”); Dkt. U-210800, Second Comments of the Energy Project, at 2 (Aug. 19, 2022) (summarizing research showing that “even at comparable levels of income, Black households face disconnections at disproportionately high rates, relative to white households”); Dkt. U-210800, Comments of Joint Advocates, at 1-5 (Oct. 17, 2022) (reviewing research on inequitable impacts of disconnections on communities of color); *id.* at 4 (citing an analysis of zip code level utility disconnection data in California finding that Black and Latinx households disproportionately experience utility shutoffs); Dkt. U-210800, Presentation Materials of David Konisky, at 11 (June 22, 2023) (presenting research showing that Black and Hispanic households experience disconnections at disproportionately high rates).

⁴¹ See, e.g., Exh. SNS-9 at 2 (Kowalski, K., *Racial disparities persist in electric service. Is ‘willful blindness’ to blame?*, Energy News Network (July 1, 2020), <https://energynews.us/2020/07/01/racial-disparities-persist-in-electric-service-is-willful-blindness-to-blame/> (accessed June 24, 2024)) (summarizing research showing that “on a nationwide basis, African Americans earning less than 150% of the poverty level were about twice as likely to have their electricity shut off as white households with comparable incomes”); Exh. SNS-10 at 11, 13, 17 (Gabriela Sandoval & Mark Toney, *Living Without Power: Health Impacts of Utility Shutoffs in California* (TURN 2018)) (presenting zip-code level analysis of utility shutoffs in California showing that disconnections disproportionately impact Black and Latinx communities); Exh. SNS-11 at 9-11 (Franklin, M. & Kurtz, C., *Lights Out in the Cold: Reforming Utility Shut-off Policies as if Human Rights Matter*, National Association for the Advancement of Colored People (2017), <https://naacp.org/resources/lights-out-cold>).

⁴² Exh. SNS-12 at 15 (D. Hernández & J. Laird, *Surviving a Shut-Off: U.S. Households at Great Risk of Utility Disconnections and How They Cope*, American Behavioral Scientist 00(0) (May 2021)).

⁴³ See, e.g., Exh. SNS-11 (*Lights Out in the Cold*) at 14 (summarizing research showing that “among financially similar customers, African Americans experienced disconnections more frequently” than other households).

1 income customers, customers without college degrees, residents of mobile homes, and
2 families with children are also more likely to shoulder disconnection burdens.⁴⁴

3 **Q: Does data from PSE’s service territory show the equity impacts of PSE’s**
4 **disconnection practices?**

5 A: Yes. Roger Colton uses PSE’s disconnection metrics to show that PSE’s disconnections
6 for nonpayment disproportionately impact and harm customers in Named Communities.⁴⁵

7 PSE’s credit codes also reflect the disproportionate impacts of disconnections on
8 marginalized communities. While only 26 percent of all PSE customers are grouped in
9 credit codes 3 and 4, 36 percent of known-low income customers and 29 percent of
10 customers in Highly Impacted Communities are grouped in credit codes 3 and 4, making
11 them vulnerable to disconnection in part based on their arrearage and disconnection
12 history.⁴⁶ Marginalization, exclusion, and vulnerability play a significant role in
13 determining the likelihood that a particular customer has experienced disconnection.

14 For these reasons, PSE’s Disconnection Policies violate the principle of
15 distributional justice by inordinately burdening historically marginalized and vulnerable
16 groups. Historically marginalized groups are more likely to have experienced
17 disconnection and arrearages. The Disconnection Policies funnel these customers with a
18 history of energy insecurity and disconnection into high credit codes, and then only
19 subjects those with high credit codes to dunning and disconnection. The Disconnection
20 Policies penalize customers for prior disconnections and more quickly mark them for

⁴⁴ Exh. SNS-12 (*Surviving a Shut-Off*) at 15.

⁴⁵ Colton, Exh. RDC-1T, at 47-48.

⁴⁶ Exh. SNS-8 (PSE Response to TEP DR 056).

1 disconnection in the future. It is unreasonable and inequitable that PSE prioritizes
2 customers for disconnection today based on the customer's prior ability to pay or prior
3 disconnection. These inequitable policy choices will only grow more concerning as PSE
4 continues to lower its dunning process income and past due thresholds over the coming
5 year, funneling tens of thousands of previously protected customers into the dunning
6 process and disconnection queue.⁴⁷

7 **Q: Do PSE's Disconnection Policies violate the Commission's equity lens with respect**
8 **to any other group of customers?**

9 A: Yes. In addition to the consequences borne by the customers with a history of energy
10 insecurity discussed above, renters also face inordinate burdens under the Disconnection
11 Policies.

12 It is inequitable that PSE uses account creation date as a criterion for credit
13 scores.⁴⁸ Renters typically move more frequently than homeowners, which means that
14 renters are disproportionately likely to have a worse credit code due to their account
15 creation date. Consequently, renters are more likely to be vulnerable to disconnection
16 merely due to their history of moving. Further, as described by Roger Colton in his
17 testimony in this proceeding, renters in PSE's territory typically have lower incomes than
18 homeowners.⁴⁹ For example, as witness Colton shows, renters are over three times as
19 likely to have an income under \$25,000 and over twice as likely to have an income under

⁴⁷ Exh. SNS-6 (PSE Response to TEP DR 052, Attachment A).

⁴⁸ Exh. SNS-7 (PSE Response to TEP DR 053).

⁴⁹ Colton, Exh. RDC-1T, Section V.

1 \$75,000.⁵⁰ As a Disconnection Policy data attribute, account creation date therefore
2 disproportionately burdens low-income customers.

3 Burdening renters with a higher likelihood of disconnection is particularly
4 concerning because utility disconnections can cause evictions. Many leases include a
5 provision requiring tenants to maintain utility services, and utility shutoffs that constitute
6 a default on a lease obligation can result in landlords evicting tenants, increasing the risks
7 of homelessness.⁵¹ Again, the Disconnection Policies risk creating a vicious cycle of
8 disconnection in which renters are disproportionately marked down for shorter account
9 histories while carrying greater risks related to disconnection.

10 **Q: Do any additional elements of PSE’s disconnection practices concern you?**

11 A: Yes. PSE’s revised tariff pursuant to Order 32/18 provided that PSE “shall conduct
12 targeted outreach in the form of a telephone or written (email) communication” before
13 the customer enters the dunning process (Targeted Outreach).⁵² Out of concern for PSE
14 customers without email addresses, Staff confirmed with PSE that PSE would also use
15 “alternate forms of written communication” for outreach to those customers.⁵³ While this
16 is a positive step, outreach using a hard copy, e.g., postal service, is important for all

⁵⁰ Colton, Exh. RDC-1T, Section V.

⁵¹ See, e.g., Tenants Union of Washington State, *Utilities FAQ*, <https://tenantsunion.org/rights/utilities-faq> (“Keeping current on utility bills is a condition of your tenancy. If you do not pay utility bills, the landlord may charge late fees or serve you with a 10-day notice to comply or vacate, even if the utility bill is in your name.”); Sample Washington State Residential Lease Agreement, § 11, <https://rentalleaseagreements.com/wp-content/uploads/2013/12/Washington-State-Residential-Lease-Agreement.pdf>, (“Resident agrees to establish use, maintain and pay without delinquency the following utilities used in or charged to the Premises during this tenancy without delinquency: electricity garbage sewer water natural gas . . .”).

⁵² Exh. SNS-13 at 1 (Staff Compliance Letter (June 12, 2024)).

⁵³ Exh. SNS-13 at 1 (Staff Compliance Letter (June 12, 2024)).

1 customers, not only customers without email addresses. Email correspondence is easy to
2 miss for a variety of reasons. Even for customers that receive their regular bills by email,
3 email is not sufficient notice of options to avoid the dunning process or for notices during
4 the dunning process.

5 **B. PSE should remove criteria unrelated to a customer’s current arrearages**
6 **from its Disconnection Policies, undertake an equity review, and use hard**
7 **copy notices for Targeted Outreach and in the dunning process.**

8 **Q: Does The Energy Project have any recommendations regarding PSE’s disconnection**
9 **practices?**

10 **A:** Yes. The Commission should order PSE to:

- 11 • Remove all provisions from its Disconnection Policies that prioritize customers for
12 dunning or disconnection based on any factor except current arrearage amount and
13 current length of time in arrears;
- 14 • Prioritize customers for disconnection based only on the two factors identified
15 above; and
- 16 • Conduct a robust equity review of the Disconnection Policies in consultation with
17 the LIAC and the EAG.
- 18 • Use hard copies, *e.g.*, via the postal service, for Targeted Outreach and dunning
19 notices.

20
21 **Q: Why should the Commission order PSE to revise its Disconnection Policies?**

22 **A:** The Commission should order these changes for two reasons. First, removing criteria that
23 consider previous disconnections, account age, and energy insecurity from the
24 Disconnection Policies will rectify these identified inequities and bring PSE further in
25 line with the Commission’s equity standards. Second, directing PSE to prioritize
26 customers for disconnection based only on current arrearage amount and length of time in
27 arrearage will prevent PSE from generating new criteria that worsen energy inequity.

28 **Q: Why should PSE conduct an equity review of its Disconnection Policies?**

1 A: Mandating an equity review in consultation with the Advisory Groups will improve the
2 disconnection policymaking process and ensure that PSE applies the Commission's
3 equity principles to all of its disconnection practices. The equity review will also allow
4 PSE, the Commission, and interested parties to oversee reforms that alleviate inequity in
5 the Disconnection Policies beyond removal of the criteria I describe above.

6 **Q: How can the Commission ensure that PSE conducts a robust equity review of its**
7 **Disconnection Policies?**

8 A: TEP recommends two steps. Unless the Commission ends residential nonpayment
9 disconnections in the Credit and Collections rulemaking, the Commission should direct
10 PSE to: (1) by April 2025, present PSE's Disconnection Policies to a joint meeting of the
11 LIAC and the EAG, soliciting verbal and written feedback on the equity impacts of its
12 Disconnection Policies, and (2) by September 1, 2025, incorporate the feedback received
13 and make a subsequent filing (pursuant to WAC 480-07-885) with new disconnection
14 policies and procedures. The Commission should require the subsequent filing to discuss
15 any feedback PSE did not incorporate and the reasons for declining to do so.

16 **Q: Why should the Commission order these two steps?**

17 A: The Commission should order these steps to promote accountability, collaboration,
18 timeliness, and orderliness in revising PSE's Disconnection Policies. Presenting and
19 soliciting review from the Advisory Groups will ensure expert consultation and
20 collaboration. Mandating a subsequent filing with deadlines will facilitate an orderly and
21 timely means of review for existing and new PSE procedures.

22 **Q: Moving on to PSE's Targeted Outreach, how can the Commission ensure that PSE**
23 **effectively communicates with customers at risk of disconnection?**

1 A: The Commission should order PSE to provide hard copy notices to customers at risk of
2 disconnection, in addition to any email communication PSE sees fit. This includes both
3 the Targeted Outreach the Commission established in May,⁵⁴ as well as notices provided
4 through the dunning process. This change will ensure that PSE customers are properly
5 put on notice regarding options to avoid disconnection and potential disconnection.

6 **Q: Finally, what is the relationship between the Commission’s credit and collections**
7 **rulemaking docket U-210800 and TEP’s proposal?**

8 A: If the Commission decides to end residential disconnection in docket U-210800, then
9 TEP’s recommendation is moot and may be disregarded. However, if the Commission
10 has not yet issued final rules in docket U-210800, or if the final rules allow residential
11 disconnections, then the equity review and the other changes I recommend should be
12 implemented. The Commission faces an unprecedented amount of work with statutory
13 deadlines, and it is not reasonable for the changes I recommend to wait for Commission
14 action in other proceedings which have no deadline and have seen repeated delays.

15 **VI. The Commission should order PSE to track language preferences and develop a**
16 **language access plan.**

17 **Q: What steps has PSE taken to serve customers who speak a primary language other**
18 **than English?**

19 A: PSE has recently begun to improve its language access services. In February 2023, PSE
20 added multi-language support for its webpages.⁵⁵ Now, customers can select from six
21 languages other than English—Spanish, Chinese (Simplified), Russian, Vietnamese,

⁵⁴ PSE Disconnection Order, ¶¶ 56-58.

⁵⁵ Exh. CLW-1T at 8-9.

1 Korean, and Hindi—from a drop-down on all PSE webpages.⁵⁶ PSE estimates that about
2 131,000 residential customers, or 8.5 percent of its residential customer population, speak
3 those six languages, including about 52,000 estimated low-income customers.⁵⁷ Those
4 data underscore the importance of improving language access for PSE customers in
5 general and low-income customers in particular.

6 **Q: Do you have concerns with PSE’s approach to providing language services to**
7 **customers?**

8 A: Yes. PSE’s language access tracking and planning raises concerns despite the recent steps
9 to improve webpage translation services. First, PSE does not have any Company policy
10 or guiding documents regarding when to provide services in a language other than
11 English.⁵⁸ Second, PSE does not collect or store customers’ language preferences.⁵⁹
12 Instead, PSE gauges language preferences by assessing Google data reporting the
13 browser language settings of customers who view its website, which it recognizes “has
14 accuracy limitations.”⁶⁰ PSE also sent a limited set of customers a survey that included a
15 question regarding languages spoken at home.⁶¹ These practices do not replace basic

⁵⁶ Exh. CLW-1T at 9.

⁵⁷ Exh. CLW-1T at 8.

⁵⁸ Exh. SNS-14 (PSE Response to TEP DR 046).

⁵⁹ Exh. SNS-15 (PSE Response to TEP DR 044).

⁶⁰ Exh. SNS-16 (PSE Response to TEP DR 045).

⁶¹ Exh. SNS-16 (PSE Response to TEP DR 045).

1 customer-level tracking of language preferences, a step already taken by other
2 Washington utilities.⁶²

3 PSE’s understanding of its customers’ language preferences is based on noisy,
4 unclear data. PSE relies on Google Analytics data and Experian data,⁶³ but these sources
5 likely underreport the number of customers that would prefer PSE services in a language
6 other than English.

7 These practices fail to effectively serve—or even effectively count—PSE
8 customers who speak a language other than English. Language accessibility is
9 particularly important for low-income customers, many of whom speak a language other
10 than English. As it moves forward, PSE must ensure that customers who seek bill
11 assistance, arrearage relief, disconnection relief, or basic utility services information can
12 access information in any of the most spoken languages in its service territory.

13 **Q: Does TEP have any recommendations regarding language access?**

14 A: Yes. The Commission should order PSE to undertake two specific initiatives that will
15 improve its language access services. PSE should (1) collect and track language
16 preferences and (2) develop a language access plan.

17 **Q: What specific steps should PSE take to collect and track language preferences?**

18 A: By January 1, 2026, PSE should modify its customer relationship management system to
19 (1) allow customers to select a preferred language for communications and (2) provide
20 customers information and communications in their preferred language when available.

⁶² See *Wash. Utils. & Transp. Comm’n v. Avista*, Dkt. 240006-07, Stokes, Exh. SNS-1T, at 34 (July 3, 2024) (explaining that “Avista maintains a system for tracking customers’ preferred languages, which records preferences for over forty languages”).

⁶³ Exh. SNS-16 (PSE Response to TEP DR 045).

1 Allowing customers to select a preferred language and providing customers materials in
2 that language (when available) will enable PSE to take a proactive approach to serving
3 the 130,000+ residential customers that primarily speak a language other than English.⁶⁴

4 The January 2026 deadline gives PSE a reasonable but firm timeline to make these
5 changes.

6 **Q: Your second recommendation is that PSE should develop a language access plan.**

7 **What is a language access plan?**

8 A: A language access plan is a policy setting out in detail (1) the language needs and
9 preferences of an organization's clients and partners and (2) the steps the organization
10 will take to improve language access and multilingual services.⁶⁵ Language access plans
11 help organizations deliver high-quality language services.

12 **Q: What does a language access plan include?**

13 A: Language access plans typically include several major components, including: (1) A
14 comprehensive needs assessment; (2) identification and implementation of improvements
15 to language services; (3) actions to enhance awareness among clients and customers
16 regarding the organization's available language services; (4) training for employees on
17 language access needs, policies, and programs; and (5) a framework and metrics to
18 evaluate the success of the language access plan.⁶⁶

⁶⁴ Exh. CLW-1T at 8.

⁶⁵ Centers for Medicare and Medicaid Services, *Guide to Developing a Language Access Plan*, <https://www.cms.gov/About-CMS/Agency-Information/OMH/Downloads/Language-Access-Plan-508.pdf>; United Language Group, *Guide to Developing a Language Access Plan*, <https://www.unitedlanguagegroup.com/resources/developing-a-language-access-plan> (accessed Sept. 1, 2023).

⁶⁶ United Language Group, *Guide to Developing a Language Access Plan*.

1 **Q: Why should PSE prepare a language access plan?**

2 A: Language access plans serve several important functions. The plan will (1) prompt a
3 comprehensive evaluation of customer language preferences and existing services,
4 identifying deficiencies and room for improvement; (2) improve customer relations; (3)
5 provide more equitable access to PSE programs targeted toward low-income customers,
6 including weatherization and energy assistance programs; and (4) help PSE learn best
7 practices for multilingual services. In general, the language access plan promotes
8 reflection and accountability by giving PSE and other interested persons clear evaluation
9 criteria in assessing PSE's language access efforts.

10 **Q: Has the Commission supported the adoption of utility language access plans?**

11 A: Yes. In fact, the UTC observed in a different PSE case that “[a]ccessibility and the
12 development of language access plans are an important consideration for all investor-
13 owned utilities.”⁶⁷ The Commission also stated support for increasing language access in
14 a case concerning NW Natural Gas and approved a requirement for PacifiCorp to develop
15 a language access plan.⁶⁸

16 **Q: What procedure should PSE use to develop a language access plan?**

17 A: The Commission should direct PSE to take five steps:
18 a. By June 1, 2025, evaluate language barriers to accessing low-income programs in
19 a draft language access plan;

⁶⁷ *Wash. Utils. & Transp. Commn. v. Puget Sound Energy*, Dkt. UE-220066/UG-220067, Order 32/18 Granting Petition; Amending Final Order 24/10, Subject to Conditions, ¶ 57 (May 16, 2024).

⁶⁸ *Id.*; *Wash. Utils. & Transp. Commn. v. PacifiCorp*, Dkt. UE-230172, Order 08, ¶ 104 (Mar. 19, 2024); *Wash. Utils. & Transp. Commn. v. Northwest Natural Gas*, UG-200994, Order 05, ¶ 45 n.22 (Oct. 21, 2021).

- 1 b. By June 1, 2025, provide the LIAC and the EAG a draft language access plan for
2 its low-income programs and request feedback on the plan;
- 3 c. By October 1, 2025, incorporate feedback it receives, discuss any feedback
4 received on the draft not incorporated into the final, state the reason PSE did not
5 incorporate the feedback into the final, and make a subsequent filing (pursuant to
6 WAC 480-07-885) with a final language access plan for its low-income program;
- 7 d. Report on its progress toward accomplishing the language access plan in its
8 annual energy assistance report to the Commission; and
- 9 e. Maintain and revise the language access plan as needed, with approval and
10 feedback from the LIAC and the EAG.

11 **VII. The Commission should retain critical affordability and equity metrics when**
12 **evaluating PSE’s performance.**

13 **Q: Please summarize PSE’s existing affordability and equity Performance-Based**
14 **Ratemaking Metrics.**

15 A: PSE currently reports 53 metrics relevant to TEP’s testimony: 37 equity metrics, 24
16 affordability metrics, and two demand-side management (DSM) metrics that directly
17 measure data related to low-income communities or Named Communities.⁶⁹ PSE
18 proposes to eliminate almost all of those metrics.⁷⁰ PSE proposes preserving only one
19 equity metric and one of the two equity-related DSM metrics. It proposes two new equity
20 metrics and two affordability metrics that lack necessary granularity.⁷¹

21 **Q: Do you have concerns with PSE’s proposals?**

22 A: Yes. PSE seeks to eliminate many valuable metrics it should continue to report, including
23 some that would benefit from revision. PSE also proposes two new equity metrics which
24 require significant modification to provide useful data. For ease of tracking TEP’s

⁶⁹ 220066-67 PSE 2023 Metrics – MYRP Report, Attachment A (March 29, 2024).

⁷⁰ Exh. MS-3.

⁷¹ Exh. MS-3 at 2-3, 7-8.

1 analysis, I have compiled our recommended metrics in these categories in Exh. SNS-17,
2 attached to this testimony. PSE also proposes two affordability metrics in lieu of its
3 existing reporting that are poorly designed and should be rejected.

4 **Q: Does witness Roger Colton also address performance-based ratemaking?**

5 A: Yes. Witness Colton’s testimony shows how PSE’s existing data reporting enables
6 measurement of affordability and equity issues, and underscores the importance of census
7 tract reporting. Colton also directly responds to PSE’s testimony regarding affordability
8 and equity metrics

9 **Q: Does TEP address all of PSE’s proposals concerning performance metrics in this**
10 **case?**

11 A: No. TEP focused its evaluation of PSE’s proposals on those that most directly impact
12 low-income customers and vulnerable populations. TEP’s lack of discussion concerning
13 other metrics addressed by witness Steuerwalt should not be construed as agreement with
14 his recommendations.

15 **A. PSE should maintain and improve its affordability metrics.**

16 **Q: Does TEP have any recommendations regarding the two affordability metrics PSE**
17 **proposes to report?**

18 A: Yes. PSE proposes to only continue measuring average annual residential customer bill,
19 by gas and electric bill.⁷² It proposes to eliminate census tract breakdowns in this metric,
20 which it currently measures, instead only tracking average annual bills across the full
21 customer population.⁷³ The Commission should reject that modification and maintain the

⁷² Exh. MS-3 at 7-8.

⁷³ 220066-67 PSE 2023 Metrics – MYRP Report, Attachment A (March 29, 2024).

1 current metrics, as census tract bill figures help to disaggregate and improve
2 understanding of how different communities' bills change over time.⁷⁴ In this proceeding,
3 for example, witness Colton uses census tract bill data reported by PSE to conclude that
4 “the unaffordability of PSE bills is not only deep . . . but the unaffordability is broad as
5 well” because unaffordable bills are widespread across census tracts in PSE’s service
6 territory.⁷⁵ Witness Colton’s testimony demonstrates the importance of reporting average
7 bills by census tract.⁷⁶

8 **Q: Are these metrics an adequate substitute for the metrics PSE proposes to eliminate?**

9 A: No, for the reasons described at length in witness Colton’s testimony.⁷⁷

10 **Q: Are there multi-year rate plan (MYRP) metrics PSE should maintain that it**
11 **proposes to eliminate?**

12 A: Yes, several. First, PSE proposes to eliminate and should maintain Metric 61, which
13 measures total revenue recovered from customers outside of rates approved within its
14 MYRP.⁷⁸ This is a useful indicator for monitoring if there are sufficient revenues
15 collected through the MYRP so that the MYRP can serve its intended function as a cost-
16 containment mechanism. The Commission should order PSE to continue tracking it.

⁷⁴ Colton, Exh. RDC-1T, Section II.A, III.A.

⁷⁵ Colton, Exh. RDC-1T, Section II.B-C (additionally reporting that 217 census tracts would have a natural gas bill burden higher than 4 percent of income and 82 census tracts would have a natural gas bill burden of higher than 8 percent of income).

⁷⁶ Colton, Exh. RDC-1T, Section III.A.

⁷⁷ Colton, Exh. RDC-1T, Section III.A.

⁷⁸ Exh. MS-3 at 7-8; Dkts. UE-UG-220066-67, PSE 2023 Metrics – MYRP Report, Attachment A (March 29, 2024).

1 **Q: Are there metrics related to utility financial management that PSE proposes to**
2 **eliminate?**

3 A: Yes. PSE proposes to eliminate Metrics 76-77, which measure annual net plant in service
4 per customer, separately for electric and gas.⁷⁹ These metrics should be maintained for
5 two reasons. First, net plant in service reveals high-level trends in utility capital
6 management, giving the Commission one metric to assess PSE's prudence. Second, net
7 plant in service indicates PSE's choices regarding replacement of aging assets.

8 In addition, PSE proposes to eliminate Metrics 78-79, which measure average
9 annual O&M costs per customer, separately for electric and gas.⁸⁰ These metrics also
10 reflect utility financial management, and measuring these trends can inform performance
11 assessments. It is useful for the Commission and interested parties to compare PSE's
12 O&M trends with other financial trends, like bills, net plant in service, revenue recovered
13 outside the MYRP, and more. The Commission should order PSE to maintain these
14 metrics.

15 **Q: Are there energy burden metrics PSE proposes to eliminate that it should maintain?**

16 A: Yes. PSE proposes to eliminate Metrics 80-81, which measure average excess energy
17 burden per household, separately for electric and gas.⁸¹ These are important data that
18 reveal the depth of customers' energy burden before accounting for energy assistance.
19 Reporting energy assistance metrics and Metrics 80-81 will help to provide the

⁷⁹ Exh. MS-3 at 7-8; Dkts. UE-UG-220066-67, PSE 2023 Metrics – MYRP Report, Attachment A (March 29, 2024).

⁸⁰ Exh. MS-3 at 7-8; 220066-67 PSE 2023 Metrics – MYRP Report, Attachment A (March 29, 2024).

⁸¹ Exh. MS-3 at 7-8; 220066-67 PSE 2023 Metrics – MYRP Report, Attachment A (March 29, 2024).

1 Commission, interested parties, and PSE all necessary data to evaluate energy burdens,
2 energy assistance, and the relationship between them.

3 **Q: Are there bill-related metrics PSE proposes to eliminate that it should maintain?**

4 A: Yes. PSE proposes to eliminate Metrics 59-60—which measure average annual bill as a
5 percentage of income for energy-burdened customers, separately for electric and gas—
6 and Metrics 74-75, which measure average annual bill as a percentage of income by
7 census tract.⁸² These are valuable metrics to understand the relationship between bills,
8 income, and energy burdens.

9 **Q: Has the Commission proposed any related metrics in its Interim Policy Statement?**

10 A: Yes. The Commission proposed tracking the annual residential bill divided by the
11 average area median income by census tract for all customers, comparing outcomes in
12 Non-Named and Named Communities, with electric and natural gas service stated
13 separately for dual-fuel utilities.⁸³

14 **Q: What action should the Commission take with respect to Metrics 59-60, 74-75, and
15 the related Policy Statement proposal described above?**

16 A: The Commission should direct PSE to combine these three measures. PSE should track
17 “average residential electric and gas bill, divided by average area median income, by
18 census tract, and comparing energy-burdened customers, low-income communities,
19 Vulnerable Populations, and Highly Impacted Communities.” That metric would
20 effectively integrate the Commission’s recommended metric in the Policy Docket and

⁸² Exh. MS-3 at 7-8; 220066-67 PSE 2023 Metrics – MYRP Report, Attachment A (March 29, 2024).

⁸³ Dkt. U-210590, Interim Policy Statement Addressing Performance Measures and Goals, Targets, Performance Incentives, and Penalty Mechanisms at 21 (Apr. 12, 2024).

1 PSE’s current reporting of energy-burdened customer bills. In doing so, this metric would
2 inform an equity analysis of rates and reveal the impact of bills and rate increases on
3 several relevant communities. These assessments are crucial to informing the equity
4 analysis of rates and bringing the metrics in line with the Commission’s Policy Docket
5 recommendations.

6 **Q: Does PSE propose to eliminate any arrearage and disconnection metrics?**

7 A: Yes. Metrics 62-69 measure the number and percentage of disconnection notices,
8 residential disconnections for non-payment, and reconnections, each broken out by month
9 and zip code, separately for electric and gas.⁸⁴ Additionally, Metrics 70-73 track total
10 residential arrearages and average age of arrears by zip code, separately for electric and
11 gas.⁸⁵ PSE proposes to eliminate all these metrics.⁸⁶ These metrics are crucial for three
12 reasons. First, these disconnection and arrearage metrics show PSE’s overall progress in
13 reducing residential disconnections and arrearages. Tracking and reporting these metrics
14 are particularly important should the Commission decide to continue allowing PSE to
15 disconnect residential customers over advocates’ objections. Second, the disconnection
16 metrics show the efficacy of PSE measures to (1) prevent disconnection after notice and
17 (2) reconnect customers as quickly as possible after disconnection. Third, the arrearage
18 age data show how quickly PSE works with customers to clear debt.

19 These metrics would be improved by one change. Specifically, Metrics 62-69 and
20 70-73 should be modified to track by census tract, not zip code. Census tract reporting is

⁸⁴ 220066-67 PSE 2023 Metrics – MYRP Report, Attachment A (March 29, 2024).

⁸⁵ 220066-67 PSE 2023 Metrics – MYRP Report, Attachment A (March 29, 2024).

⁸⁶ Exh. MS-3 at 7-8.

1 more granular and reflects neighborhood- and street-level economic realities, which are
2 particularly relevant given how disconnections disproportionately affect marginalized and
3 vulnerable communities. The Commission should order PSE to revise and maintain these
4 metrics.

5 **B. PSE should maintain and improve the equity metrics it proposes to eliminate**
6 **and adopt TEP’s revisions to the new metrics it proposes.**

7 **Q: What action should the Commission take with respect to PSE’s Equity metrics?**

8 A: The Commission should order PSE to (1) maintain and revise the equity metrics it
9 proposes to eliminate, (2) adopt the revisions to PSE’s new metrics recommended by
10 witness Colton, and (3) maintain the equity-related DSM metric it proposes to eliminate.

11 **Q: Should PSE maintain or revise metrics related to bill assistance?**

12 A: Yes. PSE proposes to eliminate Metric 82, which measures the number of low-income
13 customers receiving bill assistance, and Metric 83, which measures the share of bill
14 assistance customers in Highly Impacted Communities and Vulnerable Populations.⁸⁷
15 These metrics are each important to show the relationship between income, demographic
16 status, and bill assistance enrollment, providing top-line figures that support equity
17 analyses. PSE should keep reporting both metrics with two alterations: Metric 82 should
18 also (1) show the percentage of low-income customers receiving bill assistance and
19 should (2) clarify that it measures estimated low-income customers. These are simple
20 fixes that will ensure PSE’s data reporting requirements are clear and will reveal whether
21 changes in absolute number of customers are the result of customer population growth or
22 other factors.

⁸⁷ Exh. MS-3 at 2-3; 220066-67 PSE 2023 Metrics – MYRP Report, Attachment A (March 29, 2024).

1 **Q: Should PSE maintain metrics related to electric transportation?**

2 A: Yes. PSE proposes to eliminate Metric 84, which measures the number of customers in
3 Highly Impacted Communities and Vulnerable Populations taking service through PSE’s
4 EV tariffs. PSE also proposes to eliminate Metric 85, which measures the share of utility
5 transportation electrification spending intended to benefit these communities.⁸⁸ The
6 Commission should order PSE to maintain Metric 85 and track an amended Metric 84:
7 the number of customers in these communities benefitting from PSE’s electric
8 transportation spending more generally. Together, these metrics will track the absolute
9 number and percentage of utility electrification spending that benefits Highly Impacted
10 Communities and Vulnerable Populations.

11 Overall, these metrics are valuable because they show the efficacy of PSE and
12 Commission efforts to electrify transportation equitably. Measuring electric
13 transportation generally, as opposed to electric vehicle tariffs narrowly, ensures that
14 reported data fully show the successes and failures of programs that invest in electric
15 public and private transportation.

16 Additionally, PSE proposes to eliminate Metric 86, which tracks the “percentage
17 of utility-owned and -supported electric vehicle supply equipment by use case located
18 within or intended to provide direct benefits and services to highly impacted communities
19 and vulnerable populations.”⁸⁹ Measuring the deployment of electric vehicle support
20 equipment located in and/or benefiting Named Communities enables the Commission,

⁸⁸ Exh. MS-3 at 2-3; 220066-67 PSE 2023 Metrics – MYRP Report, Attachment A (March 29, 2024).

⁸⁹ Exh. MS-3 at 2-3; 220066-67 PSE 2023 Metrics – MYRP Report, Attachment A (March 29, 2024).

1 PSE, and interested parties to assess utility efforts to make electric vehicle ownership
2 viable in Named Communities. This metric also contextualizes PSE’s measurement of
3 electric transportation spending. If electric vehicle spending and support equipment
4 spending are not following the same trends, PSE’s investment strategy may not optimally
5 increase electric vehicle adoption in Named Communities. The Commission should
6 maintain this metric.

7 **Q: Should PSE maintain equity-focused metrics for advanced metering?**

8 A: Yes. Several equity metrics mirror or are similar to metrics in other categories, except
9 that the metrics in other categories report population-wide data and the equity metrics
10 report relevant demographic data. First, PSE proposes to delete Metrics 88-91, which
11 track various uses of advanced metering infrastructure, specifically focusing on their
12 deployment in Highly Impacted Communities and Vulnerable Populations.⁹⁰ Metrics 40-
13 43 track the same data without any demographic breakdown.⁹¹ These advanced metering
14 metrics exist due to skepticism surrounding the customer benefits of advanced metering
15 technology. TEP recommends retaining Metrics 88-91 to monitor the distribution of
16 benefits of advanced metering to Named Communities.

17 **Q: Should PSE maintain equity-focused metrics for distributed energy resources?**

18 A: Yes. PSE proposes to eliminate Metrics 92-105, which track demographic data related to
19 distributed energy resources programming and capacity.⁹² Similarly, PSE proposes to

⁹⁰ Exh. MS-3 at 2-3; 220066-67 PSE 2023 Metrics – MYRP Report, Attachment A (March 29, 2024).

⁹¹ 220066-67 PSE 2023 Metrics – MYRP Report, Attachment A (March 29, 2024).

⁹² Exh. MS-3 at 2-3; 220066-67 PSE 2023 Metrics – MYRP Report, Attachment A (March 29, 2024).

1 eliminate Metric 25, which tracks the percentage of low-income customers participating
2 in DR, DER, or renewable energy programs.⁹³ These metrics complement Metrics 16-23,
3 which track similar data without almost any demographic breakdown.

4 **Q: Should PSE maintain equity-focused metrics for arrearages, disconnections, and**
5 **energy burdens?**

6 A: Yes. PSE proposes to eliminate Metrics 106-119, which track demographic data related
7 to arrearages, disconnections, and energy burdens.⁹⁴ Similarly, PSE proposes to eliminate
8 Metrics 62-73 and 80-81, which track the same data without any demographic breakdown
9 and which I discussed above. TEP recommends that the Commission order PSE to
10 continue reporting each of these crucial metrics. Without them, the Commission cannot
11 effectively judge the success of disconnection, arrearage, and energy burden reduction
12 efforts, nor can it assess the distribution of disconnection, arrearage, and energy bill
13 burdens in Named Communities.

14 **Q: Should the Commission adopt the new equity metrics PSE proposes?**

15 A: Witness Colton explains that while these metrics could further desirable objectives, TEP
16 has concerns with their design.⁹⁵ The Commission should require PSE to amend these
17 metrics to reflect witness Colton's recommendations.

18 **Q: If the UTC adopts PSE's new metrics, would those metrics adequately replace the**
19 **metrics PSE proposes to eliminate?**

⁹³ Exh. MS-3 at 1-8; 220066-67 PSE 2023 Metrics – MYRP Report, Attachment A (March 29, 2024).

⁹⁴ Exh. MS-3 at 2-3; 220066-67 PSE 2023 Metrics – MYRP Report, Attachment A (March 29, 2024).

⁹⁵ Colton, Exh. RDC-1T at Section III.B.

1 A: No, PSE’s new metrics are not replacements for the metrics PSE proposes to eliminate.⁹⁶
2 Many metrics PSE proposes to eliminate cover entirely different ground. For example,
3 these metrics do not explain or directly show any trends for Named Communities in
4 disconnections, arrearages, or DR/DER/utility spending. As witness Colton shows,
5 understanding the relationship between energy bills and burdens and other critical factors,
6 like disconnections or arrears, requires granular data on each of these subjects.⁹⁷ PSE’s
7 new proposals do not obviate the need for its existing metrics.⁹⁸

8 Additionally, while some existing metrics are similar to PSE’s new proposals,
9 their differences are important to enabling the Commission to most effectively monitor
10 the distribution of benefits to Named Communities. For example, comparing Named
11 Community bill assistance rates to energy assistance efficacy will show which successful
12 energy assistance efforts are serving specific Named Communities. Overall, PSE has
13 proposed potentially useful new metrics if modified, but the Commission should order
14 PSE to continue reporting its existing equity metrics for the specific reasons described
15 above and because the two new metrics do not adequately replace them.

16 **VIII. The Commission should not award PSE’s shareholders unreasonable financial**
17 **incentives merely because they support the state’s climate goals.**

18 **Q: What is PSE’s argument regarding proposed rate increases?**

19 A: First, I would like to note that PSE customers have faced continuous revenue requirement
20 increases for many years. PSE argues that yet another rate increase is needed to “maintain

⁹⁶ Colton, Exh. RDC-1T at Section III.B.

⁹⁷ Colton, Exh. RDC-1T at Section III.B.

⁹⁸ Colton, Exh. RDC-1T at Section III.B.

1 core utility services while meeting new and transformative state policy objectives.”⁹⁹ PSE
2 cites numerous financial challenges, including inflationary pressures, high interest rates,
3 and balance sheet difficulties.¹⁰⁰ According to the company, these challenges threaten its
4 financial health and undermine its ability to meet the state’s decarbonization goals.¹⁰¹
5 PSE’s solution is another significant set of rate increases.

6 **Q: Should the Commission approve PSE’s requested rates relying on this argument?**

7 A: No. The Commission should not authorize even more incentives for shareholders merely
8 because PSE commits to complying with Washington’s energy and environmental
9 policies. As in any rate case, the Commission’s fundamental task is to balance ratepayer
10 interests against shareholder interests. To reach the appropriate balance, the Commission
11 must consider how rising utility bills harm low- and moderate-income households, many
12 of whom are struggling to pay their bills. In that sense, a consideration of affordability is
13 central to determining what financial incentives to provide PSE.

14 **Q: How should inflation shape the Commission’s approach to this case?**

15 A: PSE is not the only party affected by the recent spike in inflation. As Roger Colton’s
16 testimony explains, inflation harms low-income households more than those with higher
17 incomes. Lower-income families spend a much greater share of their income on
18 necessities, including electricity and gas. The Commission must consider these families,
19 many of whom are living paycheck to paycheck without significant assets or savings,
20 when determining whether PSE’s proposed rates are just and reasonable.

⁹⁹ Steuerwalt, Exh. MS-1TR, at 5:4-5.

¹⁰⁰ Exh. MS-1TR at 30:12-26.

¹⁰¹ Exh. MS-1TR at 31:5-6.

1 **Q: How should the Commission approach the balancing of ratepayer and shareholder**
2 **interests?**

3 A: The Commission should not award PSE’s shareholders unreasonable financial incentives
4 merely because they support the state’s climate goals. As PSE itself has said, “principles
5 of equity” should not be sacrificed in the transition to renewable energy.¹⁰² TEP asks the
6 Commission to take this statement seriously when determining if it is appropriate to give
7 PSE’s shareholders financial incentives for clean energy investments.

8 **A. The Commission should reject PSE’s proposal to accelerate gas plant**
9 **depreciation.**

10 **Q: What is PSE’s proposal for depreciation of its gas plant?**

11 A: PSE proposes a method called 10-year shorter lives depreciation. While the current
12 schedule permits \$169.3 million in annual gas plant depreciation, PSE now requests
13 \$240.2 million in annual depreciation. This is slightly less than the \$257.8 annual figure
14 for full recovery of gas plant by 2050, according to PSE.¹⁰³

15 **Q: How does PSE justify the proposal?**

16 A: PSE claims that the 10-year shorter lives method is a gradual step toward achieving net-
17 zero emissions by 2050. PSE argues that even faster depreciation “most closely” aligns
18 with utilization of gas plant “while mitigating rate impacts on future customers,” but
19 understands that the Commission may desire a less aggressive approach.¹⁰⁴

20 **Q: What is the key assumption behind PSE’s proposal?**

¹⁰² See Exh. MS-1TR at 32:2-3.

¹⁰³ Allis, Exh. NAW-1T, at 29:22.

¹⁰⁴ Allis, Exh. NAW-1T at 30:4-8. According to PSE, the proposal is not accelerated depreciation, which refers only to methods where depreciation is higher in earlier years and lower in later years of an asset’s life.

1 A: PSE assumes that its gas system will decline by 59% by 2050.¹⁰⁵ To PSE, faster
2 depreciation is necessary to avoid an undue rate burden for customers who remain
3 connected to the gas system in the coming decades.

4 **Q: How does TEP respond to PSE’s assumption about gas system retirement?**

5 A: In this year’s session, the Legislature considered and decided not to eliminate the
6 statutory requirement that PSE connect new gas customers. It is therefore likely that PSE
7 will continue serving at least some new gas customers in the coming years. As such, it is
8 difficult to estimate how much PSE’s gas system will shrink or grow, and how much
9 existing customers will be burdened by a more moderate depreciation schedule.

10 **Q: Does HB 1589 require the Commission to fully depreciate PSE’s gas plant by 2050**
11 **in this case?**

12 A: No. I am not offering this testimony as a legal opinion, and any legal disputes are best
13 resolved through the briefing process. However, it is my understanding that HB 1589
14 does not apply to this proceeding for two independent reasons. First, HB 1589 took effect
15 on March 28, but PSE filed its rate case on February 15. From what I have gathered,
16 Washington statutes do not apply retroactively.

17 **Q: Has the Commission recently ruled on the retroactivity of statutes?**

18 A: Yes. In PSE’s last general rate case and then again in its decision on the Tacoma liquified
19 natural gas project in April 2024, the Commission declined to apply the expanded public
20 interest standard in RCW 80.28.425(1) to investment decisions PSE made before that

¹⁰⁵ NAW-1T at 31:14-15.

1 statute's operative date.¹⁰⁶ In each case, the Commission decided not to retroactively
2 apply a change in law, and the result benefited PSE's shareholders. It would be unfair to
3 low-income ratepayers for the Commission to change its approach and decide that HB
4 1589 applies retroactively, in this case also for the benefit of PSE's shareholders.

5 **Q: What is the second reason HB 1589 does not apply here?**

6 A: Section 7(1), which outlines the gas plant depreciation mandate, refers to rate plans filed
7 "in accordance with" the integrated system plan (ISP) provisions of the statute. Those
8 provisions are not scheduled to take effect until after PSE submits an ISP, in January
9 2027. A key legislative history document describes Section 7(1) as follows: "Requires the
10 UTC to approve, in connection with an approved integrated system plan, an accelerated
11 depreciation schedule that depreciates all existing gas plants by January 1, 2050."¹⁰⁷
12 Since the Commission will not approve an ISP until at least 2027, Section 7(1) does not
13 apply yet. Given that Section 7(1) is inapplicable, there is no depreciation mandate in this
14 proceeding. The Commission has discretion to select among depreciation schedules that
15 result in fair, just, reasonable, and sufficient rates.

16 **Q: Is there anything else you would like to say about HB 1589?**

¹⁰⁶ *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dkts. UE-220066, UG-220067, UG-210918 (consolidated), Final Order 24/10, at ¶ 427 (Dec. 22, 2022); *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dkt. UG-230393, Final Order 07, at ¶¶ 93, 111 (Apr. 24, 2024).

¹⁰⁷ See SNS-18 (House Bill Report, ESHB 1589, at 2, <https://lawfilesexternal.wa.gov/biennium/2023-24/Pdf/Bill%20Reports/House/1589-S.E%20HBR%20PL%202024.pdf?q=20240717120622>).

1 A: I would add that it is possible voters will repeal major sections of HB 1589 this
2 November.¹⁰⁸

3 **Q: What does TEP recommend concerning PSE’s depreciation schedules?**

4 A: The Commission should not adopt PSE’s proposal because it would immediately place an
5 undue burden on ratepayers and provide a short-term financial windfall to PSE’s
6 shareholders. Absent a binding commitment from PSE to retire certain segments of its
7 gas system and to stop serving gas customers in those areas, the Commission should use
8 its discretion to reject PSE’s proposals.

9 If the Commission decides that changes in PSE’s depreciation schedule are
10 warranted, it should take a more gradual approach. PSE claims its proposal is gradual, but
11 it would result in approximately \$70 million more in annual depreciation spending. That
12 is too fast too soon. Taking a more gradual approach will allow the Commission to avoid
13 rate shock. As I have noted, low-income ratepayers are already struggling to pay their
14 bills.

15 **Q: Is TEP’s position consistent with PSE transitioning away from natural gas and**
16 **meeting state energy policy goals?**

17 A: Yes. I want to reiterate that TEP supports the state’s climate goals. PSE expresses
18 concern that without faster depreciation, there will be fewer gas customers left to pay
19 higher bills as other customers replace gas appliances in their homes. TEP understands
20 these concerns, but that does not call for immediately spending an additional \$70 million

¹⁰⁸ Washington Secretary of State, *Initiative to the People 2066 certified to November General Election ballot* (July 24, 2024), <https://www.sos.wa.gov/about-office/news/2024/initiative-people-2066-certified-november-general-election-ballot>.

1 per year. That figure represents a windfall for PSE shareholders, which is not
2 immediately necessary.

3 **Q: How does PSE's continued obligation to serve gas customers shape your analysis?**

4 A: As I mentioned earlier, state law still mandates that PSE connect new gas customers and
5 serve existing customers. If the Legislature changes that requirement, PSE's request to
6 rapidly depreciate gas plant will be more defensible. As it stands, PSE's proposal would
7 lead to higher short-term rate burdens without delivering concrete future benefits.

8 **B. PSE has not demonstrated that its demand response resource acquisition or**
9 **performance will increase if provided incentives.**

10 **Q: What financial incentives does PSE propose to provide its shareholders for demand**
11 **response (DR)?**

12 A: PSE proposes to provide its shareholders two financial incentives for DR: a cost of
13 capital awarded for having a signed contract, and a performance incentive mechanism.

14 **Q: Did PSE earlier request the Commission approve a cost of capital for its demand**
15 **response contracts?**

16 A: Yes on September 29, 2023, in Docket UE-230810, PSE filed a petition seeking an
17 accounting order authorizing PSE to defer the costs associated with three DR PPAs,
18 including a cost of capital, pursuant to RCW 80.28.410.

19 **Q: Did TEP respond to PSE's request for deferred accounting?**

20 A: Yes. The Alliance of Western Energy Consumers and TEP jointly filed written comments
21 on March 27, 2024, and then made verbal comments at the Commission's Open Meeting
22 on March 28, 2024.

1 **Q: What arguments did TEP make at that time?**

2 A: TEP did not dispute that RCW 80.28.410 provides the Commission with discretion to
3 authorize a cost of capital for PPAs procured pursuant to a utility's Clean Energy Action
4 Plan (CEAP) and that PSE's DR PPAs were procured pursuant to its CEAP. However,
5 TEP requested that the docket be consolidated with this general rate case so that parties
6 could address, through testimony and in brief, whether and under what circumstances the
7 Commission should exercise its discretion to award a cost of capital for PPAs. The
8 Commission granted TEP's request and consolidated the docket with this rate case.¹⁰⁹

9 **Q: What did TEP recommend the Commission explore in this case?**

10 A: TEP recommended that the UTC consider PSE's proposed cost of capital for the PPAs
11 and the performance incentive mechanism together so that the UTC can develop a
12 coordinated policy concerning: 1) the total amount of financial incentives available to
13 shareholders for DR programs, 2) the portion of the financial incentive attributable to
14 PSE's performance, and 3) the portion of the financial incentive attributable to having an
15 executed contract.

16 1. RCW 80.28.410 does not require the Commission to provide utilities a
17 cost of capital for power purchase agreements.

18 **Q: Have you reviewed RCW 80.28.410?**

19 A: Yes. I am not an attorney, but as a part of my work I read the laws concerning energy
20 policy in Washington.

21 **Q: In your opinion, does RCW 80.28.410 require the Commission to provide utilities a**

¹⁰⁹ Order 03 Consolidating Dockets (March 29, 2024).

1 **financial incentive for signing a PPA?**

2 A. No. The law reserves for the Commission discretion to approve or deny a cost of capital
3 for PPA costs. Specifically, the last sentence of section (1) says

4 Creation of such a deferral account does not by itself determine the actual
5 costs of the resource or power purchase agreement, *whether recovery of*
6 *any or all of these costs is appropriate*, or other issues to be decided by the
7 commission in a general rate case or other proceeding (emphasis added).

8 The italicized phrase means that the Commission may determine if recovery of “any”
9 specific cost is appropriate or not. One of the specific costs that the Commission has
10 discretion to approve or reject is the cost of capital for PPAs.

11 Further, when discussing the types of costs to include in the deferral, sections (1)
12 and (2) use the permissive term “may.” In fact, the mandatory terms “will,” “shall,” and
13 “must” do not appear anywhere in RCW 80.28.410.

14 For these reasons, I do not believe that the Commission is required to approve a
15 rate of return for PPAs included in the deferrals. Questions concerning legal
16 interpretations are best resolved in briefing.

17 **Q: Should the Commission provide PSE’s shareholders a financial incentive for signing**
18 **these three DR PPAs?**

19 A: No. DR is a preferred resource under Washington state law and PSE is already pursuing
20 cost-effective demand-side resources. Granting PSE an incentive for expected
21 performance results is not appropriate, especially given that ratepayers foot the cost.
22 Further, customers already pay for the cost of capital associated with developing DR
23 resources. When a utility signs a PPA, the price the utility pays includes a return on
24 capital for the resource’s owners. Captive ratepayers should not be asked to pay twice for
25 the cost of capital of a resource. PSE invested no capital in the project and has no right to

1 a financial incentive for fulfilling its legal obligation to acquire cost-effective DR
2 resources on behalf of customers.

3 PSE has not made a sufficient showing that such a phantom cost of capital is
4 necessary or reasonable, so the Commission should reject the proposal.

5 2. The Commission should reject PSE's demand response performance
6 incentive mechanism because the target is not based on appropriate data
7 and the design is flawed.

8 **Q: Please describe the second financial incentive for DR that PSE requests.**

9 A: Witness Archuleta proposes that the commission establish a performance incentive
10 mechanism (PIM) concerning the energy savings associated with DR programs.¹¹⁰

11 **Q. Did the Commission establish a PIM for DR performance in PSE's 2022 general
12 rate case?**

13 A: Yes. As a part of a non-precedential settlement, the Commission approved a DR PIM.
14 TEP's testimony supporting the settlement criticized several aspects of the PIM and
15 supported several ratepayer protections.¹¹¹

16 **Q. What was TEP's analysis of the settlement's PIM?**

17 A: It was important to TEP that the settlement capped PSE's incentive at \$1 million, and that
18 it set a more aggressive target than initially proposed by PSE. However, in its testimony
19 supporting the settlement, TEP expressed concern about structure of the PIM and the lack
20 of a cost-benefit test.

21 TEP was also concerned about the lack of data available by which to set a target.

22 However, considering that PSE had no existing DR program and customers would likely

¹¹⁰ Archuleta, Exh. GA-1T at 18-21.

¹¹¹ *Wash. Utils. and Transp. Commn. v. Puget Sound Energy*, Dkts. UE-220066/UG-220067 and UG-210918, Cebulko, Exh. BTC-7T at 3-6.

1 benefit from PSE meeting capacity needs using DR instead of burning fossil fuels in a
2 peaking plant, TEP accepted—in the context of settlement—a PIM with a target based on
3 less data than the literature suggests is sensible.

4 Moreover, the settlement included many other terms that were a high priority for
5 TEP, including paragraph 40, which required PSE to maintain its credit and collections
6 practices in a way that protected most residential customers from disconnections. TEP
7 would not have agreed to a PIM in the 2022 case without the Settlement’s other terms.

8 **Q: Should PSE expect the PIM to continue?**

9 A: No. The settlement specifically established that the PIM would not continue after the rate
10 plan concluded.¹¹²

11 **Q: When should the Commission adopt a PIM?**

12 A: As TEP explained in prior testimony and comments, a PIM should only be established if
13 the Commission has confidence in its ability to set an optimal target using suitable data.

14 **Q: Please expand on what data is suitable to use to set a target.**

15 A: Data sources should be reputable, complete, verifiable, and available for anyone to view,
16 *i.e.*, nonconfidential. Incomplete or insufficient sets of historical data may distort the
17 Commission’s analysis when developing a target. Further, if the Commission is setting a
18 benchmark comparison to peer utilities, the data should be reputable, complete,
19 verifiable, and available to the public.

20 **Q: You testified that a PIM should only be established if the Commission has**
21 **confidence in its ability to set an optimal target using suitable data. Will you please**
22 **expand upon that statement?**

¹¹² Settlement ¶ 58(f).

1 A: Yes. Once the Commission is comfortable with the breadth and depth of the underlying
2 data, the Commission then needs to be confident that it can identify the optimal target for
3 a PIM. Targets should be tied to achieving regulatory and policy goals. However, a PIM
4 should not reward a utility simply for meeting a statutory or regulatory obligation; they
5 should be a stretch goal for the utility.

6 **Q: You testified that PIMs should not be available for meeting regulatory or statutory**
7 **obligations. Is PSE required to equitably design its DR programs?**

8 A: Yes. CEIP Conditions 20-21 require PSE to designate thirty percent of energy benefits
9 for Named Communities.¹¹³ PSE's PIM does not include a measurement of benefits
10 provided to Named Communities. A PIM that could provide PSE a financial incentive
11 even when PSE does not substantially exceed this existing regulatory requirement is
12 fatally flawed.

13 **Q: What data does PSE provide to support its target?**

14 A: PSE claims its targets are based on its contracted demand response resources.¹¹⁴

15 **Q: Is this appropriate data with which to set a target?**

16 A: No. As I noted above, the target for any PIM should be a stretch for the utility. The
17 amount that the utility has already contracted to achieve is not a stretch goal. Moreover,
18 with a nascent DR program, sufficient historical data concerning PSE's DR performance
19 is not available to set a target.

¹¹³ *Wash. Utils. and Transp. Commn. v. Puget Sound Energy*, Dkts. UE-210795, Order 08 Approving Clean Energy Implementation Plan Subject to Conditions, ¶ 278 (June 6, 2023).

¹¹⁴ Archuleta, Exh. GA-1T at 20.

1 **Q: What incentive and penalty bands does PSE propose to use for the PIM?**

2 A: PSE proposes to provide its shareholders financial incentives if it achieves 105% of its
3 target, and even more financial incentives if it achieves 115% of its target. PSE proposes
4 no penalties for failing to achieve its target.

5 **Q: Are the bands PSE proposes reasonable?**

6 A: No. A PIM should include financial penalties for failing to meet a target. It is unfair to
7 ratepayers for the Commission to establish a mechanism that only rewards PSE. Further,
8 starting the incentive at 5% above a target is not reasonable for an established program
9 which has already-contracted resources.¹¹⁵ If the Commission decides to adopt a PIM
10 over TEP's objections, it should set a higher threshold at which incentives begin, and
11 include penalties for failing to meet the target.

12 **Q: TEP earlier recommended that the Commission develop a coordinated policy**
13 **concerning the total amount of financial incentives available to shareholders for**
14 **demand response programs. How should the Commission set a coordinated policy?**

15 A: First, the Commission should decide on the total amount of financial incentive it wants to
16 provide PSE for acquiring demand response. TEP suggests zero dollars; the Commission
17 should reject both the phantom cost of capital and the PIM. However, if the Commission
18 disagrees and decides to allow an incentive, it should set a total cap for both the phantom
19 cost of capital and the PIM together.

¹¹⁵ In contrast, the prior Settlement's PIM was established when PSE had no demand response program.

1 **Q: Does PSE propose such a cap?**

2 A: PSE proposes a cap that applies only to the PIM. If the Commission allows any of these
3 financial incentives, it should set a cap that also applies to the cost of capital.

4 **Q: What is the dollar amount of the cap in the settlement's PIM and in the PIM PSE
5 proposes?**

6 A: The Settlement capped PSE's financial incentives at \$1 million; PSE's proposal includes
7 a cap of \$3 million.

8 **Q: If the Commission decides to allow a demand response incentive, what does TEP
9 recommend for a cap?**

10 A: TEP recommends a combined cap of no more than \$1 million, consistent with the
11 settlement in the last general rate case, for both the PIM and cost of capital.

12 **Q: What else did TEP recommend the Commission consider as a coordinated policy
13 concerning financial incentives for demand response?**

14 A: The Commission should consider the portion of the financial incentive attributable to
15 PSE's performance, i.e., the PIM, and the portion of the financial incentive attributable to
16 having an executed contract, i.e., the phantom cost of capital.

17 **Q: What does TEP recommend and why?**

18 A: If the Commission decides to allow financial incentives for demand response, the entire
19 financial incentive should be attributable to PSE's performance via a PIM. TEP more
20 strongly opposes the phantom cost of capital because it is unfair to ask customers to
21 provide incentives to shareholders simply because PSE signed a contract. Take, for
22 example, a hypothetical where, because PSE delays in providing necessary information to
23 its demand response provider, PSE does not meet its contracted demand response target.

1 Or a hypothetical where PSE selects a demand response provider that mismanages its
2 program so that PSE does not meet its CEIP's requirement to provide thirty percent of
3 energy benefits to Named Communities. With the phantom cost of capital, PSE's
4 shareholders could earn a financial reward even though PSE failed to meet the equity
5 target. If the Commission decides to allow financial incentives over TEP's objection, all
6 incentives should be contingent on PSE's performance significantly surpassing the stated
7 equity target.

8 **C. The Commission should not allow recovery for construction work in**
9 **progress.**

10 **Q: What is construction work in progress (CWIP), and how is it relevant to this**
11 **proceeding?**

12 A: CWIP is an accounting method that allows utilities to include construction costs in the
13 rate base before the property in question enters service. PSE proposes to include CWIP in
14 the rate base for the Beaver Creek Wind Project.

15 **Q: How does CWIP differ from the method the Commission typically uses?**

16 A: The Commission ordinarily uses allowance for funds used during construction (AFUDC)
17 to compensate utilities for capital investments. With AFUDC, PSE would recover
18 financing and construction costs for Beaver Creek only once the project enters service.

19 **Q: Please describe PSE's CWIP proposal.**

20 A: PSE proposes to use AFUDC during the pendency of this proceeding but cease AFUDC
21 accrual after December 31, 2024, when it would begin including CWIP in the rate
22 base.¹¹⁶ According to PSE, this "hybrid" approach would result in a higher revenue

¹¹⁶ Doyle, Exh. DAD-1CT at 62:1-7.

1 requirement in 2025: approximately \$57 million, as opposed to \$30 using only AFUDC.
2 PSE claims that in 2026, the “hybrid” approach would result in a slightly lower revenue
3 requirement than the conventional approach: \$75 million rather than \$79 million. PSE
4 also contends that CWIP would result in a slightly lower overall revenue requirement
5 over the life of the Beaver Creek project.¹¹⁷

6 **Q: What is the projected total cost of the Beaver Creek project?**

7 A: PSE estimates that the project will cost \$550 million and enter service by 2025.¹¹⁸

8 **Q: How does PSE justify its CWIP proposal?**

9 A: PSE claims that CWIP is useful for “large, discrete projects” with “easy to monitor”
10 construction costs and “easily identifiable in-service dates that mark the end of
11 construction,” like Beaver Creek.¹¹⁹ Relying on a single treatise, PSE posits several
12 benefits from CWIP, including lower capitalized costs; increased cash flow to reduce
13 outside financing; lower financing costs; and the fact that investors demand lower returns
14 with CWIP than AFUDC because non-cash earnings are riskier than cash earnings.¹²⁰
15 Seen this way, ratepayers pay more over time with AFUDC because AFUDC treats
16 financing costs as a rate base item and collects AFUDC capitalized during the
17 construction period as a depreciation expense. With CWIP, only construction costs are
18 added to the rate base.

19 **Q: What is TEP’s position on CWIP?**

¹¹⁷ Free, Exh. SEF-1T at 11:12-13.

¹¹⁸ Crowley, Exh. CPC-1HCT at 100:10-12. According to PSE, the \$550m includes the purchase price and allowance of funds used during construction.

¹¹⁹ Exh. DAD-1CT at 63:15-18.

¹²⁰ Exh. DAD-1CT at 64:21-65:22.

1 A: TEP maintains that CWIP is an untested remedy that often permits investors to collect
2 excessive short-term profits and transfers investment risks from shareholders to
3 ratepayers. The Commission should not accept PSE’s arguments at face value.

4 **Q: Has the Commission applied CWIP before?**

5 A: The Commission allowed utilities to recover for CWIP in the late 1970s and early 1980s,
6 until the Washington Supreme Court outlawed the practice as inconsistent with the “used
7 and useful” standard. The Legislature has since amended the definition of “used and
8 useful.”¹²¹ The Commission has not allowed recovery for CWIP in decades, and PSE
9 does not cite an example of a recent decision implementing CWIP.

10 **Q: Has the Commission analyzed CWIP in recent decisions?**

11 A: Not to my knowledge. In a 2012 order, the Commission indicated that CWIP may be
12 useful in cases of earnings attrition or to spur major capital investments.¹²² Since that
13 order was issued, the Legislature and Commission implemented many significant reforms
14 to address earning attrition, *e.g.*, multiyear rate plans with provisional capital
15 adjustments. That 2012 order also found that regulatory texts “provide little in the way of
16 detailed guidance about how [CWIP] should be calculated or implemented.”¹²³

17 **Q: Do you share that understanding of the literature?**

¹²¹ See RCW 80.04.250(2); *see also* Dkt. U-190531, In the Matter of the Commission Inquiry into the Valuation of Public Service Company Property that Becomes Used and Useful after Rate Effective Date, at ¶ 8 (Jan. 31, 2020) (clarifying that property is “used and useful” when placed into service during the rate effective period).

¹²² *WA Util. and Trans. Comm. v. Puget Sound Energy*, Dkts. UE-111048 and UG-111049 , Order Rejecting Tariff Sheets; Authorizing and Requiring Compliance Filing, at ¶ 491 (May 7, 2012).

¹²³ *WA Util. and Trans. Comm. v. Puget Sound Energy*, Dkts. UE-111048 and UG-111049 , Order Rejecting Tariff Sheets; Authorizing and Requiring Compliance Filing, at ¶ 491 (May 7, 2012).

1 A: Yes. For example, Bonbright’s treatise indicates that “it is an unsettled issue in public
2 utilities whether CWIP in the rate base is preferred.”¹²⁴

3 **Q: Have other regulators opined about CWIP?**

4 A: In federal proceedings earlier this year, the California Public Utilities Commission
5 (CPUC) argued against Southern California Edison’s proposal to recover CWIP. The
6 CPUC noted that CWIP “has been shown to be harmful to California ratepayers,
7 providing premature and excessive rate recovery.”¹²⁵ The CPUC cited common pitfalls of
8 project delays and higher than expected costs, in which case “the incentives end up being
9 much costlier to customers, resulting in customers effectively serving as lenders to the
10 utility, with the benefit being one-sided toward the company.”¹²⁶

11 **Q: Does the recently passed HB 1589 affect PSE’s CWIP proposal?**

12 A: HB 1589, even if applicable to this proceeding, does not cover PSE’s proposal. HB 1589
13 allows PSE to apply for a certificate of necessity that includes a request for CWIP
14 incentives and recovery of financing costs, but only for projects that meet three
15 conditions: (i) the project must cost at least \$100 million, (ii) the utility must begin
16 incurring significant costs five years before the service date; and (iii) all or a portion of
17 the costs must be allocable to Washington customers.¹²⁷

18 **Q: Does the Beaver Creek project meet all three conditions?**

¹²⁴ James C. Bonbright et al., *Principles of Public Utility Regulation*, Part Three, Chapter 12, at 10 (1988).

¹²⁵ Fed. Energy Reg. Comm., Dkt. EL24-71-000, Notice of Intervention and Protest of the Cal. Pub. Util. Comm., at 2 (Mar. 8, 2024) (“CPUC FERC Intervention”).

¹²⁶ CPUC FERC Intervention, at 3-4.

¹²⁷ Laws of 2024, ch. 351, § 5(2)(d).

1 A: No. The Beaver Creek project meets the first condition (it will cost approximately \$550
2 million) and the third condition (Washington ratepayers will be responsible for the costs).
3 The second condition, however, does not apply. PSE estimates construction will be
4 complete in 2025, less than five years from the time it began incurring significant costs.

5 **Q: If HB 1589 does not apply, how should the Commission treat PSE's proposal?**

6 A: The Commission should not permit recovery for CWIP for the Beaver Creek project. As
7 noted above, CWIP is an untested remedy that has led to unduly high investor profits at
8 the expense of ratepayers. Assuming PSE's calculations are correct, CWIP would leave
9 ratepayers responsible for an additional \$23 million over the next two years, in
10 comparison with AFUDC. Low-income households are already suffering the effect of
11 inflation and high interest rates. Rather than transferring PSE's financial risk to these
12 overburdened households, the Commission should wait for the Beaver Creek project to
13 enter service to compensate PSE.

14 **Q: Is CWIP necessary for PSE's financial health or capital investment?**

15 A: No. AFUDC is the standard remedy in Washington and will not preclude PSE from
16 investing in the Beaver Creek project. The Legislature has already provided PSE
17 sufficient other means to address earning attrition. There is no reason for the Commission
18 to give PSE shareholders unnecessary financial incentives.

1 **IX. PSE should share its time-varying rates pilot evaluation with parties and solicit**
2 **feedback from parties before filing its final proposal.**

3 **Q: When does PSE anticipate providing parties its time-varying rates (TVR) pilot**
4 **evaluation, measurement, and verification (EM&V) report?**

5 A: PSE Witness Jhaveri testifies that he expects final TVR “EM&V report to be released on
6 schedule in early 2026.”¹²⁸

7 **Q: When does PSE anticipate filing tariff sheets requesting implement its permanent**
8 **TVR program?**

9 A: At the same time. PSE Witness Jhaveri testifies that PSE expects to file “the final
10 program and rate designs, tariff sheets and rates for the aforementioned TVR rate
11 structures concurrently with the Company’s submission of the final EM&V report in a
12 separate filing to the Commission in early 2026.”¹²⁹

13 **Q: What is your opinion of this timing?**

14 A: PSE’s proposal does not provide non-Company parties time to review the evaluation and
15 use the report’s contents to provide recommendations in advance of PSE making a
16 proposal to the Commission. In an ongoing trend, PSE proposes to design and decide
17 procedures and programming by itself and merely report its decisions to parties and the
18 community afterward. This concerns TEP because parties may wish to collaborate and
19 provide PSE feedback to inform its proposal before it is presented to the Commission.
20 TEP is particularly interested in reviewing a draft of the evaluation of the pilot’s impact
21 on low-income customers and designing appropriate low-income customer protections
22 into the permanent TVR design.

¹²⁸ Jhaveri, Exh. BDJ-1T at 4.

¹²⁹ Jhaveri, Exh. BDJ-1T at 14.

1 **Q: Does TEP recommend PSE follow a different procedure?**

2 A: Yes. To allow interested parties the opportunity to participate in the development of
3 PSE's permanent TVR, I recommend the Commission order PSE to use the following
4 procedure:

- 5 1. Provide the parties to this case a copy of the draft EM&V report.
- 6 2. No earlier than two weeks after providing the EM&V report, invite parties to a
7 meeting to review the report's findings and PSE's proposed permanent TVR
8 design, and to solicit feedback from parties on the report and PSE's proposal.
- 9 3. Allow sufficient time for PSE to consider party feedback and incorporate it into
10 its final report and proposal to the Commission.

11
12 **Q: Do you have any further comments about the meeting where PSE reviews the
13 EM&V report and its TVR design with parties?**

14 A: Yes. This meeting could occur as a part of the Conservation Resources Advisory Group,
15 whose members have expertise in DR and EM&V evaluations, or separately.

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

17 A: Yes.