**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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| **WASHINGTON UTILITIES AND**  **TRANSPORTATION COMMISSION,**  **Complainant,**  **v.**  **PUGET SOUND ENERGY,**  **Respondent.** | **DOCKETS UE-170033 & UG-170034** |

**RESPONSE TESTIMONY OF**

**SHAWN M. COLLINS (SMC-1T)**

**DIRECTOR OF**

**THE ENERGY PROJECT**

***Low-Income Issues***

**JUNE 30, 2017**

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

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**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 service territory. These agencies include: Centerstone; 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 supports the recommendations of PSE witness Suzanne Sasville with regard to the PSE Home Energy Lifeline Program (HELP). In addition, my testimony addresses low-income weatherization proposed increases to the customer charge, PSE’s Get To Zero initiative, decoupling, outreach, and the proposal for a three-tier rate structure.

The Energy Project recommends that a PSE low-income advisory group be established to develop proposals to address some of these issues.

**III. CHANGES TO PSE’S LOW-INCOME BILL ASSISTANCE AND WEATHERIZATION PROGRAMS**

1. **PSE’S LOW-INCOME BILL ASSISTANCE PROGRAM AND THE LEVEL OF NEED.**

**Q: Suzanne Sasville provides a brief overview of the PSE HELP in her testimony. Is that an accurate assessment of the program?**

A:Yes,Ms. Sasville’s testimony provides an accurate assessment of the HELP program in her testimony from the perspective of TEP.

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

A: I agree with Ms. Sasville’s statement that there is unmet need in the Company service territory*.* The need is substantial. It is important to keep in perspective, as she points out, 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]](#footnote-1) Of this number, only about 13 to 14 percent receive assistance from the HELP program.[[2]](#footnote-2)The significance of the 150 percent metric is that it is used to determine eligibility for the PSE HELP program, and is also 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. 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. This standard describes how much income families of various sizes and compositions need to make ends meet without private or public assistance in each county of Washington. It is a measure of economic security that is based on the cost of basic needs for working families: housing, child care, food, health care, transportation and miscellaneous items as well as taxes and tax credits.[[3]](#footnote-3) The most recent analysis by the WSSS observes:

The Self-Sufficiency Standard for Washington State 2014 defines the income needed to realistically support a family, without public or private assistance. For most workers throughout Washington State the Self-Sufficiency Standard shows that earnings well above the official Federal Poverty Level are nevertheless far below what is needed to meet families’ basic needs.[[4]](#footnote-4)

For example, the WSSS finds that for a three-person household with one adult, one preschooler, and one school age child, the income required for self-sufficiency in Thurston County is 264 percent of the Federal Poverty Level, in South King County 327 percent, and in Kittitas County 240 percent.[[5]](#footnote-5)

The United Way ALICE reports provide another perspective on household economics in Washington. ALICE is an acronym that stands for Asset Limited, Income Constrained, Employed. This population comprises households with income above the Federal Poverty Level but below the basic cost of living. The ALICE reports calculate the “ALICE Threshold”, the average level of income that a household needs to afford the basics defined by the ALICE Household Survival Budget for each county in the Pacific Northwest.[[6]](#footnote-6) The Household Survival Data snapshot page for each county describes a “bare minimum budget [that] does not allow for any savings, leaving household vulnerable to unexpected expenses.”[[7]](#footnote-7) For Thurston County, for example, the ALICE report calculates a survival budget of $56,136 for a household with two adults, one preschooler, and one infant. Using a Federal Poverty Level for that size household of $23,550, a minimal survival budget in Thurston County is 238 percent of FPL under the ALICE methodology.[[8]](#footnote-8)

The picture of the low-income population in PSE’s service territory provided by these different 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. PROPOSED INCREASE FOR HELP FUNDING.**

**Q: Suzanne Sasville provides testimony in support of an overall increase in funding for the PSE HELP Program. What is your response to this?**

A:TEP is in support of PSE’s request to increase funding to HELP by twice the percentage of the overall rate increase to residential customers for both the gas and electric customers. Additionally, TEP also supports Ms. Sasville’s recommendation that there be no reduction in the available HELP funding in the event of an overall rate decrease as a result of this proceeding.

**Q: Why do you believe the proposal for increased funding is reasonable?**

A: The Commission recognized in its 2013 Rate Plan Order that “any rate increase, no matter how small, has a disproportionate impact on PSE’s low-income customers.”[[9]](#footnote-9) The Commission also observed that programs for low-income bill assistance are “chronically underfunded.”[[10]](#footnote-10) The increases proposed here by PSE will help to address these concerns. The magnitude of the unmet need in PSE’s service territory discussed above, and in Ms. Sasville’s testimony, further provides a strong justification for this increase. An increase in bill assistance of twice the percentage of the residential increase has been approved as reasonable by the Commission for other Washington companies.[[11]](#footnote-11)

The Commission approved increases to HELP funding in its 2012 Rate Plan Order to “help offset the disproportionate impact of decoupling on low-income customers.”[[12]](#footnote-12) In this 2017 rate request, PSE is proposing to continue its decoupling mechanism, with modifications that could double its impact on rates, as compared with the original mechanism. PSE is also proposing to retain the Expedited Rate Filing, and to add a new mechanism, the ECRM, both of which may put added upward pressure on rates.

**Q: Would the PSE proposal offset all the rate increases proposed in this case?**

The HELP increase proposed by Ms. Sasville addresses the “overall percent rate increase to the residential class that is approved by the Commission in this case.” Mr. Piliaris updates the proposed base rate changes to show an 8.2 percent increase for residential rates.[[13]](#footnote-13) However, PSE’s ERF proposal and its ECRM proposal may result in additional increases to rates in the future, prior to the next rate case, that would not be included in the impacts described by Mr. Piliaris. To the extent the HELP increases proposed do not take those future increases into account, they represent a conservative level of offset to the potential full impact of the PSE proposals in this case. It may be appropriate to revisit HELP funding levels if these mechanisms result in significant additional rate increases.

**C. ADJUSTMENT OF THE HELP ELECTRIC/GAS RATIO.**

**Q: Does TEP support PSE’s plan to adjust the fixed ratio between electric and gas HELP funds?**

A: Yes, TEP supports making adjustments to the HELP program’s funding ratio between electric and gas. The proposed change modifies HELP funding allocation so that it will be distributed 80 percent to electric and 20 percent to natural gas customers. This change will allow for funds to be directed to where they are most currently utilized, as outlined in Ms. Sasville’s testimony.[[14]](#footnote-14)

**D. PROPOSAL FOR TWO-YEAR CERTIFICATION.**

**Q: What is TEP’s perspective on PSE’s proposed change in the eligibility and**

**certification process for HELP?**

A:Allowing for a two-year certification process for senior, disabled, and other fixed income customers who are eligible for HELP will better meet the needs of those customers with limited mobility and no substantial change in their household circumstances. It is our hope that this change will also help to reduce some of the administrative burden on the agency side in terms of processing applications and administering benefits.

**Q: What other programs utilize a two-year eligibility timeframe for an energy assistance program?**

A:As mentioned by Ms. Sasville in her testimony[[15]](#footnote-15), Pacificorp’s Low-income Bill Assistance Program utilizes two-year eligibility. For Avista’s Senior and Disabled Rate Discount Pilot program, customers were allowed to establish eligibility for the two-year term of the pilot.[[16]](#footnote-16)

**E. REMOVAL OF THE AREA MEDIAN INCOME FACTOR.**

**Q: What is TEP’s position on PSE’s proposed change in HELP eligibility criteria that removes area median income (AMI) as a factor in eligibility and focuses solely on 150 percent of Federal Poverty Level?**

A:This recommended change specifically arose as a result of feedback from the CAP agencies administering the HELP program. TEP is in support of removing AMI as an eligibility factor.

**Q: Please explain how the AMI factor works.**

A: Under PSE’s current HELP tariff Schedule 129, the income-eligibility ceiling for the program fluctuates in a range between 125 percent and 150 percent of federal poverty guidelines. Within that range, the precise income eligibility figure equals 50 percent of the median income of a specific area.

**Q: What problems have arisen from use of the AMI factor?**

One result has been the creation of an unintended barrier for low-income customers in need of the program. For instance, even though a household’s income may be at or below 150 percent of Federal Poverty Level, they can be rendered ineligible for HELP assistance if they happen to live in an area of PSE’s service territory where their income is above 50 percent of AMI. This creates unnecessary complexity for the agencies and the Company, and inconsistency and hardship for PSE’s low-income customers. PSE’s proposal simplifies eligibility determinations by eliminating the AMI requirement and using a straightforward metric of 150 percent of Federal Poverty Level. A further benefit is that the change will result in the program covering some additional households.

**Q: Is the eligibility level of 150 percent of Federal Poverty Level used by other companies in Washington?**

A: Yes. The metric is used as a stand-alone income eligibility metric by Pacific Power, Cascade Natural Gas, and Northwest Natural Gas for their bill assistance programs.[[17]](#footnote-17)

**F. LOW-INCOME ENERGY EFFICIENCY.**

**Q:** **Does PSE propose any other changes to its low-income assistance programs?**

A: Yes. Mr. Piliaris notes in his testimony that as part of the original decoupling mechanism, PSE agreed to increase its funding for low-income weatherization by $500,000 per year. Mr. Piliaris states: “PSE proposes to continue this higher funding level for the proposed mechanisms in this filing.”[[18]](#footnote-18)

**Q: What is The Energy Project’s position regarding this proposal?**

A: The Energy Project supports the PSE proposal, as a minimum, but recommends an additional increment of energy efficiency funding*.* As Mr. Piliaris notes, the Amended Decoupling Proposal that was approved in the 2013 Rate Plan Order and became a part of the PSE Rate Plan, included a commitment by PSE to increase its electric conservation funding by approximately $500,000 annually. The purpose of the commitment was to “further allow the Company to provide low-income ratepayers targeted programs aimed at achieving a level of conservation comparable to that achieved by other ratepayers.”[[19]](#footnote-19) This goal of achieving a comparable level of conservation, “meets the low-income guidance set forth in the Commission’s Decoupling Policy Statement.”[[20]](#footnote-20) Since PSE is proposing in this docket that decoupling continue, it is appropriate to maintain at least the same level of funding for weatherization so as to continue to mitigate the impact on low-income customers.[[21]](#footnote-21)

**Q: Is the proposed continuation of the “higher level” of funding adequate to meet the need?**

A: The Energy Project is concerned that simply maintaining the current “higher level” of low-income conservation funding may not be sufficient, given the proposed changes to PSE’s decoupling mechanism, in particular the addition of fixed power costs in the electric mechanism, and proposed increase to the “soft cap” (or “Rate Test”). Mr. Piliaris testifies that adding fixed power costs will “almost double the impact on potential rate impacts in the future” as compared to the current Rate Plan.[[22]](#footnote-22) This means that maintaining a comparable level of conservation for low-income customers will be more challenging. As the Commission has noted, “[p]rograms for low-income bill assistance and energy efficiency measures are chronically underfunded.”[[23]](#footnote-23)

**Q: Do you have a recommendation for increased support for low-income energy efficiency?**

A: Yes. I recommend that funding for low-income energy efficiency programs be increased by $250,000 per year above the current level[[24]](#footnote-24) in order to keep pace with the impacts expected under the new decoupling proposal. This is particularly necessary, given the expiration of the shareholder contribution of $100,000 per year to low-income energy efficiency that was in effect during the Rate Plan.

**IV. OTHER ISSUES AFFECTING LOW-INCOME CUSTOMERS**

1. **GET TO ZERO/INTEGRATED VOICE RESPONSE (IVR) – BENEFITS.**

**Q:** **Does The Energy Project have a reaction to the PSE “Get to Zero” initiative?**

A:The Energy Project sees potential benefits to some customers in PSE’s Get to Zero program and its increased use of IVR 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, discussed below, 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 not impair service for low-income customers who need to contact a live agent, particularly to get help with challenging situations such as disconnection.

**B. GET TO ZERO – MAINTAINING CUSTOMER PROTECTIONS.**

**Q: Do you have any concerns about the impact of IVR and the Get To Zero initiative on low-income customers?**

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.

**Q: How might IVR be inappropriate in the disconnection situation?**

A: By its nature, potential disconnection often requires case-by-case determinations and exchange of detailed information unique to the individual customer’s situation, often under short timelines. Reflecting this, disconnection procedures in the Commission’s rules include the requirement that the customer disconnection notice include a toll-free number so that “a customer may contact the utility to discuss the pending disconnection of service.”[[25]](#footnote-25) Automated handling of such calls does not allow for a discussion to occur with a customer representative. An opportunity for discussion is important because, depending on the customer, there may be a need to discuss such things as medical emergencies, payment arrangements, or the winter low-income payment program.

Use of IVR could also pose problems for customers with medical emergencies. Commission rules require the Company to postpone disconnection under Commission rules if it receives “verbal” notification that the customer has a medical emergency.[[26]](#footnote-26) If the service has already been disconnected, PSE must reconnect if “the customer contacts the utility prior the close of the business day and requests same day reconnection.” Again, it does not appear that IVR would be appropriate to handle this type of call.

It is important to recall that Commission rules prohibit disconnection of service when a customer is pursuing any remedy or appeal, or is “engaged in discussion with the utility’s representatives” or with the Commission.[[27]](#footnote-27)

**Q: Why wouldn’t IVR work for establishing payment arrangements?**

A: While the Commission rules allow customers and the company to agree to payment arrangements in various situations, in important cases the rules leave open most or all of the specific details of the payment arrangement. The specific terms of the arrangement are left to be negotiated between customer and company, an interaction that does not lend itself to an automated process. In the case of medical emergencies, the rules specifically allow companies to agree to an “alternate payment plan”[[28]](#footnote-28) different than that outlined in the rules, which again would require direct interaction between the customer and the live representative. Deposit requirements also allow for individualized payment arrangements.[[29]](#footnote-29)

**Q: Are there other areas of concern?**

A: Yes, Commission rules allow a third party to be designated to receive a notice of disconnection or of other matters affecting service for a customer. If the utility believes a customer is not able to understand the effect of the disconnection, the utility must consider a social agency to be the third party.[[30]](#footnote-30) A social agency or other third party will need to be in contact with a live representative to learn what is happening, understand the options, and arrange the details for payment or other means to prevent disconnection.

Another situation requiring direct communication arises when service is provided to a master meter, or to someone other than the customer of record. When disconnection is threatened, the company must make efforts to contact the occupants of the service address, and the occupants can contact the utility to postpone disconnection and arrange for continued service.[[31]](#footnote-31)

These varied and fact-specific scenarios do not lend themselves to automated communication.

**Q: Does TEP have concerns that customers or agencies could experience problems with IVR or related automated referrals processes?**

A: TEP has concerns that automated processes that end in referrals to agencies for services could become problematic, for example, with regard to the appropriateness of the referrals and the volume of referrals. The Community Action Partnership agencies have limited staff and resources available to handle referrals for utility assistance. It is the view of TEP that any processes that result in a referral (automated or not) should be discussed with agencies prior to that process being implemented. A formal process for discussing the impact of automated systems for referrals and other related matters would be very beneficial. As discussed below, TEP recommends establishing a PSE Low-Income Advisory Committee to address this and other issues.

**Q: Will increased use of IVR have an effect on how Community Action and other assistance agencies interact with PSE and low-income customers?**

A: Yes. One example of an area that deserves attention is the winter low-income payment program. The Commission rules for the program allow the customer to trigger the protections of the rule by notifying the utility of inability to pay the bill within five days of receiving a delinquency notice, unless there are “extenuating circumstances.”[[32]](#footnote-32) In order to describe “extenuating circumstances” a customer will need to talk with a PSE company representative. The rules require the customer to apply for energy assistance and both allow for and require a series of communications between the agency providing assistance, the customer, and the company. The utility is in fact required to help the customer fulfill the requirements of the winter payment program rules. The Company will need to continue to have sufficient PSE customer representatives available to deal with both the agencies and the customers in this process.

**Q: What is your understanding about how PSE currently handles the different types of calls discussed above?**

A: In discovery, The Energy Project asked PSE for information about the handling of calls on the following topics:

(1) residential services deposits,

(2) refusal of service and prior obligations,

(3) disconnection of service,

(4) medical emergencies,

(5) reconnection after disconnection,

(6) payment arrangements,

(7) bill assistance, including HELP or LIHEAP, and

(8) low-income weatherization.

PSE stated that, of these call types, only payment arrangement calls can be independently handled by the IVR system.[[33]](#footnote-33) Even for calls about payment arrangements, notwithstanding the availability of the fully automated path, the large majority of calls ultimately required participation by PSE customer representatives.[[34]](#footnote-34) In 2015, PSE received 265,282 payment arrangement calls, of which 61,667 were handled solely by the IVR system, with the remainder (203,615 or 77 %) handled by a customer representative. In 2016, PSE received 228,470 calls, of which 56,122 were handled solely by the IVR system, with the remainder (172,348 or 75%) handled by a customer representative. This appears to reflect a practical necessity or a strong customer preference, or both, for interaction with a PSE customer representative to make payment arrangements.

The Company reported that all the other call types listed are routed through the IVR to be handled by PSE customer representatives.[[35]](#footnote-35) PSE was not able to provide the number of calls received by PSE for any of the call types except payment arrangement calls as it does not keep detailed data for these call types.[[36]](#footnote-36)

**Q: What conclusions do you draw from this information?**

A: At present, it appears that the majority of customers facing the challenging or crisis situations listed above are able to work with a PSE customer representative, at least after initial contact with the IVR system. This is positive. The Energy Project believes that personal contact is the preferable means for PSE to interact with its customers in these situations. To the extent IVR systems are involved prior to referral to the customer representative, the IVR phase of the call should be brief, efficient, and provide accurate information.

A concern raised by the Get to Zero initiative is whether it will continue to be the case that all calls of this type will be handled by customer representatives. When asked in discovery to describe its plans for future use of IVR to handle these types of calls, PSE responded that it does not have specific detailed plans available. PSE referred The Energy Project generally to the testimony of David Mills, Exh. DEM-1T for overall information on the objectives and scope of the Get to Zero program. [[37]](#footnote-37)

Mr. Mills’ testimony does not specifically address the types of calls discussed here. The testimony does express the “aim … to make the customer experience so good that customers will not have a need to pick up the phone and call PSE.”[[38]](#footnote-38) While this a laudable goal generally, the reality is that significant numbers of PSE customers will likely always have a need to pick up the phone to interact with a customer representative to resolve payment issues, disconnections, medical certificates and similar circumstances.[[39]](#footnote-39) The Get to Zero metric for success described by Mr. Mills is call reduction -- 300,000 fewer calls by the end of 2017, with “similar results in future years.”[[40]](#footnote-40) Without more information, this testimony raises concerns about PSE’s future ability to be responsive to calls from customers in difficult circumstances.

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 calls discussed here, including payment arrangement calls. This docket 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 representatives by customers in distressed circumstances who require assistance with payment, disconnection and related issues.

**C. RATE DESIGN – BASIC MONTHLY CHARGE.**

**Q: Do you have any concerns about PSE’s request to increase the basic monthly charges for electric and natural gas customers?**

A:Yes. As discussed by PSE witness Jon Piliaris, the company proposes to increase the basic monthly charge for residential electric customers to $9.00, an increase of $1.51.[[41]](#footnote-41) For residential natural gas customers, the basic monthly charge would increase to $11.00, an increase of $0.66.[[42]](#footnote-42) Not only do these increases make these essential services less affordable, a higher customer charge penalizes low-volume users within the residential rate class, since a greater portion of the bill is fixed, relative to higher use customers.

**Q: Do you have other concerns?**

A: Yes. Such increases also reduce customers’ ability to control their own household utility bills. For lower usage customers, a reduction in usage has a relatively smaller impact on the bill, since a larger percentage of the bill is unaffected by their behavior. As a result, customers have a diminished price incentive to reduce their usage, and therefore their utility bill, through conservation. Increases in basic charges, therefore, tend to run counter to state policies and utility programs that promote energy efficiency and encourage customers to weatherize homes, purchase energy efficient appliances and reduce usage in other ways.

**Q: Are the proposed basic customer charges appropriately cost-based?**

A: I have not performed an analysis of the cost-basis of the proposed increases as I am not an expert witness on cost-of service analysis. I expect other parties to the case will present expert testimony on the issue. However, the Commission has been clear that the basic customer charge should be limited to recovery of customer-specific costs:

We reject the Company’s and Staff’s proposals to increase significantly the basic charge to residential customers. *The Commission is not prepared to move away from the long-accepted principle that basic charges should reflect only “direct customer costs” such as meter reading and billing.* Including distribution costs in the basic charge and increasing it 81 percent, as the Company proposes in this case, does not promote, and may be antithetical to, the realization of conservation goals.[[43]](#footnote-43)

The Energy Project urges the Commission to continue to adhere to this past approach to cost support for the basic charge.

**Q: Are Mr. Piliaris’ comparisons to other states relevant?**

A: No, they are not. Just as volumetric rates are not set by comparison to other states, rates for basic monthly charges are not set in that way. Utility rates are set based on the costs incurred by a specific company to provide service to the customers in its own service territory. PSE customers in Washington should not be paying a rate calculated on the basis of another utility company’s costs on the other side of the country. Not only do different companies have different costs of service, even within the same state, but policies vary from state to state when it comes to cost recovery principles and energy efficiency incentives. For example, to the extent the national data offered by Mr. Piliaris includes states that have adopted high fixed charges as a policy choice, or includes higher local customer costs, it is skewed upward. Adopting a national average results in Washington in effect adopting, unexamined, a different state’s policy choices, costs, or both. Fixed cost recovery in this case should be based on PSE’s cost of service and on Washington policy.

**D. ELECTRIC RATE DESIGN – THIRD TIER.**

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

A:Based on the testimony of Jon Piliaris, I understand that PSE’s rate proposal in this case is based on retaining the existing inverted two-block rate structure.[[44]](#footnote-44) As contemplated in the settlement in the 2014 PSE rate design collaborative,[[45]](#footnote-45) However, Mr. Piliaris also proposed rates for a rate structure using a third block. The Energy Project was also a signatory to the settlement.

**Q: What is The Energy Project’s position regarding Mr. Pilaris’ proposal for the three-tier structure?**

A:The Energy Project agreed in the settlement that a proposal would be brought forward in the next PSE general rate case. However, parties to the original settlement have jointly agreed that the settlement should be modified to allow parties to take any position they wish regarding the inverted block rate structure. The Energy Project agrees with this modification and is supporting a motion to modify the settlement which I expect will be filed in the prior docket contemporaneously with the testimony in this case.

**Q: What concerns does The Energy Project have regarding a three-tier electric rate design?**

A:The Energy Project has historically had reservations about the adoption of an inverted block three-tier design. While The Energy Project supports the concept of sending conservation signals to higher users, and of discouraging unnecessary discretionary use of electricity, adoption of a third tail-block with high rates can create a significant risk of increased bills for some low-income customers with high consumption resulting from household size, the condition of the housing unit, the heat source, and other factors. These concerns need to be addressed in determining whether to adopt a new design.

**Q: Are there potential benefits for low-income users from a three-tier structure?**

A: Yes, in theory. A properly designed structure, in which the first two tiers are reasonably priced and the first tier covers enough usage to provide for essential household needs could benefit the large majority of low-income customers, to the extent they generally have below-average usage. It may, depending on the rates adopted, result in bill reductions for many customers. Those low-income customers with usage in the more expensive third tier would still experience higher bills. The goal would be to mitigate the impact on these high-volume customers with targeted outreach to connect them with energy assistance and with weatherization resources.

**Q: Could similar benefits be obtained from a two-block structure?**

A:Yes, to some extent. Increasing the size of the first block, for example to 800 kWh from the current 600 kWh, would cover a larger portion of essential services for most households at a lower rate, and could result in lower bills for many customers. The conservation incentive of the current inverted structure would remain.

**Q: Is there data available to evaluate the impact of changing the block structure?**

A:I have a concern that the current data available is not sufficient to determine the impact of any change to the current inverted block structure on the low-income population in PSE’s service territory. While some data was reviewed and presented in connection with the original settlement, it was limited in scope and is now somewhat dated. One of the challenges with evaluating impact on low-income customers is that PSE low-income programs only serve a minority of the eligible low-income population, as discussed above. There has not yet been sufficient evaluation of this larger body of customers and how they would be impacted.

**Q: Does The Energy Project have its own proposal?**

A: The Energy Project has not retained its own expert to support a specific alternative to the current two block structure. While I do not recommend a change to the current structure in this testimony, The Energy Project will evaluate and respond to any proposals of other parties.

**E. DECOUPLING.**

**Q: PSE witness Jon Piliaris, referencing the Gil Peach Report “Three Years of Decoupling,” characterizes the bill impacts of the decoupling mechanism currently in effect as “minor.” Do you agree?**

**A:** No. I believe this statement unduly minimizes the impact of the rate changes experienced by low-income customers under the decoupling mechanism. According to the Peach Report, low-income electric customers experienced a cumulative increase in their bills of just over 9 percent during the three year evaluation period.[[46]](#footnote-46) In dollar terms, the average bill-assisted customer’s bill has increased cumulatively over the life of the plan by over $100 per year.[[47]](#footnote-47) The average HELP grant in 2016 was $409.[[48]](#footnote-48) The cumulative bill increase over the term of the Rate Plan, therefore, represents approximately 25 percent of the average HELP grant size. In addition, as context, the Peach Report notes that during the term of the Rate Plan covered by the Report, bill assistance funded a smaller share of the low-income customer’s bill than in prior years, due to decreases in federal LIHEAP funding. While HELP funding increased during this period, it was not enough to offset the federal decline. [[49]](#footnote-49)

**Q: Doesn’t the Peach Report conclude that the impact on low-income customers is similar to all residential households.**

A: Yes. However, it’s important to note that low-income household budgets also have less ability to absorb a 9 percent rate increase than non-low-income residential households. As the Peach Report itself observes, “[i]f households have insufficient income, they will have trouble with energy bills. PSE HELP funding is essential.”[[50]](#footnote-50) Put another way, the higher the bill and the lower the income, the higher the household energy burden. Low-income households on average have a significantly higher energy burden than other households.

The Commission should not conclude from the Peach Report that low-income customer impact is an unimportant consideration in deciding on whether and in what form PSE will continue to have a decoupling mechanism. This is especially the case given the projected additional impact that would result from PSE’s recommended modifications. An important point in this regard is that only a minority of PSE’s customers receive energy assistance payments. The Peach Report takes note that many PSE customers at or below 150 percent of Federal Poverty Level are not receiving bill assistance, and that “an analysis of households with insufficient income would be more truthful if set at or above 250 percent to 350 percent” of the Federal Poverty Level.[[51]](#footnote-51)

**Q: Does The Energy Project have concerns about PSE’s proposed changes to its decoupling mechanism?**

A: Yes. PSE has requested an increase in the rate cap for both electric and natural gas. For electric service, this appears to be based on a concern that including fixed costs in the mechanism for the first time is likely to approximately double the size of the decoupling impact annually, which would exceed the 3 percent cap.[[52]](#footnote-52)

The Energy Project is concerned about the proposal to increase the “soft cap” from 3 percent to 5 percent. At the 3 percent level, the soft cap kept rate increases at a more modest level and provided customers some protection against volatility and rate “spikes.” Although customers ultimately paid the deferred amounts in subsequent years, the impact was spread out. Increasing the cap to 5 percent exposes customers to larger rate impacts in any given year, and reduces the offsetting effects of energy assistance grants such as HELP or LIHEAP.

The Energy Project is concerned that the changes proposed by PSE, increasing the cap and recovering fixed costs through decoupling, would not be minor technical “tweaks” but would significantly change the nature and impact of the decoupling.

**V. ENERGY PROJECT PROPOSAL FOR A LOW-INCOME ADVISORY COMMITTEE**

**Q: Is there currently a low-income advisory committee for PSE?**

A: No. PSE does not have such a committee at the present time. Both Avista[[53]](#footnote-53) and Cascade Natural Gas[[54]](#footnote-54) have established advisory groups that meet regularly to monitor and to explore ways to improve their low-income energy assistance programs. Pacific Power recently engaged in a formal collaborative process with stakeholders to review its low-income programs.[[55]](#footnote-55)

**Q: Does TEP recommend that PSE establish a Low-Income Advisory Committee, and if so, why?**

A: Yes, TEP recommends that the Commission establish a Low-Income Advisory Committee for PSE. In recent years with other utilities, TEP has found great value in advisory committees that engage multiple stakeholders to discuss the past, present, and future performance of the bill assistance program. TEP suggest that the following goals are core to the development and ongoing purpose of an advisory committee: keeping customers connected to energy service, providing assistance to more customers than are currently served, lowering the energy burden of program participants, and collecting data necessary to assess program effectiveness and inform ongoing policy discussions.

TEP believe the creation of an advisory committee would be helpful for PSE and stakeholders, as it has been with other companies. PSE has the largest low-income program in the state. PSE has a provided strong support for low-income programs and has been a good partner and responsive with Community Action and other agencies in its service territory in implementing services over the ten plus years since the HELP program was first established in a multiparty agreement with the Company. Establishing an advisory committee for PSE would create a forum to provide regular feedback on the management and delivery of the PSE HELP and other low-income issues, including those discussed below.

TEP recommends that the advisory committee meet on a quarterly basis and include participation by PSE, Commission Staff, Public Counsel, Northwest Energy Coalition, The Energy Project, Community Action Partnership agencies from the service territory and other interested stakeholders. As with the Avista advisory committee, the cost of convening the advisory group would be recovered through general rates.[[56]](#footnote-56)

**Q: What specific topics does TEP recommend for consideration by a PSE Low-Income Advisory Committee?**

**A:** There are several important issues that deserve careful consideration. Major topics include: expanding assistance program offerings, developing a shared outreach and marketing plan and budget, and enhancing access to low-income programs and resources.

Expanding low-income assistance program offerings. The committee would look at what tools are available to PSE customers to help ensure that they stay connected to affordable utility services. Recently, there have been a variety of efforts in Washington to look at expanding options for serving low-income customers. One such effort is the development of an Arrearage Management Program (AMP) pilot within Avista’s service territory.[[57]](#footnote-57) This program looks to be quite promising in its ability to address challenges with low-income utility customers’ ability to pay by establishing achievable monthly payment paid over time to mitigate the hardship caused by a large arrearage. An AMP can provide an alternative to disconnection for nonpayment, late fees/disconnection fees, and collections activities. A PSE Low-Income Advisory Committee could assess the feasibility of an Arrearage Management Program and the potential benefits to PSE and its customers.

Outreach. A second important topic is the creation of a shared marketing and outreach plan and budget. This is an important step in providing better coordinated outreach to potentially eligible low-income customers, in addition to allowing for more effective uses of limited resources among agencies and the utility. Developing an annual plan and budget with the participation of all PSE Low-Income Advisory Committee stakeholders would provide a clearly articulated strategy and targets for outreach activities and the ability to evaluate their effectiveness on an ongoing basis. TEP strongly recommends including this aspect to the role of a PSE Low-Income Advisory Committee.

Enhancing access to low-income programs and resources. This includes looking at new ways to reach and serve PSE low-income customers. With the development of PSE’s Get to Zero program, the utilization of technology to improve access to services and reduce the potential cost of serving customers is an important consideration in the delivery of PSE’s HELP program. TEP envisions that the Advisory Committee would look at the possibility of utilizing technology such as an online/electronic application process to enroll PSE HELP participants. The discussion of how to design and integrate new access opportunities through the use of technology is an important discussion and requires participation from the full range of stakeholders. TEP sees a strong role for the Advisory Committee in the consideration of an online/electronic application and other related opportunities.[[58]](#footnote-58)

**VI. CONCLUSION**

**Q:** **Please summarize your recommendations.**

A: TEP recommends that the Commission approve the proposed modifications to the HELP program. These changes include:

* approval of PSE’s request to increase funding to HELP by twice the percentage of the overall rate increase to residential customers for both the gas and electric customers;
* modification of the HELP program’s funding ratio between electric and gas so that the distribution is 80 percent electric and 20 percent gas;
* two-year eligibility certification; and
* removal of area median income as a factor in HELP eligibility.

TEP also recommends approval of the PSE recommendation to continue the “higher level” $500,000 funding for low-income weatherization, with an additional $250,000 increase to reflect the impact of the new decoupling proposal.

TEP opposes increasing the basic monthly charge for electric and natural gas service. Additionally, TEP encourages the Commission to look at alternatives to the existing decoupling mechanism so as to reduce the impact on low-income households, as well as disallow the request of PSE to increase the soft cap from 3 percent to 5 percent.

TEP recommends that the Commission provide guidance to PSE regarding the Get to Zero program and use of IVR to ensure that high quality service by customer representatives is available to PSE customers with billing and disconnection issues and that consumer protections are maintained.

Finally, TEP strongly recommends establishing a PSE Low-Income Advisory Committee, which would look at options for expanding assistance program offerings, developing a shared outreach and marketing plan and budget, and enhancing access to low-income programs and resources.

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

A:Yes.

1. Exh. SMS-1T at 3:7-10; Exh. SMS-3. [↑](#footnote-ref-1)
2. The percentage (13.2) is obtained by dividing the reported HELP customers in the 2014/2015 Annual Report (34,938) by the estimated total number of PSE customers below 150 percent of Federal Poverty Level in Exh. SMS-3 (264.988). The Annual Report was produced in the PSE Response to Staff Data Request No. 130, Att. A. [↑](#footnote-ref-2)
3. The Self-Sufficiency Standard for Washington State 2014 (August 2015 Revision)(WSSS), Executive Summary, p. 1. [↑](#footnote-ref-3)
4. *Id*. [↑](#footnote-ref-4)
5. WSSS, Table C-1. [↑](#footnote-ref-5)
6. ALICE reports are prepared for many parts of the United States. Citations here are to the United Way ALICE Report – Pacific Northwest: Idaho, Oregon and Washington (Fall 2015, Revised September 2016)(ALICE Report). Alice Report, Executive Summary, p. 2. [↑](#footnote-ref-6)
7. ALICE Report, p. 334, ALICE in Thurston County, 2013 Point In Time Data. [↑](#footnote-ref-7)
8. *Id.* [↑](#footnote-ref-8)
9. *In the Matter of The Petition of Puget Sound Energy, Inc., and Northwest Energy Coalition,* Dockets UE-121697 and UG-121705, UE-130137/UG-130138, Order 07 (Rate Plan Order), ¶ 174. [↑](#footnote-ref-9)
10. Rate Plan Order, n.246. [↑](#footnote-ref-10)
11. *Washington Utilities & Transportation Commission v. Avista Corporation,* UE-150204/UG-150205, Order 05, ¶ 232; *Washington Utilities & Transportation Commission v. Pacific Power & Light Co.*, Docket UE-152253, Order 12, ¶ 241. [↑](#footnote-ref-11)
12. Rate Plan Order, ¶ 177. [↑](#footnote-ref-12)
13. Supplemental Direct Testimony of Jon Piliaris, Exh. JAP-34T at 12, Table 1. [↑](#footnote-ref-13)
14. Direct Testimony Of Suzanne M. Sasville, Exh. SMS-1T at 5:9-12. [↑](#footnote-ref-14)
15. Sasville, Exh. SMS-1T at 7:4-6. [↑](#footnote-ref-15)
16. Avista Utilities, Schedules 2 and 102 (Fixed-Income Senior and Disabled Residential Service-Washington). [↑](#footnote-ref-16)
17. Avista uses an eligibility level of 125 percent of Federal Poverty Level, except in its Fixed-Income Senior and Disabled Pilot which uses 126 – 200 percent. Avista, Schedules 2 and 102. [↑](#footnote-ref-17)
18. Direct Testimony of Jon A. Piliaris, Exh. JAP-1T at 146:4-5. [↑](#footnote-ref-18)
19. Rate Plan Order 07, ¶ 177. [↑](#footnote-ref-19)
20. *Id.* [↑](#footnote-ref-20)
21. As part of the original Rate Plan Settlement, PSE also committed to provide $100,000 per year for low-income energy efficiency. Rate Plan Order 07, ¶ 178. Exh. JAP-29 at 85, n.41 (Peach Decoupling Report). That commitment expires with the end of the Rate Plan. Shareholder funding provides additional flexibility to fund health and safety and repair measures that facilitate low-income energy efficiency. [↑](#footnote-ref-21)
22. Piliaris, Exh. JAP-1T at 136:4-8. [↑](#footnote-ref-22)
23. Rate Plan Order 07, n.246. [↑](#footnote-ref-23)
24. The current funding level includes the $500,000 proposed to continue by Mr. Piliaris. That would remain in effect. The Energy Project proposal of $250,000 would be additional to that. [↑](#footnote-ref-24)
25. WAC 480-100-128(6)(a)(iv). [↑](#footnote-ref-25)
26. WAC 480-100-128 (5). [↑](#footnote-ref-26)
27. WAC 480-100-128(9). [↑](#footnote-ref-27)
28. WAC 480-100-128(5)(c)(iii). [↑](#footnote-ref-28)
29. WAC 480-100-113 (4). [↑](#footnote-ref-29)
30. WAC 480-100-128(6)(n). [↑](#footnote-ref-30)
31. WAC 480-100-128(6)(l). [↑](#footnote-ref-31)
32. WAC 480-100-143(1)(a). [↑](#footnote-ref-32)
33. PSE Response to The Energy Project Data Request No. 1(a). [↑](#footnote-ref-33)
34. PSE Response to The Energy Project Data Request No. 1(e) and (f). [↑](#footnote-ref-34)
35. PSE Response to The Energy Project Data Request No. 1(b). [↑](#footnote-ref-35)
36. PSE Response to The Energy Project Data Request No. 1(f). [↑](#footnote-ref-36)
37. PSE Response To The Energy Project Data Request No. 1 (g). PSE referred The Energy Project generally to the testimony of David Mills, Exh. DEM-1T, for overall information on the objectives and scope of the Get to Zero program. [↑](#footnote-ref-37)
38. Mill, Exh. DEM-1T at 24:2-3. [↑](#footnote-ref-38)
39. For example, as noted above, PSE receives well over 200,000 calls per year regarding payment arrangements, most of which are handled by live agents. [↑](#footnote-ref-39)
40. Mill, Exh. DEM-1T at 24:14-17. [↑](#footnote-ref-40)
41. Piliaris, Exh. JAP-1T at 65:7-12. [↑](#footnote-ref-41)
42. *Id.* at 92:1-4. [↑](#footnote-ref-42)
43. *Washington Utilities & Transportation Commission v. Pacific Power & Light Company,* Docket UE 140762 et. al., Order 08, ¶ 216 (emphasis added). [↑](#footnote-ref-43)
44. Piliaris, Exh. JAP-1T at 57:16. [↑](#footnote-ref-44)
45. *Id.* at 57:16-21 (referencing the Rate Design Settlement in Docket UE-141368). [↑](#footnote-ref-45)
46. The Puget Sound Energy Electric and Gas Evaluation, Three Years of Decoupling, H. Gil Peach & Associates, (Peach Decoupling Evaluation), Exh. JAP-29 at 62. [↑](#footnote-ref-46)
47. Peach Decoupling Evaluation, Exh. JAP-29 at 63, Table IV. 4. Over the three years of the Report, the impact on bill-assisted customers ranged from 11 percent to 16 percent more than on non-bill assisted customers. [↑](#footnote-ref-47)
48. The average HELP grant for the period July 2015-July 2016 was approximately $400 ($399.87).Peach Decoupling Evaluation, Table IV-13, Exh. JAP-29 at 71. [↑](#footnote-ref-48)
49. Peach Decoupling Evaluation, Exh. JAP 29 at 18. Peach observes that the drop in federal support is a contextual factor that would have happened with or without decoupling. [↑](#footnote-ref-49)
50. Peach Decoupling Evaluation, Exh. JAP-29 at 26. [↑](#footnote-ref-50)
51. Peach Decoupling Evaluation, Exh. JAP 29 at 60. [↑](#footnote-ref-51)
52. Piliaris, Exh. JAP-1T at 136:1-19. [↑](#footnote-ref-52)
53. *Washington Utilities & Transportation Commission v. Avista Corp.*, Dockets UE-140188/UG-140189, Order 07, ¶ 7. [↑](#footnote-ref-53)
54. *Washington Utilities & Transportation Commission v. Cascade Natural Gas,* Docket 152286, Order 04, Exhibit A, Joint Settlement Agreement, ¶ 28 (Low-Income Energy Assistance Advisory Group). [↑](#footnote-ref-54)
55. *Washington Utilities & Transportation Commission v. Pacific Power & Light Company,* Docket UE-152253, Order 12, ¶¶ 248, 253. [↑](#footnote-ref-55)
56. *Washington Utilities & Transportation Commission v. Avista Corporation,* Dockets UE-140188/UG-140189, Order 07, ¶ 7. [↑](#footnote-ref-56)
57. *Id.*, ¶ 13. The parties in the Avista low-income settlement agreed to explore addition of new program offerings, including arrearage management plans. [↑](#footnote-ref-57)
58. One effective approach could be for the Advisory Group to establish a targeted working group/collaborative with a focus on specific proposals or pilots using technology to enhance access to PSE’s low-income programs. [↑](#footnote-ref-58)