

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKETS UE-220066, UG-220077, and
UG-210918 (*consolidated*)

In the Matter of the Petition of

PUGET SOUND ENERGY

For an Order Authorizing Deferred
Accounting Treatment for Puget Sound
Energy's Share of Costs Associated
with the Tacoma LNG Facility

TESTIMONY OF BRADLEY T. CEBULKO

ON BEHALF OF THE ENERGY PROJECT

In Support of the Multiparty Settlement Stipulation

EXHIBIT BTC-7T

August 26, 2022

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I. Introduction

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

2 A. My name is Bradley Cebulko. I am a Manager at Strategen Consulting located
3 at 10265 Rockingham Dr. Suite #100-4061, Sacramento, CA 95827.

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

5 A. I am testifying for The Energy Project (TEP), an intervenor in this proceeding.
6 TEP represents low-income customers and vulnerable populations in Washington
7 state, as well as the Community Action Agencies that provide low-income energy
8 efficiency and bill payment assistance for customers in Puget Sound Energy's
9 service territory. I previously filed direct testimony in this case, Exhibit BTC-1T,
10 on July 28, 2022.

11 **Q. Will you please summarize the purpose of your testimony?**

12 A. The purpose of my testimony is to provide support for approval of the *Settlement*
13 *Stipulation and Agreement on Revenue Requirement and All Other Issues Except*
14 *Tacoma LNG and PSE's Green Direct Program* (Settlement) in this docket. My
15 testimony focuses on the elements of the Settlement that impact low-income
16 customers and vulnerable populations within PSE's service territory, and explains
17 why TEP believes the Settlement is in the public interest.
18 TEP does not join the *Settlement Stipulation and Agreement on Tacoma LNG* or
19 the *Settlement Stipulation and Agreement (Green Direct)* (Green Direct
20 Settlement). TEP opposes the *Settlement Stipulation and Agreement on Tacoma*
21 *LNG* and will explain this position in its post-hearing brief. TEP does not take a
22 position on the Green Direct Settlement.

II. Performance Based Ratemaking

1 **Q. Does this Settlement address performance-based ratemaking?**

2 A. Yes. In the wake of the passage of SB 5295 in 2021, Puget Sound Energy filed
3 with the Commission a multi-year rate plan (MYRP) and proposed performance
4 metrics to be used for determining the utility's performance during the course of
5 the MYRP.¹ The statute requires the Commission to determine a set of
6 performance metrics used to assess the electric or gas company's performance
7 during the MYRP. The Settlement includes performance metrics.

8 **Q. Please describe the performance metrics the Settling Parties agreed to in the**
9 **Settlement.**

10 A. The Settling Parties propose a portfolio of performance metrics that measure the
11 utility's performance, for both electric and gas, across the four regulatory goals
12 and the associated outcomes that the Commission identified in Docket U-
13 210590.² Those four regulatory goals are:

- 14 1. Resilient, reliable, and customer-focused distribution grid
- 15 2. Customer affordability
- 16 3. Advancing equity in utility operations
- 17 4. Environmental improvements³

18 The Settlement does not propose any targets or benchmarks, except for the
19 demand response performance incentive mechanism.⁴

¹ RCW 80.28.425(7).

² Settlement ¶¶ 60-64.

³ Docket U-210590, Notice of Opportunity to File Written Comments, Commission proceeding to develop a policy statement addressing alternatives to traditional cost of service ratemaking (Phase 1 – Performance Metrics) (August 5, 2022).

⁴ Settlement ¶ 60.

1 **Q. Why are the performance metrics included in the Settlement in the public**
2 **interest?**

3 A. As also provided Avista's General Rate Case settlement,⁵ Puget Sound Energy
4 will begin collecting a robust data set on the utility's performance from year to
5 year that measures if the Company is providing energy service that meets the
6 Commission's regulatory goals and outcomes. To measure performance
7 associated with each regulatory goal, the parties propose to use several metrics
8 that measure the utility performance in meeting the desired outcomes of the goal.
9 Over time, the Commission, PSE, and other parties can use this data to determine
10 if the utility's service is improving or deteriorating, and if the Company needs to
11 modify programs to address customer needs across each of the regulatory goals.
12 Finally, the metrics proposed in this Settlement are the byproduct of negotiations
13 and a Settlement. No party will be completely satisfied with the outcome, but I
14 believe that the proposal put forward by the Settling Parties will satisfy the
15 requirement to approve performance metrics with a MYRP and provide useful
16 data to the Commission.

17 **Q. Please discuss the proposed performance incentive mechanism for demand**
18 **response.**

19 A. In its direct testimony, the Company proposed two performance incentive
20 mechanisms (PIM), one for demand response (the company does not currently
21 have a demand response program) and another focused on electric vehicle

⁵ *Wash. Utils. and Transp. Comm. v. Avista Utilities*, Dkt. UE-220053, UG-220054, and UE-210854, Exh. JT-2 at 40-45, Full Multiparty Settlement Stipulation, Attachment B: Performance-Based Ratemaking Metrics for Electric (E) and Gas (G) (June 27, 2022).

1 charging. Although RCW 80.28.425(7) requires the Commission to develop
2 performance metrics when approving a MYRP, it does not require the
3 Commission to approve performance incentive mechanisms. In this case, the
4 Settling Parties were able to reach agreement on a single PIM – the demand
5 response PIM. Although both of PSE’s initial PIM proposals were flawed, PSE
6 and the other intervenors worked together to improve the demand response
7 proposal by adding several customer safeguards, and ultimately reached an
8 agreement that is in the public interest.

9 **Q. Please describe the improvements and safeguards to the demand response**
10 **PIM relative to PSE’s initial proposal.**

11 A. First, the Settlement increased the demand response target from PSE’s initial
12 proposal of 6 MW in 2024 to a target of 40 MW by 2024.⁶ Second, the incentive
13 threshold will kick in at 105 percent of the target, rather than the 90 percent
14 proposed by PSE.⁷ This means that the Company will only earn an incentive if it
15 exceeds its target. Third, the reward thresholds for the Company, which would be
16 set as a percentage of the cost to develop and manage the demand response
17 program, were decreased.⁸ Finally, the Settling Parties agreed to an incentive cap
18 of no more than \$1 million over the course of the MYRP.⁹

19 **Q. The Commission is not required to set a PIM in this docket and has stated in**

⁶ Settlement ¶ 58(d).

⁷ Settlement ¶ 58(a).

⁸ Settlement ¶ 58(a)-(b).

⁹ Settlement ¶ 58(e).

1 **its generic proceeding workplan that it intends to address PIMs as part of its**
2 **generic docket in 2024. Why is it appropriate for the Commission to approve**
3 **a PIM today?**

4 A. Although the Commission is not required to approve a PIM today, it can do so if
5 it is in the public interest. In this case, the demand response PIM is in the public
6 interest. According to PSE, it estimates that it will need between 1,272 MW and
7 2,836 MW of additional capacity by 2029 to maintain resource adequacy.¹⁰ The
8 Company must also convert its fossil fuel resources to clean energy to meet the
9 requirements of the Clean Energy Transformation Act. Although parties may
10 disagree on PSE's exact capacity need, it is certain that PSE needs additional,
11 clean capacity immediately. Demand response can be a cost-effective demand-
12 side resource. However, it tends to not be as capital intensive as a supply-side
13 capacity resource. The purpose of a demand response PIM is to help address the
14 utility's inherent capital expenditure bias for a supply-side resource and give the
15 Company a goal for developing this clean resource today.

16 **Q. Your direct testimony criticized the structure of PSE's proposed demand**
17 **response PIM. How has the proposed Settlement assuaged your concerns?**

18 A. I am still concerned that the incentive mechanism, which rewards the Company
19 with a percentage of the lifetime costs of developing and administering the
20 demand response program, places too much emphasis on utility spending rather
21 than the outcome. However, I am comfortable with the overall proposal for this

¹⁰ PSE Integrated Resource Plan, Resource Adequacy Information Session, slide 80 (August 24, 2022), <https://www.pse.com/-/media/PDFs/IRP/2022/08242022/RA-Info-Session-Final-Presentation-082422.pdf>.

1 MYRP and this Settlement. The Settlement sets a more aggressive target, and the
2 reward thresholds are structured to push the utility to achieve beyond its target. I
3 am also comforted that there are customer safeguards. The Settlement includes an
4 incentive cap and the PIM expires with the MYRP. I am still concerned that the
5 mechanism and incentive have not gone through a cost-benefit test, but the
6 Commission can revisit that issue when it considers how to set performance
7 incentive mechanisms in docket U-210590.

III. Time-Varying Rates Pilot

8 **Q. Please describe the Settlement that the parties reached with respects to the**
9 **Time Varying Rates Pilot?**

10 A. The Settling Parties agree to move forward with the Company's proposed time-
11 varying rates (TVR) pilot, as described in the testimony of PSE witnesses Ahmad
12 Faruqui, Birud Jhaveri, and William Einstein,¹¹ with several modifications. The
13 pilot will:

- 14 1. Include low-income customers up to 200 percent Federal Poverty Level
15 (FPL)/80 percent Area Median Income.
- 16 2. Provide enabling technology to half of the low-income program
17 participants at no cost to the low-income participant, and funded through
18 Schedule 120, and examine the results in the evaluation, measurement,
19 and verification (EM&V) plan.
- 20 3. Provide bill protection to half of the low-income program participants and
21 examine the results in the EM&V plan.
- 22 4. Provide for review and comment on recruitment language by the
23 Commission's Consumer Protection Division.
- 24 5. Include in the EM&V plan an exit survey that asks customers if they
25 understood their rate.
- 26 6. Refresh the rates proposed for the pilot to reflect the electric revenue
27 requirement resulting from this Settlement and the electric cost of service

¹¹ Faruqui, Exh. AF-1T, Jhaveri, Exh. BDJ-1T, and Einstein, Exh. WTE-1T.

1 methodology presented in the testimony of Birud Jhaveri (Exh. BDJ-
2 1Tr).¹²

3 Finally, PSE agrees to make a proposal for a full opt-in TVR program for
4 residential customers in its next general rate case.¹³

5 **Q. Why is this Settlement in the public interest?**

6 A. The purpose of the time varying rates pilot is to develop and design rates that
7 lower system costs by providing customers a price signal to reduce their usage.¹⁴
8 Based on my review of Witness Faruqui's work in Maryland, and other industry
9 literature, low-income customers can benefit from TVR programs but have
10 slightly lower reduction rates than non-low-income customers. Low-income
11 customers are also less likely to already have enabling technology, or be able to
12 afford enabling technology, that will help them reduce their load.
13 The Settlement proposes to use the TVR pilots to examine the impacts of two
14 interventions for low-income customers which will inform future programs. First,
15 PSE will provide enabling technology to half the low-income program
16 participants, at no cost to the participating customer, and to examine the impact of
17 pairing the enabling technology with TVR. The purpose of this intervention is to
18 determine the impact of enabling technology and to determine if providing it at no
19 cost to low-income customers is cost-effective.
20 Second, PSE will provide bill protection to half the low-income participants to
21 determine if there is an impact to the results of the pilots. It is common for

¹² Settlement ¶ 41.

¹³ Settlement ¶ 42.

¹⁴ Faruqui, Exh, AF-1T at 2:12-13.

1 regulators to provide customers bill protection when a TVR program is first
2 initiated. The purpose of this intervention is to test if bill protection influences a
3 program participant's behavior.

4 The impacts of the two interventions will be examined in the final evaluation,
5 measurement, and verification plan, and should be used to inform future TVR
6 proposals.

IV. Low-income

7 **Q. Does the Settlement address the bill discount rate proposed by Puget Sound**
8 **Energy?**

9 A. Yes. The Settlement does not approve or accept the bill discount rate (BDR) as
10 proposed by PSE. Instead, PSE will develop new proposals for BDR and
11 arrearage management plan (AMP) programs in consultation with Community
12 Action Agencies and the Low-Income Advisory Committee (LIAC). Then, by
13 July 1, 2023, PSE will make a subsequent filing with the UTC that includes the
14 details of the new BDR and AMP programs developed through the LIAC
15 process.¹⁵

16 **Q. What BDR and AMP program design details were agreed to by the Settling**
17 **Parties?**

18 A. The Settlement describes several areas of agreement between the parties
19 concerning the design of PSE's energy assistance programs. First, the BDR will
20 begin serving customers on October 1, 2023, followed by the Arrearage

¹⁵ Settlement ¶ 37(a).

1 Management Plan (AMP) on October 1, 2024.¹⁶ Second, the BDR will include
2 five income-based discount tiers.¹⁷ TEP strongly supports the use of a five-tier
3 BDR, where customers with the lowest incomes receive the largest bill discount
4 in the first tier, customers with slightly higher incomes receive a slightly lower
5 bill discounts in the second tier, and so on. Third, in order to avoid unnecessary
6 complexity and disruption, the energy assistance program year for BDR and AMP
7 will be October 1 to September 30, the same as the current HELP program year.¹⁸
8 Fourth, there will be joint administration of enrollment in the BDR and AMP by
9 PSE and the Community Action Agencies.¹⁹ Fifth, the grant function of HELP
10 will remain to reduce customers' arrears.²⁰ Sixth, the BDR will offer to serve all
11 customers with incomes up to 200 percent of the FPL or 50 percent of Area
12 Median Income (AMI), whichever is higher.²¹

13 **Q. Will the BDR program serve customers with incomes between 50 and 80**
14 **percent of AMI?**

15 A. While the Settlement does not require PSE to provide the BDR program to
16 customers with 50 to 80 percent of AMI, TEP hopes that the LIAC can find a way
17 to serve those customers. The Settlement directs PSE, the LIAC, and the
18 Community Action Agencies to evaluate ways to provide bill discounts to

¹⁶ Settlement ¶ 37(b)-(c).

¹⁷ Settlement ¶ 37(b).

¹⁸ Settlement ¶ 37(d).

¹⁹ Settlement ¶ 37(h).

²⁰ Settlement ¶ 37(k).

²¹ Settlement ¶ 37(b).

1 customers with incomes between 50 and 80% of AMI.²² Then, in PSE's July 1,
2 2023 filing, PSE will describe this evaluation, including the input of other parties
3 and any proposals presented to the LIAC for providing bill discounts to customers
4 with incomes between 50 and 80 percent of AMI. Under the Settlement, the July
5 1, 2023, filing could potentially include a BDR that serves customers with
6 incomes between 50 and 80 percent of AMI.

7 **Q. What parts of the bill discount program does PSE agree to further develop**
8 **with the LIAC in the Settlement?**

9 A. To ensure a successful launch of the BDR in October 2023 and the AMP in
10 October 2024, PSE and its LIAC will further develop:

- 11 • eligibility criteria,
- 12 • enrollment procedures, including the use of self-attestations of income;
- 13 • how to manage the overlap between Low-Income Home Energy
- 14 Assistance Program (LIHEAP), HELP, and the BDR; and
- 15 • how to integrate the BDR with HELP and AMP.²³

16 In addition, PSE commits to continuing to include Community Action Agencies
17 in the LIAC meetings.²⁴

18 **Q. Is the July 1, 2023, filing date for the BDR and AMP programs reasonable?**

19 A. Yes, the July 1, 2023, filing date²⁵ is reasonable because it provides time:

- 20 • between now and July 1, 2023, for stakeholders and PSE to complete the
- 21 design and development of the BDR and AMP programs;
- 22 • for PSE to file a request with the Commission for approval of the
- 23 programs, including program design, administration, and implementation
- 24 details on July 1, 2023;

²² Settlement ¶ 37(b).

²³ Settlement ¶ 37(e).

²⁴ Settlement ¶ 37(g).

²⁵ Settlement ¶ 37(a)-(b).

- 1 • after July 1, 2023, for stakeholders to review the filings and to suggest
2 improvements (if any);
3 • for the Commission to review the request, review stakeholder comments,
4 and make a decision well in advance of the October 1, 2023, BDR start
5 date; and
6 • for the Community Action Agencies and PSE to implement the changes
7 necessary to serve customers by the October 1, 2023, BDR start date.

8 **Q. How does the Settlement address the types of costs eligible for recovery**
9 **through Schedule 129?**

10 A. The Settlement requires PSE to maintain the status quo. To change from the status
11 quo and modify the types of costs recovered through the Schedule 129 tariff rider,
12 PSE must first consult with the LIAC and make a subsequent filing requesting
13 Commission approval.²⁶

14 **Q. How does the Settlement address Community Action Agency funding?**

15 A. In the near term, the Settlement maintains the status quo. After the new BDR and
16 AMP programs are developed and agency costs are better known, PSE and the
17 Community Action Agencies will revisit the program costs.²⁷

18 **Q. Does the Settlement address the overlap between BDR and HELP funding?**

19 A. Yes, the Settlement envisions that BDR and HELP funding will be maintained as
20 separate and independent. However, the Settlement allows unspent HELP funds to
21 be available to fund the BDR program.²⁸

22 **Q. Does the Settlement address low-income conservation measure incentive**
23 **amounts?**

²⁶ Settlement ¶ 37(f).

²⁷ Settlement ¶ 37(i).

²⁸ Settlement ¶ 37(j).

1 A. Yes, PSE agrees to make a good faith effort to increase weatherization measure
2 incentive amounts in 2022. TEP strongly supports a timely increase because many
3 measure costs have not been adjusted for the past seven years.
4 Looking to next year, PSE agrees to work with its Conservation Resources
5 Advisory Group (CRAG) to survey actual installed measure costs and adjust
6 rebate amounts per survey findings. PSE also agrees to fully fund all low-income
7 conservation measures shown to be cost-effective with a Total Resource Cost test
8 result of at least 0.667.²⁹

V. Targeted Electrification

9 **Q. Do the decarbonization and electrification terms of the Settlement address**
10 **equity?**

11 A. Yes, in several ways. First, the Targeted Electrification Pilot and Targeted
12 Electrification Strategy will prioritize serving low-income customers, highly-
13 impacted and vulnerable populations, and customers experiencing a high energy
14 burden.³⁰ Second, the Decarbonization Study will include incentives provided to
15 low-income customers by the Inflation Reduction Act.³¹ Third, the Targeted
16 Electrification Pilot and Targeted Electrification Strategy will be designed

²⁹ Settlement ¶ 39(a).

³⁰ Settlement ¶ 65 (“PSE will prioritize low- income customers, highly-impacted and vulnerable populations, and customers experiencing a high energy burden in its pilot programs and incentives developed pursuant to this condition.”).

³¹ Settlement ¶ 66(e).

1 considering equity³² and, as described below, include low-income customer
2 protections.

3 **Q. How will the program design process ensure that low-income participants in**
4 **the Targeted Electrification Pilot and Targeted Electrification Strategy are**
5 **not harmed?**

6 A. When designing these programs, PSE will consult with the LIAC and CRAG to
7 ensure that the programs:

- 8 • provide demonstrated material benefits to low-income participants,
9 • enroll eligible participants in bill assistance programs, and
10 • include appropriate low-income customers protections.³³

11 As a part of this consultation, PSE will consider:

- 12 • any guidance from the Department of Commerce concerning low-income
13 electrification programs;
14 • what defines a material benefit to low-income customers, e.g., decreased
15 energy burden, and/or back up heat sources or energy storage systems in
16 areas with frequent outages if necessary to protect health and safety; and
17 • a requirement to notify participants if an increase in energy burden is
18 expected.³⁴

19 **Q. How will the Targeted Electrification Strategy consider equity?**

20 A. When designing the Targeted Electrification Strategy, PSE's approach will be
21 informed by the Equitable Building Electrification Framework.³⁵

³² The Targeted Electrification Pilot will identify barriers to low-income customers, highly-impacted populations, vulnerable populations, and customers experiencing high energy burdens accessing heat pump technologies. Then, the PSE will develop policies and programs to support adoption of heat pump technologies by those customers and populations. Settlement ¶ 67(d)(iii).

³³ Settlement ¶ 67(f).

³⁴ Settlement ¶ 67(f)(i)-(iii).

³⁵ Settlement ¶ 68(e); Greenlining Institute, Equitable Building Electrification: A Framework for Powering Resilient Communities (2019),

VI. Capital Investments

1 **Q. Does the Settlement take steps to ensure that PSE’s capital planning**
2 **practices promote equity?**

3 A. The Settlement includes multiple requirements designed to ensure that PSE
4 modifies its capital planning practices to promote equity. Sections III(B)-(C),
5 concerning Corporate Capital Planning and Delivery and Distribution System
6 Planning, and section III(L), concerning Distributional Equity Analysis, of the
7 Settlement describe these requirements.

8 **Q. Does TEP support these requirements?**

9 A. Yes, the Settlement establishes a process by which PSE can make changes to its
10 decision-making processes, with input from stakeholders, to promote equity. TEP
11 acknowledges that there is considerable work ahead for the Company and
12 stakeholders to ensure that public utility investments are equitable. TEP hopes the
13 terms in the Settlement can produce meaningful changes.

VII. Conclusion

14 **Q. Does the Settlement promote equity?**

15 A. Yes, as described above there are multiple provisions in the Settlement
16 specifically designed to assist low-income customers and vulnerable populations,
17 and otherwise promote equity. First, the Settlement paves the way for PSE to
18 implement a five-tier bill discount program and programs that address arrearages,
19 the combination of which shows promise as a cornerstone strategy to reduce

1 household energy insecurity and retain access to essential utility service in
2 Washington. Second, the Settlement will increase weatherization measure
3 incentive amounts, which will allow the low-income conservation program to
4 provide more customer benefits and serve more customers. Third, the targeted
5 electrification programs include low-income customer protections and will
6 prioritize serving low-income customers and named communities. Fourth, PSE
7 agrees to track and report various metrics concerning affordability and equity.
8 And finally, PSE agrees to a process for incorporating equity and a distributional
9 equity analysis into its capital planning processes.

10 **Q. What is TEP's position on the Settlement?**

11 A. For the reasons describe above, the Settlement is in the public interest. TEP
12 recommends that the Commission approve the Settlement in whole.

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

14 A. Yes.