BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **PUGET SOUND ENERGY,** **Respondent.**	**DOCKETS UE-190529 & UG-190530**

RESPONSE TESTIMONY OF

SHAWN M. COLLINS (SMC-1T)

DIRECTOR OF
THE ENERGY PROJECT

Low-Income Issues

November 22, 2019

RESPONSE TESTIMONY OF SHAWN M. COLLINS (SMC-1T)

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EXHIBIT LIST

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Shawn Collins. My business address is 3406 Redwood Avenue, Bellingham, WA 98225.

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

A: I am the Director of The Energy Project (TEP), a program of the Washington State Community Action Partnership housed at the Opportunity Council in Bellingham, WA.

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

A: I have been employed by Opportunity Council since 2006.

Q: Would you please state your educational and professional background?

A: Attached as Exh. SMC-2 is a statement of my professional qualifications.

Q: On whose behalf are you testifying?

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

II. PURPOSE AND SUMMARY OF TESTIMONY

Q: What is the scope of your testimony?

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

Q: Could you please summarize your testimony?

A: My testimony addresses the PSE proposal for increased funding for the Home Energy Lifeline Program (HELP) program and the PSE residential rate design proposals. I also provide an overview of the available data regarding disconnection of service for PSE customers and recommend an approach to address this issue. In addition to these areas, my testimony will also discuss the Get To Zero program, Advanced Meter Infrastructure (AMI) deployment, the attrition proposal, and return on equity.

III. PSE'S LOW-INCOME CUSTOMER PROGRAMS

A. The Level Of Need For Assistance In PSE's Service Territory

Q: How would you assess the level of need for energy assistance in PSE's service territory?

A: There continues to be substantial unmet need in the Company service territory. It is important to keep in perspective that approximately 20 percent of PSE customers are at or below 150 percent of Federal Poverty Level (FPL), around a quarter of a million people.[1] Of this number, approximately 12 percent receive

[1] Testimony of Suzanne Sasville, Exh. SMS-1T at 3:7-10; Exh. SMS-3. *Washington Utilities & Transportation Commission v. PSE,* Dockets UE-170033/UG-170034.

assistance from the HELP program.[2] The significance of the 150 percent metric is that it is used to determine eligibility for the PSE HELP program, and has also been the metric used in most other investor-owned utility (IOU) bill assistance programs in Washington.

While 150 percent of FPL is a useful metric at a practical level, it provides a quite conservative picture of the real low-income population. Some Washington IOUs have begun to move to a 200 percent of FPL.[3] The recently-enacted Clean Energy Transformation Act allows low-income to be defined by household income up to 200 percent of FPL.[4]

Other analyses have been developed to more accurately capture the nature and extent of income insecurity in Washington. The Washington Self-Sufficiency Standard (WSSS) developed at the University of Washington is one example.[5] The most recent analysis by the WSSS observes:

> The Self Sufficiency Standard for Washington State 2017 defines the minimum income needed to realistically support a family meeting basic needs without aid from government, community or personal aid. Note that these budgets are "bare bones," with just enough allotted to meet basic needs, but no extras. Thus, the food budget is only for groceries, it does not allow for any takeout or restaurant food, not even a pizza or latte.
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> The official poverty measure, developed half a century ago, is now

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[2] The percentage (12.3) is obtained by dividing the reported HELP customers in the HELP 2017/2018 Annual Report (32,612) by the estimated total number of PSE customers below 150 percent of Federal Poverty Level in Exh. SMS-3 (264,988). Puget Sound Energy, Annual Report on Program Outcome of PSE's Low-Income Program, Home Energy Lifeline Program ("HELP"), For 2017 Program Year October 2017 through September 2017, Filed May 28, 2019. Dockets UE-011570 & UG-011571 Compliance Filing. PSE Response to TEP Data Request No. 19. (HELP 2017/2018 Annual Report).

[3] Cascade Natural Gas, Schedule 303 (Washington Energy Assistance Fund); Avista Senior & Disabled Rate Discount, Schedule 2, Schedule 92A.

[4] RCW 19.405.020(25).

[5] The Self-Sufficiency Standard for Washington State 2017, Diana M. Pearce, Ph.D, University of Washington School of Social Work, (September 2017)(WSSS), http://selfsufficiencystandard.org/sites/default/files/selfsuff/docs/WA2017_SSS.pdf.

> methodologically out of date and no longer accurately measures poverty, and at best measures "deprivation." Throughout Washington State, the Self-Sufficiency Standard shows that incomes well above the official federal poverty level thresholds are nevertheless far below what is necessary to meet families' basic needs.[6]

Referencing a county within PSE's service territory, the WSSS finds that "[t]he federal poverty guidelines for three person families ($20,420 annually) is set at a level well below what is minimally need to meet a family's basic needs. For example, the federal poverty guideline is 38 percent of the Standard for one adult, one preschooler, and one school age child in Thurston County ($25.35 per hour and $53,543 annually).[7]

The picture of the low-income population in PSE's service territory provided by these metrics provides essential context for evaluating the need for low-income programs, as well as for more broadly evaluating the impact of PSE's rate proposals in this case.

B. The PSE Home Energy Lifeline (HELP) Program

Q: Please review recent developments with the PSE HELP program.

A: In the PSE 2017 General Rate Case, the Commission approved a Multiparty Settlement which provided for a modest increase to HELP funding, several HELP eligibility improvements, and the establishment of a Low-income Advisory Committee. PSE also agreed to consult with TEP and agencies regarding new Company initiatives affecting the management and deployment of the HELP

[6] *Id.*, Key Findings at p. vi.
[7] *Id.*, Key Findings at p. vii. (citation omitted)

program.[8] Subsequently, in PSE's Expedited Rate Filing (ERF) docket, the Commission approved an increase of $130,000 to natural gas HELP funding, pursuant to a settlement agreement.[9]

Q: In this case, does PSE have any recommendation regarding the HELP program?

A: Yes. PSE witness Jon Piliaris recommends in testimony that HELP funding be increased for electric and natural gas customers. Mr. Piliaris explains that the PSE proposal is an effort to offset the effects of PSE's proposed increase on its low-income customers. If PSE's full rate request is granted, Mr. Piliaris states that "based on the current funding level of $18.8 million for electric low-income bill assistance, and a proposed average increase of 7.67 percent to residential customer bills" his proposal would translate into a 15.3 percent increase for the electric HELP program, approximately $2.9 million.[10] The corresponding increase for natural gas HELP would be 15 percent, or approximately $700,000.[11]

Q: What is your response to this proposal?

A: The Energy Project supports the proposal, with the minor modification below. I agree with Mr. Piliaris that there is need for increased funding for PSE HELP. As I note above, at current funding levels the HELP program is reaching only about

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[8] *Washington Utilities & Transportation Commission v. Puget Sound Energy*, Dockets UE-170033/UG-170034, Order 08 (December 5, 2017)(PSE 2017 GRC).

[9] *Washington Utilities & Transportation Commission v. Puget Sound Energy,* Dockets UE-180899/UG-180900, Order 05, ¶ 17.

[10] Piliaris, Exh. JAP-1T at 19:11-19. In response to discovery, PSE reported slightly higher current funding levels for electric and natural gas HELP which would correspondingly raise the resulting increase stated in testimony. PSE Response to TEP Data Request No. 26. TEP would anticipate that approved increases in this case would be determined based on the most recent funding levels.

[11] Piliaris, Exh. JAP-1T at 44:5-12.

12 percent of the eligible population in the Company's service territory. If a greater proportion of these customers is to be reached, additional funds will be needed. Additional funding is also warranted as a reaction to the expected upward pressure on rates from Washington's implementation of clean energy initiatives. Increasing the funding for low-income bill assistance is consistent with the legislative intent of CETA to "demonstrate progress towards making energy assistance funds available to low-income households."[12] The Energy Project appreciates PSE's effort to address the "overall impact of its rate proposal" through this proactive recommendation.[13]

Q: Do you have any additional comments regarding the PSE proposal?

A: Yes, I have a technical comment regarding the increase calculation method. The funding proposal is calculated using the 7.67 rate increase, which appears to be an overall residential increase factoring in attrition and various tariff rider changes in addition to the Schedule 7 impacts. As a general matter, TEP believes it is preferable to use the base rate increase as opposed to the "bill impact" to calculate increases in assistance.[14] This approach has been in place at Avista as part of its five-year funding plan for the Low-Income Rate Assistance Program (LIRAP). Under the Avista formula, low-income bill assistance funding increases on an annual basis by twice the approved increase to the base rate, or 7 percent,

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[12] RCW 19.405.120(1).
[13] Piliaris, Exh. JAP-1T at 18:12-15.
[14] PSE proposes that funding be increased by twice the percentage of the residential bill impacts of the rate proposal. The "all-in" billing rate can be affected by a multitude of other tariff elements, sometimes temporary or fluctuating in nature, including such items as refunds.

whichever is greater.[15] This has provided a reliable mechanism for stable growth in the Avista program. In this case, if the Commission approves the full rate increase requested, TEP accepts the PSE proposal. In the event that a lower increase is approved, however, TEP recommends that the HELP increase be calculated on the basis of double the percentage increase in the Schedule 7 base rate.

Q: Do you have any other proposed modifications to the PSE proposal?

A: Yes. Although this probably implicit, TEP would recommend the PSE proposal be modified to make clear that in the event a final order results in a reduction for either electric or natural gas rates, that no reduction in electric or natural gas HELP funding would result from application of PSE's proposed formula.

Q: Do you have any other proposals for the HELP program?

A: Yes. The Energy Project recommends an adjustment to the allowance for agency costs to administer the HELP program. Agency administrative costs to administer HELP fall into two basic categories: the direct costs of delivering the program, and the agency "indirect" costs. The indirect costs cover the general overhead cost to the agency of administering the program, costs such as insurance and human resources expenses. These are non-discretionary costs integrally related to program delivery.

Administrative fees to the agencies are generally provided for in the HELP tariff, Schedule 129. As further described in the most recent HELP 2017/2018

[15] *Washington Utilities & Transportation Commission v. Avista Utilities,* Dockets UE-150204/UG-150205, Order 05, ¶ 232.

Annual Report, agencies receive an allotment of funds from PSE as administrative fees to run the HELP and related support services such as customer education, eligibility evaluation, bill-assistance amount determination, and other services.[16] Agencies provide intake as well as energy efficiency education and referrals to programs such as low-income weatherization. For the 2017 Program Year (October 2017 through September 2018), overall agency administrative fees were reported to comprise approximately 19 percent of total actual spending.

At present, agency administrative fees cover both categories of agency costs – both the direct operating cost and the indirect overhead costs. However, the current fee structure is under strain as major changes taking place both within PSE and more generally with energy regulation in Washington add costs for agencies. For example, agencies have been cumulatively engaged in hundreds, if not thousands, of hours in 2018 for process planning meetings, beta testing and other software related efforts specifically attributable to a third-party contractor's delivery of various components of the PSE's Get To Zero/Energy Assistance Project Initiative. In addition, customer education and outreach functions, in which agencies play a key role, are becoming increasingly important.[17] Existing interest in expanding program participation is being accelerated with the adoption of CETA and its goal of demonstrating progress in the provision of energy assistance to low-income households and vulnerable communities.[18] Increasing

[16] HELP 2017/2018 Annual Report at 20.
[17] The Energy Project is working with PSE on targeted outreach efforts related to the recent Purchased Gas Adjustment increases approved at the October 24, 2019, Open Meeting.
[18] RCW 19.405.120 (2), and (4)(a)(ii).

agency costs related to these efforts fall into the direct category, leaving fewer budget resources for overhead costs.

To address this issue, TEP recommends that a specific allowance of 10 percent be established for indirect costs within the overall agency fee structure, as a supplement to the existing agency administrative allotment of approximately 20 percent, which would be allocated to direct costs. This will have the effect of freeing available budget resources within the "direct" category to enable agencies to cover increasing operational costs from the kinds of changes described above.[19] The appropriateness of the administrative fee structure would be periodically reviewed by the HELP advisory committee.[20]

C. The PSE Low-Income Weatherization Program

Q: Please review recent developments in PSE's low-income weatherization program funding.

A: As part of the settlement of the PSE Macquarie Sale docket, PSE made a number of commitments in support of the program.[21] PSE reiterated its on-going commitment to fund all feasibly achievable projects requested by the agencies and established a baseline annual weatherization budget of $4.43 million. The Company agreed to continue existing shareholder contributions to weatherization,

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[19] The overall allowable administrative fee would be 30 percent (20 percent direct, 10 percent indirect) and would established, consistent with the current practice, through agency contracts.

[20] This type of agency fee structure has been adopted and approved for multiple Washington IOU low-income weatherization programs and has been instrumental in helping programs to expand to serve more eligible households in the State.

[21] *In the Matter Of The Joint Application of PSE et al. for An Order Authorizing Proposed Sales of Indirect Interests in PSE,* Docket U-180680, Final Order 06 (Corrected)(PSE Macquarie Sale), Appendix A, Commitments 43, 45, 46.

and further committed to a one-time shareholder contribution of $2 million for weatherization to be disbursed over a five-year period. As a result of these changes, PSE's low-income weatherization program is currently on a stable footing and The Energy Project does not have a proposal in this case for any program modifications.

IV. PSE'S RESIDENTIAL ELECTRIC RATE DESIGN PROPOSAL

Q: What is your understanding of PSE's residential electric rate design proposal in this case?

A: PSE's current residential electric rate design has three primary components: a monthly basic charge; a first block energy rate for usage up to 600 kWh per month; and, a second block for all usage above that level. The current rates for each component are as follows: $7.49 per month for the monthly basic charge; 8.7336 cents per kWh for the first block; and 10.6297 cents per kWh for the second block. As explained in the testimony of Jon Piliaris, PSE proposes that there would be no increase for the monthly basic charge or for the first block. PSE is only proposing to change the second block rate in this case, increasing it to 12.5088 cents per kWh, an increase of nearly 18 percent (17.9).[22]

Q: What is PSE's rationale for its residential electric rate design?

A: Mr. Piliaris states that PSE's goal is to lower the overall burden on its most vulnerable electric customers, that is, low-income low volume users. An

[22] Piliaris, Exh. JAP-1T at 16-19; Exh. JAP-14 at 3.

additional policy reason provided is that "increasing the tail block residential rate increases the incentive for these customers to conserve energy."[23]

Q: What is your overall response to PSE's rate design proposal?

The Energy Project supports the policy goals identified by Mr. Piliaris. Reducing the energy burden on low-income customers has been a well-established and important policy goal and one which is now embodied in CETA. Likewise, the goal of creating incentives for customers to pursue energy efficiency is long-standing policy in Washington state.

PSE's proposal to keep the monthly basic charge at its current level is consistent with these goals. The Energy Project supports maintain the monthly basic charge of $7.49 at its current level. As a general policy matter, TEP disfavors customer charge increases because they fall disproportionately on low-volume users and create a disincentive to energy efficiency.

Q: Do you have any concerns regarding the PSE proposal for rate block pricing?

A: While I agree with the policy goals which PSE identifies, I don't agree that the PSE proposal with for rate block pricing is an appropriate means to advance these goals. Accordingly, TEP does not support Mr. Piliaris' recommendation to place the entire responsibility for the requested residential electric rate increase on the second or "tail block" of usage.

[23] Piliaris, Exh. JAP-1T at 19:1-8.

The primary concern here is with the uneven impact of this pricing recommendation across the full spectrum of PSE's low-income customer population and with the adequacy of the supporting analysis provided. Mr. Piliaris' testimony states that "lower income customers are thought to use less energy than those with higher incomes."[24] However PSE does not offer any usage or impact data analysis of its own low-income customers in the testimony to support the proposal.[25]

While TEP agrees that studies show that low-income customers overall tend to use less, PSE's low-income customers are not monolithic. The most recently available data filed by PSE at the Commission shows that participants in PSE's HELP program do not fit the low-volume user description. The HELP 2017/2018 Annual Report year reviews the patterns of monthly energy usage for electric customers receiving PSE HELP assistance in comparison with that of all PSE residential customers.[26] The report indicates that "PSE HELP customers had higher average electric monthly usage than that of PSE residential customers except during the summer months."[27] A similar conclusion was reported in a

[24] Piliaris, Exh, JAP-1T at 18:7-9.
[25] The Energy Project requested any study, report, analysis, or data relied on to support Mr. Piliaris testimony. PSE referenced the California Energy Commission's 2009 Residential Appliance Saturation Study and the most recent HELP 2017/2018 Annual Report. Neither analyzes the impact of the proposal in this case on all PSE low-income customers. PSE Response to TEP Data Request No. 19. PSE also referenced impact data for all residential customers which does not separately identify low-income customers. PSE Response to TEP Data Request No. 21.
[26] HELP 2017/2018 Annual Report at 17.
[27] *Id.*

third-party evaluation of PSE's decoupling mechanism submitted in the 2017 General Rate Case.[28]

A chart of Annual Monthly Electric Usage in the report shows usage in the January 2018 time frame as approximately 1400 kWh for the month.[29] According to PSE's calculations, a low-income customer with this level of usage would see an increase of nearly $15.00 ($14.82) or 10.41 percent for the month under the proposed rate increase.[30] The chart also reflects that average monthly usage for customers participating in HELP exceeds 600 kWh for all months except July-September.

The unfortunate reality is that PSE's proposed rate design would provide essentially no benefit to HELP customers. To the extent PSE's seeks to "lower the overall burden of its requested rate increase on these more vulnerable customers" and is "concerned with the overall impact of its rate impact on the customers that can least afford it,"[31] the proposal is not likely to have the desired effect.

Q: Does TEP have an alternative proposal?

A: Yes. The Energy Project recommends consideration be given to increasing the first usage block up to 800 kWh. The intent of using an 800 kWh first block

[28] Three Years of Decoupling, H. Gil Peach and Associates LLC (December 31, 2016), Dockets UE-170033/UG-170044, Exh. JAP-29 at 64, Figure IV.2 ("Bill Assisted customers experienced higher usage rates during each of the three years that decoupling has been in place at PSE. "). Both the decoupling evaluation and the HELP report show that low-income natural gas customers have lower use than average residential customers. cites.

[29] HELP 2017/2018 Report at 17.

[30] Piliaris, Exh. JAP -14 at 3.

[31] Piliaris, Exh. JAP-18:12-15.

would be to create a "lifeline" block, priced at an affordable level, which would encompass the majority of usage for most low-income customers. Adoption of this design is likely to offer a more balanced approach than the current proposal to providing protection for low-income customers, while maintaining incentives for energy efficiency.

This concept received some positive attention in PSE's 2017 General Rate Case where parties discussed a potential three-tier inverted block structure. While there was no consensus on a three-tier structure, interest was expressed in adjusting the first block usage parameters. Staff witness Jason Ball proposed an alternative three-tier rate design that employed an 800 kWh first block.[32] Public Counsel[33] and NWEC[34] witnesses also recommended consideration of this change.

Similarly, in testimony for TEP raising concerns about the three-tier structure, I commented that, as an alternative, increasing the size of the first block to 800 kWh from the current 600 would cover a larger portion of essential services for most households at a lower rate and could result in lower bills for many customers. At the same time, the conservation benefits of the inverted rate structure would remain.[35]

Q: Do you recommend that the Commission order TEP's proposed change to PSE's rate design to take effect in this case?

[32] *PSE 2017 GRC,* Ball, Exh. JLB-1T at 44, Table 7.
[33] *PSE 2017 GRC,* Watkins, Exh. GAW-1T at 62:16.
[34] *PSE 2017 GRC*, Levin, Exh. AML-13T at 11:11.
[35] *PSE 2017 GRC*, Collins, Exh. SMC-1Tr at 23:14-24:6.

A: No. In this case, I recommend that the Commission direct PSE, in consultation with its Low-income Advisory Committee, to undertake an analysis of a two-block rate design under which the first block would encompass the first 800 kWh of usage. PSE would report the results of the rate design review in the next general rate filing and, if appropriate, incorporate the new rate design in its filing.

Q: What rate design should be adopted pending the completion of the analysis of increasing the first block to 800 kWh?

A: I recommend that the current two-block structure be retained. Any rate increase ordered in this case should be allocated as an equal percentage to the two existing blocks. PSE calculates that the rate that would apply per kilowatt hour to each of PSE's two rate blocks if the proposed increase were to be allocated on an equal percentage basis is \$0.094657 for the first block (up to 600 kWh) and \$0.115208 for the second block (over 600 kWh).

V. DISCONNECTION ISSUES

Q: Why is TEP raising disconnection issues in this case?

A: Disconnection of utility service for non-payment is an important issue for TEP. Ratepayers in the current era are facing continuously increasing rates due to the convergence of a number of factors: utility company policies of rate filings in nearly unbroken sequence, automatic increases from multi-year rate plans, revenue support mechanisms such as decoupling, costs from new technology initiatives, and the costs of the transition to clean energy. At the same time, many eligible low-income customers are not benefitting from bill assistance programs to help offset these pressures. As energy burdens increase and bills become less affordable, more customers are forced to face the loss of essential services.[36]

The Energy Project believes it is important as a matter of regulatory policy, and as part of an equitable transition to clean energy in Washington, to have a clear picture of disconnection trends and data in Washington. A policy framework is needed to move toward a goal of reducing or even eliminating disconnection of service.

Q: **What information is available regarding the disconnection experience for PSE customers?**

A: As far as TEP is aware, PSE is not required to regularly report disconnection data to the Commission. Washington investor-owned utilities (IOUs) last provided detailed information on disconnection in response to a Commission industry-wide data request in the Commission's 2013 docket examining payment during premise visits at the time of disconnection.[37]

In this docket, the TEP has requested information from the Company replicating the questions included in the Commission's 2013 data request, requesting data for the years 2014 through 2018 to update the data requested by the Commission in its prior review. Public Counsel has also conducted discovery on this issue.

[36] Marcus Franklin, Carolyn Kurtz, *Lights Out In The Cold: Reforming Utility Shut-off Policies As If Human Rights Matter,* NAACP (March 2017)(discussing the human cost of utility disconnection).
[37] *Inquiry to Consider Whether Changes to WAC 480-90-128(6)(k) and WAC 480-100-128(6)(k) Are Warranted,* Docket U-131087 (Premise Visit Rulemaking).

During the five-year period from 2014 through 2018, PSE reports that disconnections for residential customers ranged from an annual low of 32,308 in 2014 to a high of 41,052 in 2016. The average annual number of residential disconnections for non-payment for the period was 37,172.[38] Total disconnections for all customers over the same period averaged 48,078 on an annual basis.[39]

Disconnection figures for low-income residential customers receiving some type of bill assistance were also provided.[40] For the five-year period, a total of 33,873 low-income household disconnections occurred, or an average of 6774 per year. The high for the period was 7559 disconnections in 2017. Assuming current HELP participation of approximately 32,000, this means that around 20 percent of low-income HELP recipients are experiencing disconnection annually.

PSE also reported the total number of field interactions of any type during the period. Field interactions (premise visits) for "Dunning" /"disconnection due to non-payment" average 180,292 annually. Premise visits ranged from a low of 113,476 in 2014 to a high of 254,934 in 2016 and appear to be increasing. Annual totals are higher for the most recent three years: 254,934 in 2016, 191,662 in 2017, and 213,678 in 2018.[41]

[38] PSE Response to Public Counsel Data Request No. 113(e).
[39] PSE Response to TEP Data Request No. 3. Data provided in the 2013 rulemaking and reported by Staff showed a higher level of disconnections (63,910 annual average for 2009-2012) and amounts collected via premise visits to prevent disconnection ($14,928,304 annual average for 2009-2012), possibly related to general economic conditions. *Premise Visit* Rulemaking, Summary of Company Data Provided To Staff (July 30, 2013).
[40] The totals include electric and natural gas customers receiving bill assistance from LIHEAP, HELP, Salvation Army, or other assistance (various charitable institutions). PSE Response to TEP Data Request No. 10.
[41] PSE Response to TEP Data Request No. 2.

The total number of premise visits categorized as "dunning"/"disconnection for non-payment" substantially exceeds the number of actual disconnections. It is TEP's understanding, based on clarification from PSE, that this is in part because not all "dunning" premise visits result in disconnection for a number of reasons. These include visits where the customer is not at home, where a notice is left at the premise and a return visit to disconnect occurs.

Importantly, a significant portion of premise visits do not result in disconnection because the customer makes a payment to prevent shutoff. Except for the year 2016, during the reporting period customers paid over $9 million per year to stop disconnection,[42] as the following table reflects:

Year	Dollars Collected
2014	$ 9,514.724
2015	$ 9,062,118
2016	$ 7,436,095
2017	$ 9,543,742
2018	$ 9,235,939
TOTAL	$44,792,618

It is TEP's understanding that this data reflects payments made at the time of a field or premise visits for "dunning" purposes, that is to disconnect for non-payment. According to PSE, the total number of field payments made during this

[42] PSE Response to TEP Data Request No. 4.

period was nearly 200,000, or an average of nearly 40,000 per year.[43] The average payment at a premise visit was $225.[44]

Q: Do you have any comments about the data relating to field visits?

A: At the present time, it is TEP's understanding that all disconnections for non-payment of PSE residential customers involve a premise visit. While PSE has begun to deploy AMI, the Company is not currently using remote disconnection and has not yet deployed remote disconnect/reconnect functionality.[45] PSE agreed, as part of the settlement in the PSE Expedited Rate Filing (ERF) case to refrain from using remote disconnection until the completion of the AMI rulemaking, or January 1,2020, whichever comes first.[46] Under Commission rules, customers may make a payment at the time of the premise visit in order to avoid disconnection.[47] PSE currently plans to initiate remote disconnection for electric customers in early 2020 at which time premise visits would cease.[48]

I note that one of the projects in PSE's Get To Zero program is a "Field Payment Strategy" which is described as "[p]roviding PSE Customer Field Reps (CFR) with a mobile streamlined and secure solution for accepting customer credit/debit card payments in the field that will post in real time to the customer's

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[43] PSE Response to Public Counsel Data Request No. 129(b). Total for 2014-2018: 199,434, annual average 39,886.
[44] $44,792,618/199,434=224.50.
[45] PSE Response to TEP Data Request No. 12 (a).
[46] *PSE ERF*, Order 05, ¶ 23.
[47] WAC 480-100-128(6)(k).
[48] Premise visits will still be required to disconnect natural gas service.

account." The expected cost of this project for the January-June 2019 period is $823,000.[49]

The issue of field or "premise visits" has been an important one for The Energy Project. The issue is currently being addressed in the pending AMI consumer protection rulemaking.[50] As a general matter, in comments in that docket, TEP has expressed concern that discontinuance of premise visits in conjunction with remote disconnection capability will pose a serious risk of losing the revenue benefits and the avoided disconnections generated by the premise visit. The premise visit, the "last knock" prior to termination, was recognized by the Commission in 2013 as "an important protection for the utility's most vulnerable customers."[51]

It is worth noting that the average annual number of avoided disconnections (40,000) reported by PSE exceeds the average residential disconnections for non-payment reported for the period (37,172).[52] Based simply on this comparison, it appears that over 50 percent of potential disconnections are avoided by customer payments at the premises over the five-year period. This roughly 1:1 ratio is quite similar to the ratio reported by PSE in 2013. As Staff noted at that time: "In 2013 alone, PSE has disconnected a total of 7,734 customers, but has collected 8,047 payments at the door to stop disconnections

[49] Jacobs, Exh. JJJ-6 at 9.
[50] *In the Matter of the Rulemaking To Modify Existing Consumer Protection And Meter Rules To Include Advanced Metering Infrastructure,* UE-180525 (AMI Consumer Protection Rulemaking).
[51] *In the Matter of the Petition of PacifiCorp d/b/a Pacific Power Seeking Exemption From the Provisions Of WAC 480-100-128(6)(k) Relating To Accepting Payment From Customers At Disconnection Service Address,* Docket UE-130545, Order 01, ¶¶ 8, 10.
[52] PSE Response to Public Counsel Data Request No. 113(e).

from occurring. More disconnections are prevented than completed for PSE customers. PSE's roughly 1:1 ratio has stayed consistent over the past five years."[53] In the current AMI rulemaking proceeding, PSE has reported that, based on 2017 data, 33 percent of disconnections are prevented by payments at the time of the premise visit.[54] TEP is not aware of the reason for the differences in the data.

Q: Has PSE analyzed the impact of discontinuing premise visits?

A: It does not appear so. The Energy Project asked PSE to provide any study, analysis, report, or memorandum regarding premise visits. The Company responded that it was not aware of any such study.[55] Given that approximately $9 million in annual payments and thousands of avoided disconnections are involved, it is concerning that such a major change in a consumer protection is occurring, apparently without detailed analysis.

Q: Aren't these premise visit issues being addressed in the AMI rulemaking?

A: To some extent. Unfortunately, the amount of data provided in the docket is quite limited. Companies have not provided information of the specific type or detail requested by the Commission and analyzed by its Staff in the 2013 docket. As a result, it has not been possible in the rulemaking to examine the current practice in detail, or to consider such issues as the current cost of premise visits, the savings of discontinuance, the cost of continuing premise visits and whether

[53] Dockets UE 130545 and U-131087, Commission Staff Open Meeting Memorandum, September 12, 2013.
[54] *AMI Consumer Protection Rulemaking,* Advanced Metering Infrastructure Comment Matrix (for comments as of September 2018).
[55] PSE Response to TEP Data Request No. 15.

companies have studied alternatives, the impact on revenue currently collected via premise visits, and the anticipated impact on disconnection rates.

Q: Do you have a recommendation to address disconnection for non-payment?

A: Yes. The Energy Project believes it is important to develop a regulatory strategy to reduce disconnection to the maximum extent possible. There is a need to gather, track, and analyze disconnection data. Metrics and methodologies should be adopted that are designed to lead to substantial reductions in the number of customers losing essential utility service.

To this end, TEP respectfully requests that the Commission require PSE to file an annual report (with data by month) providing at least the following information:

- Total disconnections for all purposes
- Total residential disconnections for non-payment
- Total disconnections of customers receiving low-income bill assistance
- Total remote disconnections of residential customers for non-payment
- Total remote disconnections of customers receiving low-income bill assistance
- Total disconnections of customers with a medical emergency verified at that service location within the previous two years
- Number of premise visits for "dunning" purposes related to disconnection

- Number of disconnections prevented by receipt of payment at the premises
- Number of payments received during field (premise) visits to prevent disconnection and the mode of payment (cash, check, etc.)
- Number of free pay stations
- Number and nature of customer complaints related to disconnection

The Energy Project further recommends that the Commission direct PSE to develop a Disconnection Reduction Plan in consultation with its Low-income Advisory Group and to file the plan with the Commission by one year after the final order in this docket.

Q: Do you have a recommendation specifically regarding premise visits?

A: Yes. The Energy Project recommends that once PSE begins to implement remote disconnection, that it be required to continue the "last knock" practice of premise visits by appropriate personnel, such as customer service representatives, at the time of remote disconnection. The premise visits would be required until a Disconnection Reduction Plan is filed with the Commission and approved. This will enable the role of premise visits to be fully evaluated prior to cessation.

VI. OTHER ISSUES AFFECTING PSE'S LOW-INCOME CUSTOMERS

A. The "Get To Zero" Program

Q: Does TEP have concerns regarding the PSE "Get to Zero" initiative?

A: As I testified in PSE's 2017 GRC,[56] TEP believes there may be potential benefits to some customers in PSE's Get to Zero (GTZ) program and its increased use of automation for customer service interactions. As consumers in general have become increasingly comfortable with automated customer service transactions, there is a greater expectation that they will be able handle some business affairs conveniently and efficiently through electronic interactions on the telephone or on-line. One example of this could be electronic enrollment for bill assistance programs. Customers who prefer and are comfortable with these options can find value in the use of electronic channels of communication with the utility.

The Energy Project also has a concern, however, that this initiative be appropriately coordinated with Community Action agencies and that it does not impair service for low-income customers who need to contact a live agent, particularly to get help with challenging situations such as disconnection. The Energy Project is also concerned about the overall cost of the Get To Zero program.

Q: Are there concerns about the specific impact of the Get To Zero initiative on low-income customers?

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[56] *PSE 2017 GRC,* Collins, Exh. SMC-1Tr at 12:19-19:16.

A: Yes. Low-income customers may encounter situations where electronic customer service is not sufficient to address their needs. This is particularly true in challenging situations, for example, where disconnection, medical emergencies, payment arrangements, and other credit and collection issues are involved. In these circumstances, customers need to have in-person contact with a company representative to get assistance and understand their rights and remedies. PSE data indicates that 73 percent of arrangements involve call center agents, as opposed to automated interfaces.[57]

Related to this concern is the question of access to technology. To the extent Get To Zero deployment is premised on the expectation that customers will use computers and internet access to interact with PSE, many low-income and vulnerable customers may not experience the benefits of Get To Zero, and instead may potentially see an effective reduction in customer service.

Q: Does TEP have a recommendation regarding Get To Zero at this time?

A: In my 2017 testimony on the Get To Zero program, I stated:

> The Energy Project believes it is essential that the Company continue to budget for, hire, and train sufficient staff to provide accurate, high-quality and responsive customer service through live agents for the types of call discussed here [billing and collection, disconnection, medical certificates], including payment arrangement calls. This opportunity provides an opportunity for the Commission to provide guidance to the Company that it should support this function and that the Get To Zero program should not result in impaired access to PSE customer service representatives by customers in distressed circumstances who require assistance with payment, disconnection, and related issues.

[57] Jacobs, Exh. JJJ-3 at 10. The exhibit appears to show that "arrangements" includes payment, installment, deposit arrangements and budget calls.

Because of the settlement in that case, the Commission did not have the opportunity to address these or other Get To Zero issues. In the PSE Macquarie Sale settlement, Get To Zero concerns were addressed through an agreement for PSE to consult with the Low-income Advisory Committee regarding Get To Zero deployment.[58]

I do not have a specific recommendation at this time, however, TEP is aware that other parties in the docket have devoted resources to a review of Get To Zero. The Energy Project is interested in the results and recommendations filed by other parties and may support appropriate recommendations to the extent they address our areas of concern.

B. Advanced Meter Infrastructure (AMI)

Q: Does TEP have a recommendation at this time regarding AMI issues in this docket?

A: The Energy Project does not oppose the deployment of AMI technology as such. However, we have two areas of general concern regarding the impact of AMI on low-income customers. AMI investments involve substantial costs for equipment, software, and other items while its benefits are still to be fully evaluated. It is important for the Commission and its Staff to review these costs in relation to the benefits of the technology and to ensure that the investments are prudent before being imposed on ratepayers. This docket is the Commission's first opportunity

[58] *PSE Macquarie Sale*, Commitment 48.

to do so. Other parties may be reviewing these issues in the docket and TEP may support other recommendations where appropriate.

The second area of concern is the preservation of consumer protections as AMI is deployed, including in relation to the introduction of remote disconnection. I have addressed remote disconnection issues earlier in my testimony. The Energy Project is also participating in the Commission's rulemaking on these issues.

C. Attrition and Return on Equity

Q: Does TEP have a position regarding PSE's request for an attrition adjustment?

A: As a general policy matter, TEP believes that rates should be based to the maximum extent possible on actual costs. To the extent an attrition adjustment is based on estimates or forecasts of costs that may be incurred in the future, it provides an inherently less reliable basis for rates. Attrition adjustments have been traditionally reserved for extraordinary circumstances where substantial earnings erosion may result from costs increases which are beyond the company's control (for example, very high inflation). In addition, given the likelihood that PSE will file a new general rate case in the near future, an attrition adjustment seems unnecessary to address concerns about regulatory lag. Finally, adoption of an attrition adjustment here is also premature, given that the Commission has a pending docket looking at the use of alternative ratemaking methodologies such as attrition,[59] as well as a policy docket regarding the "used and useful" standard.[60]

Q: Do you have a concern regarding PSE's proposed return on equity?

A: Yes. In this case, a portion of the rate increase which customers are asked to bear is based on an increase in the shareholder profit margin (return on equity) from the current level of 9.5 percent to 9.8 percent. The Energy Project recommends that the return on equity be set no higher than its current level. An increase is not appropriate in the current environment of Return on Equity (ROE) stability for Washington investor-owned utilities.

VII. CONCLUSION

Q: Please summarize your recommendations.

A: The Energy Project recommends that the Commission:

- approve PSE's request to increase funding to for the HELP by twice the percentage of the rate increase to residential customers for both the gas and electric customers;
- reject the electric rate design proposal to place the entire residential increase on the second block
- apportion any residential increase on an equal percentage basis to the two existing blocks

[59] *In The Matter Of the Notice Of Inquiry Into The Adequacy of The Current Regulatory Framework*, Docket U-180907. The docket has been delayed during CETA implementation.
[60] *Inquiry Into Valuation of Public Service Company Property Used And Useful After Rate Effective Date*, Docket U-190531.

- direct PSE to study the adoption of a first-tier block for usage up to 800 kWh per month.
- direct PSE to develop a Disconnection Reduction Plan in consultation with its Low-income Advisory Committee
- require PSE to continue premise visits in connection with remote disconnection until a Disconnection Reduction Plan is filed and approved.
- reject PSE proposals for an increase to return on equity and for an attrition adjustment

Q: Does this conclude your testimony?

A: Yes.