

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Complainant,

v.

PUGET SOUND ENERGY

Respondent.

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

**RESPONSE TESTIMONY OF STEPHANIE K. CHASE
ON BEHALF OF
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

Exhibit SKC-1T

July 28, 2022

RESPONSE TESTIMONY OF STEPHANIE K. CHASE

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EXHIBITS LIST

- | | |
|---------------|--|
| Exhibit SKC-2 | Puget Sound Energy Response to The Energy Project Data Request
No. 71 |
| Exhibit SKC-3 | Puget Sound Energy Response to The Energy Project Data Request
No. 44 |

1 **Q. Please state your name and business address.**

2 A. My name is Stephanie K. Chase and my business address is 800 Fifth Avenue, Suite
3 2000, Seattle, Washington 98104.

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

5 A. I am a Regulatory Analyst with the Public Counsel Unit of the Washington State
6 Attorney General’s Office (Public Counsel). Public Counsel is a statutory party to
7 proceedings before the Washington Utilities and Transportation Commission (UTC or
8 the Commission) under RCW 80.01.100, RCW 80.04.510, and RCW 81.04.500.

9 **Q. On whose behalf are you testifying?**

10 A. I am testifying on behalf of the Public Counsel Unit.

11 **Q. Please describe your professional qualifications.**

12 A. I have a J.D. from the University of Wisconsin Law School and a Master of Public
13 Affairs degree from the La Follette School of Public Affairs at the University of
14 Wisconsin-Madison, with a concentration in energy and environmental policy. I also
15 have a B.S. in Political Science from South Dakota State University in Brookings,
16 South Dakota.

17 Prior to joining Public Counsel, I worked as an associate attorney at the
18 Environmental Law & Policy Center (ELPC) in their Madison, Wisconsin office. As
19 an associate attorney, I worked on a variety of legal and policy matters related to
20 energy and environmental issues in Wisconsin, South Dakota, and North Dakota.

21 Since joining Public Counsel in January 2020, I have worked on a variety of
22 utility and transportation matters, including the 2020 Puget Sound Energy (PSE) water
23 heater rental service sale case (Docket UG-200112), the Cascade Natural Gas general

1 rate case (Docket UG-200568), PSE's Power Cost Only Rate Case (Docket
2 UE-200980); the CenturyLink 911 outage complaint case (Docket UT-181051), the
3 Super Friends Moving Company complaint case (Docket TV-190835), the Clutter, Inc.
4 complaint case (Docket TV-200432), the Washington Water Service Corporation
5 general rate case (Docket UW-210560), and several smaller water rate cases and
6 transportation company complaint cases.

7 I also have worked on several rulemakings related to the Clean Energy
8 Transformation Act (Dockets UE-190698, UE-190837, UE-191023, and UE-210183)
9 and the advanced metering infrastructure rulemaking (Docket U-180525). I am also
10 working on the household goods movers docket revising Tariff 15-C (Dockets
11 TV-210812 and TV-210535 (*Consolidated*)) and the solid waste rulemaking (TG-
12 220140).

13 I represent Public Counsel on PSE's Conservation Resource Advisory Group,
14 PSE's Integrated Resource Plan (IRP) technical advisory group, and PacifiCorp's
15 Demand Side Management advisory group, IRP group, low-income advisory group,
16 and equity advisory group. I also represent Public Counsel on the Commission's
17 electric vehicle and transportation electrification stakeholder group.

18 Additionally, I completed the Public Utilities Reports Principles of Public
19 Utilities Operations and Management Guide Course in May 2020, the Michigan State
20 University Institute for Public Utilities Ratemaking Training in September 2020, and
21 the National Association of Regulatory Utility Commissioners Rate School in May
22 2022.

23 **Q. Please describe the purpose of your testimony.**

1 A. My testimony responds to some of PSE’s proposals on assistance to low income
2 customers and information technology (IT) costs.

3 **Q. Please describe the low-income proposals you reviewed.**

4 A. I reviewed the testimonies of PSE witnesses Carol Wallace¹ and Birud Jhaveri.²
5 Wallace’s testimony addresses a number of issues relevant to low-income programs,
6 including PSE’s proposed bill discount rate and arrearage management program
7 (AMP).³ Jhaveri’s testimony discusses a number of the rate design and other details of
8 the bill discount program, as well as other PSE efforts to increase energy assistance
9 funding to low-income ratepayers.⁴

10 **Q. What are the details of PSE’s low-income bill discount rate?**

11 A. PSE proposes a bill discount rate program, supplemented by funding from PSE’s
12 Home Energy Lifeline Program (HELP).⁵ PSE proposes a 45 percent bill discount rate
13 for customers in the 0–30 percent of area median income (AMI) bracket and a 15
14 percent discount for customers in the 30–50 percent of AMI bracket.⁶ The Company
15 would add its proposed HELP discount to the bill discount rate for customers under 50
16 percent of AMI to supplement those overall discount rates.⁷ Customers in the 0–30
17 percent AMI would receive an additional 25 percent discount from HELP, and

¹ Direct Testimony of Carol L. Wallace, Exh. CLW-1T.

² Direct Testimony of Birud D. Jhaveri, Exh. BDJ-1T.

³ Wallace, Exh. CLW-1T at 21–26.

⁴ Jhaveri, Exh. BDJ-1T at 70–83.

⁵ Wallace, Exh. CLW-1T at 24. HELP is “an annual grant program to provide energy security to our customers by paying a percentage of their annual usage costs, including covering past due balances when needed.” Wallace, Exh. CLW-1T at 23.

⁶ Wallace, Exh. CLW-1T at 24.

⁷ Wallace, Exh. CLW-1T at 24.

1 customers in the 30–50 percent AMI would receive an additional 20 percent discount
2 from HELP.⁸ In addition, PSE proposes a 15 percent discount from HELP for
3 customers in the 50–80 percent of AMI or 200 percent of the federal poverty line,
4 whichever is greater.⁹ The combined discounts of these programs would result in a
5 total discount of 70 percent for customers in the 0–30 percent AMI bracket; 35 percent
6 for the 30–50 percent AMI bracket; and 15 percent for the 50–80 percent AMI
7 bracket.¹⁰

8 **Q. Was PSE required to propose a bill discount program?**

9 A. Yes. The Legislature amended RCW 80.28.068 in 2021 to add language that “[e]ach
10 gas or electrical company must propose a low-income assistance program comprised
11 of a discount rate for low-income senior customers and low-income customers as well
12 as grants and other low-income assistance programs.”¹¹ The statute also contains a
13 provision that a “gas or electrical company must use reasonable and good faith efforts
14 to seek approval for low-income program design, eligibility, operation, outreach, and
15 funding proposals from its low-income and equity advisory groups in advance of filing
16 such proposals with the commission.”¹² Though the statute contains no specific

⁸ Wallace, Exh. CLW-1T at 24.

⁹ Wallace, Exh. CLW-1T at 24.

¹⁰ Wallace, Exh. CLW-1T at 24.

¹¹ RCW 80.28.068(1); Engrossed Substitute S. Bill 5295, 67th Leg., 2021 Reg. Sess., § 3 (Wash. 2021).

¹² RCW 80.28.068(1).

1 deadline for utilities to file bill discount proposals, so far Avista has filed a proposal
2 for review and PacifiCorp has received approval for their program.¹³

3 **Q. What evidence does PSE provide of “reasonable and good faith efforts to seek**
4 **approval” for the low-income bill discount rate program?**

5 A. PSE details a number of outreach efforts it undertook with stakeholders, including
6 Commission Staff, NW Energy Coalition, The Energy Project, Public Counsel, and
7 other members of PSE’s Low-Income Advisory Committee (LIAC), and Equity
8 Advisory Group.¹⁴ Wallace includes a table of the dates that PSE made a presentation
9 to or had a discussion with various stakeholders and advisory groups.¹⁵ However, the
10 Company presents no evidence of approval of the bill discount rate plan.¹⁶

11 **Q. Has PSE started implementing this program?**

12 A. The Company has not yet launched the bill discount program. Wallace states that the
13 Company “plans to work with LIAC to develop key performance indicators for the
14 Bill Discount Rate over the next year and before the program is launched.”¹⁷

15 Wallace’s testimony continues:

16 PSE also identified five major elements that needed to be determined as
17 part of the program design process:

¹³ Avista has filed a bill discount rate proposal as part of their 2022 general rate case. *See* Direct Testimony of Shawn J. Bonfield, Exh. SJB-1T, *Wash. Utils. & Transp. Comm’n v. Avista Corp.*, Dockets UE-220053 & UG-220054 (*Consol.*) (Jan. 21, 2022). The Commission approved PacifiCorp’s bill discount rate program in Docket UE-210533, Order 01, Approving Revisions to Low Income Bill Assistance Program issued on July 29, 2021.

¹⁴ Wallace, Exh. CLW-1T at 22.

¹⁵ Wallace, Exh. CLW-1T at 22.

¹⁶ Stephanie Chase, Exh. SKC-2 at 1 (PSE Response to The Energy Project Data Request 71). The Company states, “Puget Sound Energy (“PSE”) is not representing agreement in full from key stakeholders for the Bill Discount Rate. Stakeholders provided feedback, which was used where feasible to inform the design of the rate that PSE proposed.”

¹⁷ Wallace, Exh. CLW-1T at 23:4–5.

- 1 1. Rate design: what the program is going to do (e.g., level of
- 2 discount);
- 3 2. Funding: how to balance low-income customer needs with
- 4 impacts to all customers;
- 5 3. Operation: how the discount is administered;
- 6 4. Eligibility: who gets the discount; and
- 7 5. Outreach: how to get the word out about the discount/providing
- 8 support and education.¹⁸

9 PSE identifies these elements as items that “needed to be determined as part of
10 the program design process,” but it is unclear if these items have actually been
11 determined or if they will be determined by the LIAC small work group that is
12 addressing the bill discount rate program.

13 In addition to this lack of clarity in Wallace and Jhaveri’s testimonies about
14 what components of the bill discount rate program have been developed so far, PSE’s
15 response to a data request from The Energy Project states that their planning process
16 for this program has not yet begun.¹⁹ PSE anticipates a start date of January 1, 2023,
17 and plans for that timeline in their corporate spending authorization documentation.²⁰

18 **Q. Has PSE made any other statements about the process for implementing the bill**
19 **discount program?**

¹⁸ Wallace, Exh. CLW-1T at 23:6–14.

¹⁹ Chase, Exh. SKC-3 at 2 (PSE Response to The Energy Project Data Request 44(c)):

The Start Date within PSE’s CSA of January 2023 is the date a project team will be assigned to begin the planning phase of the project. Activities include: a kick-off meeting, high level requirement identification, and development of a timeline to prepare for the design phase of the project.

²⁰ Wallace, Exh. CLW-7.

1 A. Yes. The Company has outlined “four phases” for the project: planning, design,
2 execution, and closeout.²¹ PSE also has stated that they plan to keep working with a
3 small workgroup of representatives from community action agencies, the LIAC, UTC
4 Commission Staff, and Public Counsel.²²

5 **Q. If PSE is still in the planning phase for their bill discount program, and**
6 **stakeholders and advisory groups have yet to approve it, is the program ripe for**
7 **Commission consideration in this case?**

8 A. No, Public Counsel does not believe the program is ripe for Commission
9 consideration. The Company has introduced a bill discount rate plan before they fully
10 engaged in a planning and design process, both internally and with stakeholders and
11 advisory groups. By seeking approval prior to this engagement to develop all aspects
12 of the program, PSE does not meet the statutory requirement.²³

13 Public Counsel supports the bill discount rate programs RCW 80.28.068
14 requires. We believe bill discount rate programs serve low-income customers by
15 reducing energy burden, which is important to address as customers experience higher
16 prices in housing, food, childcare, and other costs. We also recognize that a bill
17 discount rate program is a shift in how utilities offer services to low-income
18 customers. Thus, it is important that utilities such as PSE set this program up in a fully
19 designed, evaluated, and stakeholder-approved manner.

²¹ Chase, Exh. SKC-3 at 2 (PSE Response to The Energy Project Data Request 44(e)).

²² Chase, Exh. SKC-3 at 2 (PSE Response to The Energy Project Data Request 44(d)).

²³ RCW 80.28.068(1).

1 **Q. Does Public Counsel have a recommendation regarding the bill discount rate**
2 **program?**

3 A. Public Counsel recommends the Commission reject PSE’s rate discount program as
4 premature and ask PSE to refile the proposal once stakeholders and advisory groups
5 have approved it. Public Counsel believes the Company should continue to engage in
6 such planning processes as that proposed for the LIAC small work group. Allowing
7 this additional time will give PSE the opportunity to receive stakeholder input on
8 program design, such as number of possible tiers, contributions of HELP dollars,
9 agency administration, and interaction with the arrearage management program.
10 Additional time will also allow the small work group to review the bill discount rate
11 programs of other utilities, including Avista and PacifiCorp. Public Counsel believes it
12 is important for PSE to have a robust discussion and fully developed bill discount
13 program before they filing with the Commission.

14 **Q. Please describe Public Counsel’s review of IT costs.**

15 A. I reviewed testimonies that addressed IT programs and associated costs from PSE
16 witnesses Suzanne Tamayo,²⁴ Margaret Hopkins,²⁵ Joshua Jacobs,²⁶ and Catherine
17 Koch.²⁷ Tamayo’s testimony addresses a variety of technology investments for which
18 PSE seeks recovery in the areas of business enablement and systems modernization.²⁸
19 Hopkins provides an overview of PSE’s vision and strategy regarding IT costs.²⁹

²⁴ Direct Testimony of Suzanne L. Tamayo, Exh. SLT-1T.

²⁵ Direct Testimony of Margaret F. Hopkins, Exh. MFH-1T.

²⁶ Direct Testimony of Joshua J. Jacobs, Exh. JJJ-1T.

²⁷ Direct Testimony of Catherine A. Koch, Exh. CAK-1T.

²⁸ Tamayo, Exh. SLT-1T.

²⁹ Hopkins, Exh. MFH-1T.

1 Jacobs addresses technology costs related to PSE's Clean Energy Implementation Plan
2 (CEIP).³⁰ Koch discusses technology costs related to grid modernization efforts.³¹

3 **Q. What IT costs does PSE seek recovery for in this rate case?**

4 A. PSE seeks recovery for a large number of technology investments over the course of
5 the rate plan. Specifically, it seeks recovery of:

- 6 • \$175.53 million for investments placed into service from January 1, 2019
7 through June 30, 2021;
- 8 • \$149.91 million for investments expected to be placed into service between
9 July 1, 2021 and December 31, 2022;
- 10 • \$114.04 million for investments expected to be placed into service during
11 2023;
- 12 • \$77.85 million for investments expected to be placed into service during 2024;
13 and
- 14 • \$98.18 million for investments expected to be placed into service during
15 2025.³²

16 PSE also seeks recovery of some technology enablement costs related to the CEIP.³³

17 **Q. Do PSE's IT costs raise any concerns for Public Counsel?**

18 A. Yes. Public Counsel is concerned that PSE assigns a number of costs for which the
19 Company seeks recovery to projects for which it has yet to begin detailed planning.³⁴

³⁰ Jacobs, Exh. JJJ-1T.

³¹ Koch, Exh. CAK-1T.

³² Tamayo, Exh. SLT-1T at 4:12–22.

³³ Jacobs, Exh. JJJ-1T at 33–35.

³⁴ Tamayo, Exh. SLT-1T at 53, 57, and 60.

1 In particular, Tamayo’s testimony discusses three large programs or projects for which
2 PSE has not begun planning or work, but for which the Company nonetheless seeks
3 cost recovery of \$40.50 million.

4 **Q. Please identify the programs or projects for which PSE seeks cost recovery, but**
5 **has not begun sufficient planning.**

6 A. The Company seeks \$10.50 million for a Third Party Risk program scheduled to start
7 in 2023 for which they had not begun planning at time of filing.³⁵ The Company seeks
8 \$20 million in cost recovery for the SAP Business Suite 4 HANA Migration project,
9 with work expected to begin in 2024 and complete in 2026.³⁶ The Company also seeks
10 cost recovery of \$10 million for the Radio Replatform project, which it expects to
11 begin in 2025.³⁷

12 **Q. Please briefly describe these programs or projects.**

13 A. The Company’s Third Party Risk program is an effort to identify and reduce “risks
14 relating to the use of third parties (sometimes referred to as vendors, suppliers,
15 partners, contractors, or service providers).”³⁸ PSE is concerned about risks third
16 parties pose to the Company’s “safety, system integrity and reputation.”³⁹ PSE’s
17 proposed program will aim to mitigate risks such as data breaches, cyber security
18 issues, and supply chain disruption.⁴⁰

³⁵ Tamayo, Exh. SLT-1T at 52–53.

³⁶ Tamayo, Exh. SLT-1T at 57–58.

³⁷ Tamayo, Exh. SLT-1T at 60–62.

³⁸ Tamayo, Exh. SLT-1T at 52.

³⁹ Tamayo, Exh. SLT-1T at 52.

⁴⁰ Tamayo, Exh. SLT-1T at 52.

1 The Company’s SAP S/4 HANA Migration project is an effort to upgrade
2 PSE’s enterprise software system.⁴¹ PSE currently uses a suite of software from SAP
3 for which SAP is ending vendor support at the end of 2027 or, if PSE were to purchase
4 an extended contract, by the end of 2030.⁴²

5 PSE’s Radio Replatform project is an effort to transition the Company’s
6 current analog radio system to a digital mobile radio system.⁴³ PSE states, “many
7 manufacturers are no longer supporting analog radio systems ...”⁴⁴

8 **Q. Does Public Counsel believe that recovery of these costs is consistent with the**
9 **Commission’s used and useful policy statement⁴⁵?**

10 A. No, not at this time. The Commission’s used and useful policy statement specifies that
11 the Commission “exclude, disallow, or require refunds of money recovered for
12 proposed rate-effective period capital-plant additions that lack proper evidentiary
13 support, including the identification of offsetting factors and documentation that the
14 property in question is in fact used and useful.”⁴⁶ The statement continues, “rate-
15 effective period investments will still be held to the same standards, rules, and law
16 applicable at the time of review, and it is a company’s burden to support its case and

⁴¹ Tamayo, SLT-1T at 57.

⁴² Tamayo, SLT-1T at 57. *See also* Press Release, SAP News, SAP Extends Its Innovation Commitment for SAP S/4 HANA, Provides Clarity and Choice on SAP Business Suite 7 (Feb. 4, 2020) (available at <https://news.sap.com/2020/02/sap-s4hana-maintenance-2040-clarity-choice-sap-business-suite-7/>). The press release notes that extended support will be available until the end of 2030.

⁴³ Tamayo, SLT-1T at 60–61.

⁴⁴ Tamayo, SLT-1T at 61.

⁴⁵ *In re: the Comm’n Inquiry into the Valuation of Pub. Serv. Co. Property that Becomes Used and Useful after Rate Effective Date*, Docket U-190531, Policy Statement on Property that Becomes Used and Useful After Rate Effective Date (Jan. 31, 2020) (hereinafter “Used and Useful Policy Statement”).

⁴⁶ Used and Useful Policy Statement, ¶ 29.

1 prove that its investments are prudent.”⁴⁷ For “purely projected investments,” the
2 Commission’s evidentiary standard requires “information regarding the level of
3 spending, cost controls, and the specific need for the projected investment.”⁴⁸ PSE has
4 not conducted sufficient planning or evaluation of these programs and projects for the
5 Commission to determine whether they may be used and useful.

6 **Q. What, if any, work has begun on the three programs or projects mentioned**
7 **above?**

8 A. PSE states that, at the time of filing, its planning efforts for the Third Party Risk
9 program were to begin in 2022, “with capital efforts related to the Third Party Risk
10 Program scheduled to start in 2023 and be complete in 2025.”⁴⁹

11 Regarding the SAP S/4 HANA Migration project, the Company has not
12 conducted detailed planning, and states that they expect work to “begin in 2024 and
13 complete in 2026.”⁵⁰

14 The Radio Replatform project “will formally begin in 2025 and complete in
15 2026,”⁵¹ but the Company has not done detailed planning to determine their solution.

16 **Q. Does Public Counsel believe PSE has met their evidentiary burden for the three**
17 **IT projects or programs discussed above?**

18 A. No. Tamayo’s discussion of all three of these projects or programs does not meet the
19 Commission’s evidentiary standard requiring “information regarding the level of

⁴⁷ Used and Useful Policy Statement, ¶ 44.

⁴⁸ Used and Useful Policy Statement, ¶ 35.

⁴⁹ Tamayo, Exh. SLT-1T at 53.

⁵⁰ Tamayo, Exh. SLT-1T at 57.

⁵¹ Tamayo, Exh. SLT-1T at 62.

1 spending, cost controls, and the specific need for the projected investment.”⁵²

2 Tamayo’s discussion of the Third Party Risk program lists possible opportunities or
3 projects that the Company may explore,⁵³ but does not present enough information
4 about how the program will be developed and implemented, since the Company has
5 yet to engage in detailed planning. Tamayo includes no detailed discussion of the costs
6 for different aspects of the program, how the Company will control costs in future
7 implementation, or the specific need for any of various possible “opportunities” the
8 Company presents.

9 Similarly, PSE states that its SAP S/4 HANA project has not undergone
10 detailed planning.⁵⁴ The Company says only that it is in the process of researching and
11 comparing how the software migration has worked for other utilities, which will
12 undoubtedly help the Company better anticipate issues and appropriately plan their
13 own implementation.⁵⁵ However, PSE fails to present details about how they will
14 control costs, any detailed assessment of those project costs, or why they seek cost
15 recovery for a software migration still years away, which the Company could push
16 even further out by means of an extended support contract.

17 Regarding the Radio Replatform project, PSE provides that they have yet to
18 complete “detailed planning.”⁵⁶ The Company is still investigating a “final proposed
19 solution” and will then need to “request information and quotes from various vendors

⁵² Used and Useful Policy Statement, ¶ 35.

⁵³ Tamayo, SLT-1T at 54–55.

⁵⁴ Tamayo, SLT-1T at 58.

⁵⁵ Tamayo, SLT-1T at 58.

⁵⁶ Tamayo, SLT-1T at 62.

1 to meet the design and ensure best pricing.”⁵⁷ Since the Company does not know what
2 its project will cost because it is so early in the planning process, it is premature to
3 allow cost recovery for it. The Company has provided none of the “information
4 regarding the level of spending, cost controls, and the specific need for the projected
5 investment” the Commission requires.⁵⁸

6 **Q. Does Public Counsel have other concerns about the prudence of cost recovery?**

7 A. Yes. Public Counsel does not believe the Company has shown the prudence of these
8 IT programs and projects. The Commission applies a reasonableness standard⁵⁹ and
9 has stated that there “is no single set of factors by which the Commission evaluated
10 prudence but the Commission typically focuses on four factors[.]”⁶⁰ Those four factors
11 are the need for the resource, the evaluation of alternatives, communication with and
12 involvement of the company’s board of directors, and adequate documentation.⁶¹

13 In the case of the IT programs and projects discussed above, PSE has not
14 developed any of these programs and projects enough to provide the Commission with
15 sufficient detail to allow for a prudence determination. For example, because the
16 programs and projects have not undergone detailed planning, they offer only limited
17 information or documentation as to the need for them. PSE offers no discussion of
18 what alternatives the Company evaluated, because the Company has not planned the

⁵⁷ Tamayo, SLT-1T at 62–63.

⁵⁸ Used and Useful Policy Statement, ¶ 35.

⁵⁹ *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Dockets UE-111048/UG-111049, Order 08, ¶ 408 (May 7, 2012).

⁶⁰ *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Dockets UE-111048/UG-111049, Order 08, ¶ 409 (May 7, 2012).

⁶¹ *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Dockets UE-111048/UG-111049, Order 08, ¶ 409 (May 7, 2012).

1 details of the programs or projects sufficiently to allow for this consideration of
2 alternatives. Moreover, PSE offers no evidence regarding communication with and
3 involvement of its Board of Directors. In sum, Public Counsel believes the
4 Commission should not allow PSE's proposed cost recovery for these three programs
5 or projects, because it has not met the reasonableness standard.

6 **Q. Does this conclude your testimony?**

7 A. Yes, it does.