EXHIBIT No. ____ JB-1T
DOCKET NOS. UE-240004/UG-240005
2024 PSE GENERAL RATE CASE
WITNESS: JUSTIN BIEBER

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **PUGET SOUND ENERGY, INC.,** **Respondent.**	**Docket No. UE-240004** **Docket No. UG-240005**

PREFILED RESPONSE TESTIMONY OF

JUSTIN BIEBER

ON BEHALF OF THE KROGER CO.

AUGUST 6, 2024

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RESPONSE TESTIMONY OF JUSTIN BIEBER

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Justin Bieber. My business address is 111 E Broadway, Suite 1200, Salt Lake City, Utah, 84111.

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

A. I am a Principal for Energy Strategies, LLC. Energy Strategies is a private consulting firm specializing in economic and policy analysis applicable to energy production, transportation, and consumption.

Q. On whose behalf are you testifying?

A. My testimony is being sponsored by The Kroger Co. ("Kroger") on behalf of its Fred Meyer Stores and Quality Food Centers divisions. Kroger is one of the largest retail grocers in the United States and operates approximately 50 facilities that are served by Puget Sound Energy ("PSE" or the "Company"). These facilities purchase approximately 130 million kWh annually from PSE, and are primarily served on Electric Rate Schedules 25, 26, and 31.

Q. Please describe your professional experience and qualifications.

A. My academic background is in business and engineering. I earned a Bachelor of Science in Mechanical Engineering from Duke University in 2006 and a Master of Business Administration from the University of Southern California in 2012. I am also a registered Professional Civil Engineer in the state of California.

I joined Energy Strategies in 2017, where I provide regulatory and technical support on a variety of energy issues, including regulatory services, transmission and renewable development, and financial and economic analyses. I have also filed and supported the development of testimony before various state utility regulatory commissions.

Prior to joining Energy Strategies, I held positions at Pacific Gas and Electric Company as Manager of Transmission Project Development, ISO Relations and FERC Policy Principal, and Supervisor of Electric Generator Interconnections. During my career at Pacific Gas and Electric Company, I supported multiple facets of utility operations, and led efforts in policy, regulatory, and strategic initiatives. Prior to my work at Pacific Gas & Electric, I was a project manager and engineer for heavy construction bridge and highway projects.

Q. Have you testified previously before this Commission?

A. Yes, I testified before this Commission in PSE's 2022 general rate case, Docket No. UE-220066 and Docket No. UE-220067.

Q. Have you filed testimony previously before any other state utility regulatory commissions?

A. Yes. I have testified in regulatory proceedings on the subjects of utility rates and regulatory policy before state utility regulators in Colorado, Indiana, Kentucky, Michigan, Montana, Nevada, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Texas, Utah, Virginia, and Wisconsin.

II. RECOMMENDATIONS

Q. What is the purpose of your testimony?

A. My testimony addresses PSE's proposed electric rate design for Schedule 26. Absence of comment on my part regarding a particular issue does not signify support (or opposition) toward PSE's filing with respect to the non-discussed issue.

Q. Please summarize your conclusions and recommendations.

PSE's proposed Schedule 26 electric rate design understates the basic customer charge and the demand-related charges relative to the underlying costs while overstating the energy-related charges. I recommend moderate changes to the Company's proposed Schedule 26 rate design that will make progress towards aligning the rate design with the underlying cost components while also employing gradualism and mitigating the intra-class rate impacts that would result from a more significant movement towards cost-based rates at this time.

III. SCHEDULE 26 ELECTRIC RATE DESIGN

Q. Please explain PSE's electric rate design proposal in this case.

A. Witness Christopher T. Mickelson explains that PSE's electric rate design proposal is a strategic approach that is intended to realign rates over the multiyear rate plan ("MYRP") periods. The proposal includes up to a 30% increase in monthly customer charges and demand charges to keep these charges within the respective cost of service study results. Simultaneously, Mr. Mickelson explains

that the energy components will experience flat rate increases for each tier within the classes.[1]

Q. What justification does PSE provide to support its electric rate design proposals.

A. Mr. Mickelson explains that the pricing proposals are driven by a forward-looking perspective considering industry trends and legislative mandates, particularly the clean energy transformation act. According to Mr. Mickelson, PSE aims to provide precise pricing signals to incentivize the right investments on both sides of the meter which requires pricing components such as customer charges, demand charges, and energy charges to be aligned with the results of the electric cost of service studies. He explains that PSE's objective is to reduce cross subsidization, address inequities, and establish accurate pricing signals for efficient grid utilization.[2] Mr. Mickelson also emphasizes the importance of increasing the basic customer charge to be cost-based[3] and utilizing demand charges to send more accurate price signals, incentivize efficient use of grid assets and minimize cross-subsidies.[4]

Q. Please describe the Company's proposed Schedule 26 rate design.

A. Mr. Mickelson explains that for the first year of the MYRP, the Company proposes to increase the customer charge and seasonal demand charges by 30% and assign the remaining increase to the energy charge component. Similarly, for the second year of the MYRP, Mr. Mickelson explains that the Company

[1] Prefiled Direct Testimony of Christopher T. Michelson, p. 28.
[2] *Id*. p. 29.
[3] *Id*. pp. 31-32.
[4] *Id*. pp. 32-37.

proposes to increase the customer charge and seasonal demand charges by 30% and assign the remaining decrease to the energy charge component.[5] Table JB-1 summarizes the Company's proposed Schedule 26 rates.

Table JB-1
PSE Proposed Schedule 26 Rates

	Units	Test Year	MYRP 2025	MYRP 2026
Basic Charge	Bills	$109.08	$141.80	$184.35
Energy Charge	kWh	$0.057457	$0.072321	$0.072173
Winter Demand	kW	$12.23	$15.90	$20.67
Summer Demand	kW	$8.15	$10.60	$13.77

Q. What is your assessment of PSE's proposed Schedule 26 rate design?

A. PSE's proposed Schedule 26 rate design is not aligned with cost. Although PSE's rate design proposal does make movement to better align rates with cost causation, reduce cross subsidies, and send more accurate price signals, the proposed Schedule 26 rate design would still continue to understate the customer and demand-related charges relative to the underlying costs while overstating the energy-related revenues. Table JB-2 below compares PSE's proposed Schedule 26 revenues relative to total cost by classification compared to the underlying cost by classification in PSE's proposed electric cost of service study.

Table JB-2
PSE's Proposed Schedule 26
Proportion of Costs and Revenues by Classification

	Cost of Service	MYRP 2025	MYRP 2026
Customer	7.9%	0.9%	1.2%
Energy	54.2%	68.9%	63.0%
Demand	37.9%	30.2%	35.9%
Total	**100.0%**	**100.0%**	**100.0%**

[5] *Id*. p.49.

As can be seen in Table JB-2 above, the proposed customer and demand revenues are below PSE's underlying cost of service while the energy charges are greater than cost.

Q. How do PSE's proposed Schedule 26 basic charges compare to the cost of service?

A. Despite Mr. Mickelson's claim that PSE's proposed basic charge is cost-based,[6] the proposed basic charge for Schedule 26 is substantially below cost. Mr. Mickelson explains that the basic charge is intended to cover a subset of customer-related costs including the cost of meters, service drops, meter reading, meter maintenance, and billing.[7] According to PSE's electric cost of service study, the Schedule 26 cost-based basic charge would be $566.02,[8] which is substantially higher than the proposed Schedule 26 basic charges of $141.80 for MYRP 2025 and $184.35 for MYRP 2026.

Q. Please explain how you calculated the Schedule 26 proportion of costs by classification from PSE's electric cost of service study?

A. The proportion of costs and revenues by classification in Table JB-2 above were derived from PSE's electric cost of service study with one adjustment to remove the non-firm energy sales from the energy-related cost. Specifically, I started with PSE's proposed costs by classification[9] and subtracted the non-firm sales from the energy-related cost of service.[10] This adjustment was necessary to account for the fact that the Company receives revenues for these non-firm sales

[6] *Id*. p. 31.
[7] *Id.*
[8] *See* 240004-05-PSE-WP-CTM-5-COS-Model-24GRC-02-2024.xlsx, 'Basic Charge' tab, line 51.
[9] *See* 240004-05-PSE-WP-CTM-5-COS-Model-24GRC-02-2024.xlsx, 'UnitCost' tab, lines 45-47.
[10] *See* 240004-05-PSE-WP-CTM-5-COS-Model-24GRC-02-2024.xlsx, 'Summary' tab, line 8.

that offset the necessary revenue requirement to be recovered through base rates. I then calculated the relative proportion of customer, energy, and demand related costs relative to the total cost of service. These calculations are also provided in the workpapers to my response testimony.

Q. From a customer's perspective, why should it matter if PSE proposes customer and demand charges that do not fully recover its customer and demand-related costs?

A. If a utility proposes customer and demand charges that are below the cost of service, it is going to seek to recover its class revenue requirement by over-recovering its costs in another area, most typically through levying an energy charge that is above the variable energy cost, which is the case with PSE's proposed rate design. For a given rate schedule such as Schedule 26, when demand charges are set below cost, and energy charges are set above cost, those customers with relatively higher load factors are required to subsidize the lower load factor customers within the class. Similarly, when customer charges are set below cost, relatively larger customers are required to subsidize the relatively smaller customers within the class.

Q. Why is it important for rate design to be representative of underlying cost causation?

A. Aligning rate design with underlying cost causation improves efficiency because it sends proper price signals. For example, setting a demand charge below the cost of demand understates the economic cost of demand-related assets, which

in turn distorts consumption decisions, and calls forth a greater level of investment in fixed assets than is economically desirable.

At the same time, aligning rate design with cost causation is important for ensuring equity among customers, because properly aligning charges with costs minimizes cross-subsidies among customers. As I stated above, if customer or demand costs are understated in utility rates, the costs are made up elsewhere — typically in energy rates. When demand charges are understated, higher-load-factor customers (who use fixed assets relatively efficiently through relatively constant energy usage) are forced to pay the demand-related costs of lower-load-factor customers. When customer charges are understated, larger customers are required to pay the customer-related costs for smaller customers. This results in cross-subsidies that are fundamentally inequitable.

Q. Does the Company recognize the importance of aligning rate design with the underlying costs?

A. Yes. As I explain above, aligning rates with the actual cost of service, embedding fairness in rate structures, and sending accurate price signals are important rate design objectives for the Company.

Q. What is your recommendation with respect to the Schedule 26 rate design?

A. Ideally, the demand related charges, energy related charges, and customer charges would be aligned with the respective underlying cost components. However, in some circumstances, full movement towards cost-based rates in a single step should be tempered in order to mitigate potential intra-class rate impacts and take into consideration the well-accepted rate making principle of

gradualism. Therefore, I am proposing moderate changes to PSE's proposed Schedule 26 rate design that will make progress towards aligning the rate design with the underlying costs while also employing gradualism and mitigating the intra-class rate impacts that would result from a more significant movement towards cost-based rates at this time.

Given the circumstances of this case, I recommend that the rate increase for Schedule 26 should be accomplished by increasing the customer and demand charges relative to the Company's proposed rates and decreasing the proposed energy charge. My recommendation would be revenue neutral relative to the Company's proposed rate design for Schedule 26 and will not have any impact on any other rate schedules. The revenue verification for this rate design is presented in Exhibit JB-2 and summarized in Table JB-3 below.

Table JB-3
Kroger Proposed Schedule 26 Rate Design Compared to PSE Rates
At PSE's Proposed Revenue Requirement and Revenue Allocation

			PSE		Kroger	
	Units	**Test Year**	**MYRP 2025**	**MYRP 2026**	**MYRP 2025**	**MYRP 2026**
Basic Charge	Bills	$109.08	$141.80	$184.35	$218.16	$436.32
Energy Charge	kWh	$0.057457	$0.072321	$0.072173	$0.071114	$0.068453
Winter Demand	kW	$12.23	$15.90	$20.67	$16.27	$21.63
Summer Demand	kW	$8.15	$10.60	$13.77	$10.84	$14.42

Q. How does your recommended rate design improve the alignment between charges and the underlying cost?

A. My proposed rate design would improve the alignment between charges and the underlying cost components by increasing the recovery of customer and demand related costs through the customer and demand charges while decreasing revenue recovery through variable energy charges.

To be clear, my recommended improvements to the Schedule 26 rate design would not result in cost-based rates. However, it would improve the alignment between the charges and underlying costs. This is an intentional component of my proposal that employs gradualism to mitigate the intra-class rate impacts that may result from a more significant movement towards cost at this time.

Table JB-4 below shows the Schedule 26 rate schedule revenues relative to total costs by classification that would result from my recommended rate design, at PSE's proposed revenue requirement.

Table JB-4
Kroger Proposed Schedule 26
Proportion of Costs and Revenues by Classification

	Cost of Service	MYRP 2025	MYRP 2026
Customer	7.9%	1.3%	2.8%
Energy	54.2%	67.7%	59.7%
Demand	37.9%	30.9%	37.5%
Total	**100.0%**	**100.0%**	**100.0%**

Table JB-5 below provides the classification of revenues relative to total cost for my recommended Schedule 26 rate design compared to PSE's proposed rates. As can be seen in Table JB-5, my recommended modifications to the rate design would make gradual movement towards aligning rates with the underlying cost components.

Table JB-5
PSE and Kroger Proposed Schedule 26
Proportion of Costs and Revenues by Classification

		PSE		Kroger	
	Cost of Service	**MYRP 2025**	**MYRP 2026**	**MYRP 2025**	**MYRP 2026**
Customer	7.9%	0.9%	1.2%	1.3%	2.8%
Energy	54.2%	68.9%	63.0%	67.7%	59.7%
Demand	37.9%	30.2%	35.9%	30.9%	37.5%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Q. Have you prepared a bill impact analysis of your recommended changes to the Schedule 26 rate design?

A. Yes. My bill impact analysis is presented in Exhibit JB-3 and illustrates the total bill impacts to customers that would result from my recommended Schedule 26 rate design at the Company's proposed revenue requirement. The bill impacts for the various customer load profiles lie within a relatively small range relative to the class average rate increase for each year of the MYRP.

Q. Your proposed rate design results in a slightly different bill impacts for customers with different load profiles. Is this a reasonable result?

A. Yes, it is a reasonable result. My proposed rate design reflects a cost-based difference while providing gradual movement towards cost-based rates. As I explain above, I am not proposing full movement towards cost-based rates in this case. Instead, my proposed rate design makes *gradual* movement towards aligning rates with cost causation and reduces, but does not eliminate, the existing intra-class subsidy. This is a reasonable result because it strikes a balance between two important rate-making principles – improving the alignment between rates and the underlying cost components while employing gradualism.

Q. Your proposed Schedule 26 rate design was calculated using PSE's proposed revenue requirement. How should your proposed rate design be implemented if the Commission adopts a revenue requirement that is less than PSE's request?

A. To the extent that the Commission approves a lower revenue target, I recommend that each of my recommended base rate charges contained in Exhibit JB-2, and summarized in Table JB-3, should be reduced by an equal percentage amount in order to recover the approved revenue target.

Q. Does this conclude your testimony?

A. Yes, it does.

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AFFIDAVIT OF JUSTIN BIEBER

STATE OF UTAH)
)
COUNTY OF SALT LAKE)

Justin Bieber, being first duly sworn, deposes and states that:

1. He is a Principal with Energy Strategies. L.L.C., in Salt Lake City, Utah;

2. He is the witness who sponsors the accompanying testimony entitled "Response Testimony of Justin Bieber;"

3. Said testimony was prepared by him and under his direction and supervision;

4. If inquiries were made as to the facts and schedules in said testimony he would respond as therein set forth; and

5. The aforesaid testimony and schedules are true and correct to the best of his knowledge, information and belief.

Justin Bieber

Subscribed and sworn to or affirmed before me this 6th day of August, 2024, by Justin Bieber.

Notary Public

NOTARY PUBLIC
ABRAHAM W PATINO RODRIGUEZ
COMM. # 733321
MY COMMISSION EXPIRES
OCTOBER 04, 2027
STATE OF UTAH