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
Q. Please state your name and business address.

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

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

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

Q. On whose behalf are you testifying?

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

Q. Please describe your professional qualifications.

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

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

Since joining Public Counsel in January 2020, I have worked on a variety of utility and transportation matters, including the 2020 Puget Sound Energy (PSE) water heater rental service sale case (Docket UG-200112), the Cascade Natural Gas
rate case (Docket UG-200568), PSE’s Power Cost Only Rate Case (Docket UE-200980); the CenturyLink 911 outage complaint case (Docket UT-181051), the Super Friends Moving Company complaint case (Docket TV-190835), the Clutter, Inc. complaint case (Docket TV-200432), the Washington Water Service Corporation general rate case (Docket UW-210560), and several smaller water rate cases and transportation company complaint cases.

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

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

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

Q. Please describe the purpose of your testimony.
A. My testimony responds to some of PSE’s proposals on assistance to low income customers and information technology (IT) costs.

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

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

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

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

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1 Direct Testimony of Carol L. Wallace, Exh. CLW-1T.
2 Direct Testimony of Birud D. Jhaveri, Exh. BDJ-1T.
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.
customers in the 30–50 percent AMI would receive an additional 20 percent discount from HELP.\(^8\) In addition, PSE proposes a 15 percent discount from HELP for customers in the 50–80 percent of AMI or 200 percent of the federal poverty line, whichever is greater.\(^9\) The combined discounts of these programs would result in a total discount of 70 percent for customers in the 0–30 percent AMI bracket; 35 percent for the 30–50 percent AMI bracket; and 15 percent for the 50–80 percent AMI bracket.\(^10\)

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

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

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\(^8\) 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).
deadline for utilities to file bill discount proposals, so far Avista has filed a proposal for review and PacifiCorp has received approval for their program.\textsuperscript{13}

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

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

Q. Has PSE started implementing this program?

A. The Company has not yet launched the bill discount program. Wallace states that the Company “plans to work with LIAC to develop key performance indicators for the Bill Discount Rate over the next year and before the program is launched.”\textsuperscript{17} Wallace’s testimony continues:

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

\textsuperscript{14} Wallace, Exh. CLW-1T at 22.
\textsuperscript{15} Wallace, Exh. CLW-1T at 22.
\textsuperscript{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.”
\textsuperscript{17} Wallace, Exh. CLW-1T at 23:4–5.
1. Rate design: what the program is going to do (e.g., level of
discount);
2. Funding: how to balance low-income customer needs with
impacts to all customers;
3. Operation: how the discount is administered;
4. Eligibility: who gets the discount; and
5. Outreach: how to get the word out about the discount/providing
support and education.18

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

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

Q. Has PSE made any other statements about the process for implementing the bill
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.
A. Yes. The Company has outlined “four phases” for the project: planning, design, execution, and closeout. PSE also has stated that they plan to keep working with a small workgroup of representatives from community action agencies, the LIAC, UTC Commission Staff, and Public Counsel.

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

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

Public Counsel supports the bill discount rate programs RCW 80.28.068 requires. We believe bill discount rate programs serve low-income customers by reducing energy burden, which is important to address as customers experience higher prices in housing, food, childcare, and other costs. We also recognize that a bill discount rate program is a shift in how utilities offer services to low-income customers. Thus, it is important that utilities such as PSE set this program up in a fully 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).
Q. **Does Public Counsel have a recommendation regarding the bill discount rate program?**

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

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

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

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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.
Jacobs addresses technology costs related to PSE’s Clean Energy Implementation Plan (CEIP). Koch discusses technology costs related to grid modernization efforts.

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

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

- $175.53 million for investments placed into service from January 1, 2019 through June 30, 2021;
- $149.91 million for investments expected to be placed into service between July 1, 2021 and December 31, 2022;
- $114.04 million for investments expected to be placed into service during 2023;
- $77.85 million for investments expected to be placed into service during 2024; and
- $98.18 million for investments expected to be placed into service during 2025.

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

Q. Do PSE’s IT costs raise any concerns for Public Counsel?

A. Yes. Public Counsel is concerned that PSE assigns a number of costs for which the Company seeks recovery to projects for which it has yet to begin detailed planning.
In particular, Tamayo’s testimony discusses three large programs or projects for which PSE has not begun planning or work, but for which the Company nonetheless seeks cost recovery of $40.50 million.

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

A. The Company seeks $10.50 million for a Third Party Risk program scheduled to start in 2023 for which they had not begun planning at time of filing. The Company seeks $20 million in cost recovery for the SAP Business Suite 4 HANA Migration project, with work expected to begin in 2024 and complete in 2026. The Company also seeks cost recovery of $10 million for the Radio Replatform project, which it expects to begin in 2025.

Q. Please briefly describe these programs or projects.

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

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.
The Company’s SAP S/4 HANA Migration project is an effort to upgrade PSE’s enterprise software system.\textsuperscript{41} PSE currently uses a suite of software from SAP for which SAP is ending vendor support at the end of 2027 or, if PSE were to purchase an extended contract, by the end of 2030.\textsuperscript{42}

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

\textbf{Q.} Does Public Counsel believe that recovery of these costs is consistent with the Commission’s used and useful policy statement\textsuperscript{45}?

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

\textsuperscript{41} Tamayo, SLT-1T at 57.
\textsuperscript{43} Tamayo, SLT-1T at 60–61.
\textsuperscript{44} Tamayo, SLT-1T at 61.
\textsuperscript{45} \textit{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”).
\textsuperscript{46} Used and Useful Policy Statement, ¶ 29.
prove that its investments are prudent.”47 For “purely projected investments,” the
Commission’s evidentiary standard requires “information regarding the level of
spending, cost controls, and the specific need for the projected investment.”48 PSE has
not conducted sufficient planning or evaluation of these programs and projects for the
Commission to determine whether they may be used and useful.

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

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

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

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

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

A. No. Tamayo’s discussion of all three of these projects or programs does not meet the
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.
spending, cost controls, and the specific need for the projected investment.”

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

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

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

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

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

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

In the case of the IT programs and projects discussed above, PSE has not
developed any of these programs and projects enough to provide the Commission with
sufficient detail to allow for a prudence determination. For example, because the
programs and projects have not undergone detailed planning, they offer only limited
information or documentation as to the need for them. PSE offers no discussion of
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.
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(May 7, 2012).
details of the programs or projects sufficiently to allow for this consideration of
alternatives. Moreover, PSE offers no evidence regarding communication with and
involvement of its Board of Directors. In sum, Public Counsel believes the
Commission should not allow PSE’s proposed cost recovery for these three programs
or projects, because it has not met the reasonableness standard.

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

A. Yes, it does.