

**BEFORE THE WASHINGTON  
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY

Respondent.

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

**RESPONSE TESTIMONY OF SHAY BAUMAN  
ADDRESSING THE SETTLEMENT STIPULATIONS  
ON BEHALF OF THE  
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL  
PUBLIC COUNSEL UNIT**

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**EXHIBIT SB-9T**

September 9, 2022

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1 **I. INTRODUCTION**

2 **Q. Please state your employer and business address.**

3 A. I serve as a Regulatory Analyst for the Public Counsel Unit of the Washington  
4 State Office of the Attorney General (Public Counsel). My business address is  
5 800 5th Avenue, Suite 2000, Seattle, Washington, 98104.

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

7 A. I am testifying on behalf of Public Counsel in this proceeding.

8 **Q. Have you previously testified in this proceeding?**

9 A. Yes, I provided Exhibit SB-1T and its related Exhibits SB-2 through SB-8  
10 addressing Puget Sound Energy's (PSE or Company) request for recovery of the  
11 return on its advanced metering infrastructure (AMI) investment. The  
12 Commission should consider this testimony and evidence in evaluating the  
13 settlement terms pertaining to AMI, as I will discuss further in my testimony.

14 **Q. What is the purpose of your testimony?**

15 A. I address the Settlement Stipulation and Agreement on Revenue Requirement and  
16 All Other Issues Except Tacoma LNG and PSE's Green Direct Program (Main  
17 Settlement or Settlement) and the Tacoma Liquefied Natural Gas (LNG)  
18 Settlement (LNG Settlement). Together, these settlements, along with a prior  
19 settlement addressing PSE's Green Direct program, resolve all issues in these  
20 Dockets.<sup>1</sup> My testimony summarizes Public Counsel's response to the Main  
21 Settlement and LNG Settlement. While Public Counsel is generally supportive or

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<sup>1</sup> The Main Settlement and LNG Settlement cover all issues in the Docket except for Green Direct. Public Counsel's support of the settlement related to Green Direct is in Exhibit JT-1T at 20–24, filed August 5, 2022.

1 neutral on the Main Settlement, we oppose the return on equity and capital  
2 structure terms. Additionally, Public Counsel opposes the LNG Settlement.

3 **Q. Please list Public Counsel's other witnesses responding to the Main**  
4 **Settlement and the LNG Settlement in this case and the issues their testimony**  
5 **will address.**

6 A. Public Counsel presents four witnesses in response to the various settlements. In  
7 addition to my testimony, the following witnesses offer testimony:

- 8 • Dr. J. Randall Woolridge, addressing capital structure and return on equity  
9 (ROE) in the Main Settlement (Exh. JRW-13T);
- 10 • Andrea Crane, addressing revenue requirement, performance metrics, and  
11 decarbonization and targeted electrification in the Main Settlement (Exh.  
12 ACC-19T); and
- 13 • Dr. Robert Earle, addressing the terms in the LNG Settlement and power  
14 costs in the Main Settlement (Exh. RLE-14CT and related exhibits Exh.  
15 RLE-15 through Exh. RLE-25);

16 **Q. Please outline the structure of your testimony.**

17 A. I first provide a brief discussion regarding Public Counsel's position on the LNG  
18 Settlement. The rest of my testimony then addresses the Main Settlement.

19 **Q. Can you briefly describe Public Counsel's position on the LNG Settlement?**

20 A. Dr. Robert Earle further discusses Public Counsel's opposition to the LNG  
21 Settlement in Exhibit RLE-14CT. To summarize, the LNG Settlement is not in the  
22 public interest, as the record does not support the prudence of the Tacoma LNG  
23 Project. PSE did not establish the necessity of an LNG liquefaction and storage

1 facility for ratepayers,<sup>2</sup> excluded some alternatives from analysis,<sup>3</sup> and did not  
2 consider evidence that its gas load forecasts incorrectly predicted the need for the  
3 Tacoma LNG Project to avoid gas curtailments over the years leading up to the  
4 decisions to proceed.<sup>4</sup> As such, PSE did not meet any of the following four factors  
5 the Commission typically focuses on to evaluate prudence:<sup>5</sup>

- 6 1. The need for the resource;
- 7 2. Evaluation of alternatives;
- 8 3. Communication with and involvement of the Company's Board of  
9 Directors; and
- 10 4. Adequate documentation.

11 Further, PSE did not properly consider equity in its decision to implement the  
12 Tacoma LNG Project. As such, Public Counsel believes that a prudence  
13 determination on PSE's decision to build the regulated portion of the Tacoma  
14 LNG Facility is not in the public interest. We recommend the Commission  
15 determine that PSE's decision to build the regulated portion of the Tacoma LNG  
16 Facility was imprudent, reject the LNG Settlement, and disallow cost recovery.

17 **Q. Please briefly describe the Main Settlement.**

18 A. The Main Settlement is a partial resolution of the Company's filed General Rate  
19 Case (GRC) for the joining Parties. Combined with the other two settlements, all  
20 issues are resolved. Terms of the Main Settlement include, but are not limited to:

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<sup>2</sup> Robert L. Earle, Exh. RLE-14CT at 2–9.

<sup>3</sup> *Id.* at 9–16.

<sup>4</sup> *Id.* at 2–6.

<sup>5</sup> *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-111048 & UG-111049 (*consol.*), Order 08 ¶ 409 (Nov. 7, 2014).

- 1 • Rate Spread;
- 2 • Rate Design;
- 3 • Revenue Requirement;
- 4 • AMI;
- 5 • Power Costs;
- 6 • Low Income Issues;
- 7 • Time Varying Rates (TVR) pilot;
- 8 • Colstrip Costs;
- 9 • Clean Energy Transformation Act Related Costs;
- 10 • Gas Line Extension Margin Allowances
- 11 • Distributional Equity Analysis;
- 12 • Decarbonization Study and Targeted Electrification Pilot; and
- 13 • Performance Metrics.

14 **Q. What Parties have joined the Settlement?**

15 A. The Main Settlement is a multi-party Settlement. Joining parties, jointly referred  
16 to as the “Settling Parties,” are PSE, Washington Utilities and Transportation  
17 Commission Staff (Staff), NW Energy Coalition (NVEC), Sierra Club, Front and  
18 Centered, the Alliance of Western Energy Consumers (AWEC), The Energy  
19 Project (TEP), Federal Executive Agencies (FEA) Walmart, Microsoft, Kroger,  
20 and Nucor Steel.

21 **Q. Is Public Counsel a party to the Main Settlement?**

22 A. Public Counsel is not a party to the Main Settlement.

1 **Q. What is the public interest standard that the Washington Utilities and**  
2 **Transportation Commission (Commission) considers when determining**  
3 **whether to accept or reject a settlement?**

4 A. In determining whether to approve a settlement, the Commission considers  
5 whether a settlement is “lawful, supported by an appropriate record, and  
6 consistent with the public interest in light of all the information available to the  
7 commission.”<sup>6</sup> If the Commission determines that the settlement stipulation and  
8 agreement before them does not meet the standard for approval, they may approve  
9 the settlement with conditions or reject the settlement.

10 **Q. Does Public Counsel believe the Main Settlement is in the public interest?**

11 A. Taken as a whole, Public Counsel does not believe the Main Settlement is in the  
12 public interest due to the proposed return on equity (ROE) and capital structure.  
13 However, Public Counsel believes many components of the Main Settlement are  
14 reasonable and are in the public interest, as I will detail later in my testimony.

15 Public Counsel opposes the proposed ROE and capital structure as they  
16 are unreasonable and lack the evidence necessary to justify the proposed terms.  
17 Public Counsel provides evidence for resolving the issues in a way that is in the  
18 public interest, results in fair, just, and reasonable rates, and allows PSE to  
19 provide affordable, reliable, and safe electric and natural gas service to PSE’s  
20 customers.<sup>7</sup>

21 **Q. What does Public Counsel recommend to resolve this GRC?**

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<sup>6</sup> WAC 480-07-750.

<sup>7</sup> J. Randall Woolridge, Exh. JRW-1T through Exh. JRW-12; Exh. JRW-13T.

1 A. Though some terms in the Main Settlement are not in the public interest, the  
2 Commission should accept a number of other terms as reasonable and in the  
3 public interest. In addition to the recommendations provided in my testimony, I  
4 summarize Public Counsel’s recommendations made in this filing and identify the  
5 corresponding testimony with supporting evidence and reasoning.

6 Public Counsel accepts these Settlement terms as reasonable and in the  
7 Public Interest:

- 8 • Electric and Natural Gas Rate Spread and Rate Design (Exh. GAW-1T;  
9 Exh. SB-9T);
- 10 • AMI (Exh. SB-1T through Exh. SB-8; Exh. SB-9T);
- 11 • Colstrip Cost Recovery (Exh. ACC-1CT; Exh. SB-9T);
- 12 • Low Income Issues (Exh. SKC-1T through Exh. SKC-3; Exh. SB-9T)
- 13 • Time Varying Rates Pilot (Exh. SB-9T);
- 14 • Distributional Equity Analysis (Exh. SB-9T);
- 15 • Gas Line Extension Terms (Exh. SB-9T);
- 16 • Decarbonization and Electrification Study (Exh. ACC-19T)
- 17 • CETA Costs (Exh. SB-9T);
- 18 • PCORC Terms (Exh. SB-9T);
- 19 • Performance Based Ratemaking (Exh. ACC-1CT; Exh. ACC-19T)

20 Public Counsel does not accept these Settlement terms as reasonable,  
21 supported by evidence, or in the public interest:

- 22 • ROE (Exh. JRW-1T through Exh. JRW-12; Exh. JRW-13T);
- 23 • Capital Structure (Exh. JRW-1T through Exh. JRW 12; Exh. JRW-13T);



1                   Additional issues Public Counsel takes no position on:

- 2                   • Overall Revenue Requirement (Exh. ACC-19T)
- 3                   • Energize Eastside
- 4                   • Depreciation
- 5                   • Earnings Test
- 6                   • Power Costs (Exh. RLE-14CT)

7                   **II.           ROE AND CAPITAL STRUCTURE**

8   **Q.    Please summarize the Main Settlement terms relating to ROE and capital**  
9   **structure.**

10 A.    The Settling Parties agree the revenue requirement proposed in the Main  
11 Settlement reflects a ROE of 9.4 percent and a capital structure of 49 percent  
12 equity and 51 percent debt, with the cost of debt at five percent for the duration of  
13 the multi-year rate plan (MYRP).<sup>8</sup>

14 **Q.    How do these terms compare to those recommended by Public Counsel in**  
15 **Exhibit JRW-1T?**

16 A.    Dr. J. Randall Woolridge recommended in testimony a capital structure of 48.5  
17 percent equity, 51.5 percent debt. 48.5 percent equity is consistent with PSE's  
18 historic capitalization, consistent with the Commission's past policies on utility  
19 capitalizations, and more reflective of the capital structures of proxy groups of  
20 electric dual-fuel, and gas distribution companies.<sup>9</sup>

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<sup>8</sup> Settlement Stipulation and Agreement on Revenue Requirement and All Other Issues Except Tacoma LNG and PSE's Green Direct Program at 4 (filed Aug. 26, 2022) (hereinafter "Main Settlement").

<sup>9</sup> Response Testimony of J. Randall Woolridge, Exh. JRW-1T at 5.

1 Dr. Woolridge's modeling analysis resulted in a recommended, reduced  
2 ROE of 8.8 percent, which reflects the actual low levels of interest rates and  
3 capital costs in the current market.<sup>10</sup>

4 **Q. Please summarize Public Counsel's opposition to the ROE and Capital**  
5 **Structure terms of the Main Settlement.**

6 A. As further described in Exhibit JRW-13T, Public Counsel opposes the outlined  
7 ROE and capital structure terms of the Main Settlement. The capital structure  
8 proposed in the Settlement is not fair, reasonable, or justified when considering  
9 actual current market conditions and standard cost of capital calculation  
10 methods.<sup>11</sup> Dr. Woolridge highlights several factors that support Public Counsel's  
11 cost of capital position.<sup>12</sup>

### 12 III. RATE SPREAD AND RATE DESIGN

13 **Q. Please highlight the electric rate spread and rate design terms of the Main**  
14 **Settlement.**

15 A. For electric service, the Settling Parties agree to accept PSE's filed rate spread  
16 methodology presented in testimony by witness Birud D. Jhaveri.<sup>13</sup> For rate  
17 design, the parties agree that there would be no increase to the residential basic  
18 monthly charge,<sup>14</sup> and that forecasted billing determinants for Residential,  
19 Secondary Pumping/Irrigation, and High Voltage Interruptible schedules would  
20 be split between PSE's and Public Counsel's forecasts.<sup>15</sup>

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<sup>10</sup> *Id.* at 23.

<sup>11</sup> Woolridge, Exh. JRW-13T at 3.

<sup>12</sup> *Id.* at 4.

<sup>13</sup> Direct Testimony of Birud D. Jhaveri, Exh. BDJ-1Tr.

<sup>14</sup> Main Settlement at 19.

<sup>15</sup> *Id.* at 20.

1 **Q. Are the electric rate spread and design terms of the Main Settlement in the**  
2 **public interest?**

3 A. Yes. The electric base rate spread proposed by witness Jhaveri reasonably reflects  
4 the cost of service study results and moves classes closer to parity in a gradual  
5 manner. The Main Settlement resulted in a reasonable compromise of the various  
6 parties' positions such that the Company's as-filed rate spread strikes a reasonable  
7 balance of the various positions and will result in an equitable assignment of  
8 revenue responsibility across all rate schedules.<sup>16</sup>

9 As mentioned above, although the Company proposed an increase to the  
10 residential basic fixed charge, the Main Settlement reflects no increase to the  
11 Residential customer charge. This is consistent with Public Counsel's  
12 recommendation,<sup>17</sup> and in the public interest because the existing charge is  
13 sufficient to reflect direct customer costs.

14 **Q. Please highlight the gas rate spread and rate design terms of the Main**  
15 **Settlement.**

16 A. For gas service, the Settling Parties agree to a gas base rate spread that is midway  
17 between PSE's proposed relative percentage based increases in the testimony of  
18 witness John D. Taylor<sup>18</sup> and an equal percent of margin.<sup>19</sup> The Settling Parties  
19 additionally agreed to spread Schedules 141-R and 141-N proportionately to the

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<sup>16</sup> See, Response Testimony of Glenn A. Watkins, Exh. GAW-1T.

<sup>17</sup> *Id.*

<sup>18</sup> Direct Testimony of John D. Taylor, Exh. JDT-1T.

<sup>19</sup> Main Settlement at 19.

1 base increase.<sup>20</sup> The residential customer basic charge will increase from \$11.50  
2 to \$12.50.<sup>21</sup>

3 **Q. Are the gas rate spread and rate design terms of the Main Settlement in the**  
4 **public interest?**

5 A. Yes. With regard to natural gas rate spread, the Main Settlement resulted in a  
6 reasonable compromise of the various parties' positions such that the Settlement  
7 rate spread reflects the mid-point (average) between PSE's proposed rate spread  
8 and an equal percent of margin across each rate schedule. This compromise  
9 results in an equitable assignment of revenue responsibility across all rate  
10 schedules.

11 With regard to the Residential natural gas basic customer charge, although  
12 the Company proposed a larger increase to this fixed charge, the Settlement  
13 reflects a lower customer charge than that initially proposed by the Company and  
14 is consistent with Public Counsel's recommendation.<sup>22</sup>

15 **IV. ADVANCED METERING INFRASTRUCTURE**

16 **Q. Please describe the Settlement's AMI terms.**

17 A. The Settling Parties accept a determination that:

- 18 • PSE has adequately demonstrated utility system benefits of AMI,<sup>23</sup>  
19 • PSE will continue deferring recovery of its return on equity on AMI, but  
20 will recovery its debt component of return on rate base;

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<sup>20</sup> *Id.*

<sup>21</sup> *Id.* at 21.

<sup>22</sup> Watkins, Exh. GAW-1T.

<sup>23</sup> Main Settlement at 5.

- 1           ○ On AMI plant in service as of December 31, 2019, PSE will defer  
2           through 2022 its return on rate base (equity and debt) per Order 08 in  
3           Dockets UE-190529 and UG-190539. Beginning in 2023, PSE will  
4           amortize over three years the debt component of return on rate base  
5           that has been deferred through 2022 on investments made as of 2023.<sup>24</sup>
- 6           ○ As of January 1, 2023, the deferral of the return on equity on AMI  
7           plant will include plant as of December 31, 2021, and PSE will  
8           amortize the debt component of the return on rate base deferred  
9           through 2021 over three years beginning in 2023.<sup>25</sup>
- 10          ○ The deferral of the return on equity component of AMI will continue  
11          until rates are changed in PSE's next MYRP, and the amortization of  
12          deferred return on equity on AMI investments may not occur sooner  
13          than 2025.<sup>26</sup>
- 14          ● PSE is entitled to recovery of its AMI plant put into service through  
15          December 31, 2021, to the extent not already recovered;<sup>27</sup>
- 16          ● Parties do not object to the Commission making a determination that costs  
17          (depreciation and the debt component of return on investment) for AMI  
18          after December 31, 2021, are reasonable, subject to refund, pending future  
19          review processes;<sup>28</sup>

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<sup>24</sup> *Id.* at 5.

<sup>25</sup> *Id.*

<sup>26</sup> *Id.* at 5.

<sup>27</sup> *Id.* at 6.

<sup>28</sup> *Id.*

- 1           • PSE will not receive a final determination of prudence on the AMI project  
2           until the AMI installation is complete and PSE provides an AMI benefits  
3           progress report. PSE will file a final AMI benefits progress report as a  
4           compliance filing in these dockets no later than the filing of its next  
5           MYRP. The report will provide an update describing how PSE has  
6           continued efforts to maximize Company and customer benefits realized  
7           under the program and PSE's plans to continue such maximization efforts,  
8           as well as any new Company or customer benefit use cases identified;<sup>29</sup>  
9           and
- 10          • In the AMI benefits progress report, PSE will update its AMI reporting  
11          metrics, including equity considerations.<sup>30</sup>

12   **Q.    Are the AMI terms of the Main Settlement in the public interest?**

13   A.    Yes, they are. Splitting the debt and equity portion of the return on AMI  
14   investment allows PSE to service its debt costs, while still providing sufficient  
15   incentive for PSE to further its efforts to maximize customer benefits as its AMI  
16   implementation continues and programs evolve. Under the Main Settlement, PSE  
17   is required to continue maximization efforts and file an updated benefits progress  
18   report describing benefits achieved and updated plans to continue these efforts in  
19   order to receive its return on equity of AMI. Further, if PSE satisfactorily  
20   completes the terms of the Settlement in order to be granted a final prudence  
21   determination and the return on equity portion of its investment, these Settlement  
22   terms promote gradualism to customer rates, as that amortization cannot begin

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<sup>29</sup> Main Settlement at 6.

<sup>30</sup> *Id.*

1 until 2025. Therefore, the impact of the full return on the investment will not  
2 affect customer rates at once.

3 In addition to PSE’s requirement to update its AMI reporting metrics in its  
4 AMI benefit progress report, the Main Settlement improves upon PSE’s already  
5 proposed AMI metrics. PSE must separately track its originally proposed AMI  
6 metrics — average customer AMI electric bill read success rate, average customer  
7 AMI gas bill read success rate, average customer remote switch success rate, and  
8 average customer reduced energy consumption from voltage reduction — for  
9 Highly Impacted Communities and Vulnerable Populations.<sup>31</sup> This helps advance  
10 and measure equity. Further, the Settlement adds additional metrics to track PSE’s  
11 AMI enabled programs. These include the following:

- 12 • Count of participating customer complaints in each of PSE’s TVR pilots;<sup>32</sup>
- 13 • Load reduction during called events for customers enrolled in the Time of  
14 Use (TOU) and Peak Time Rebate (PTR) pilot;<sup>33</sup>
- 15 • Count of customer impressions with AMI program marketing efforts;
- 16 • High usage alert open rate;<sup>34</sup>
- 17 • Download count of energy data, in both CSV and Green Button format;<sup>35</sup>
- 18 and
- 19 • Count of customers enrolled in smart thermostat programs for space  
20 heating.<sup>36</sup>

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<sup>31</sup> *Id.* at 33–34.

<sup>32</sup> *Id.* at 31.

<sup>33</sup> *Id.*

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

<sup>36</sup> *Id.*





1 presented in this case, it will not seek recovery from Microsoft or other ratepayers  
2 of amounts that would otherwise be allocated to Microsoft.<sup>41</sup> Similarly, Microsoft  
3 will not seek reimbursement in the event the costs are less than forecasted.<sup>42</sup>

4 **Q. Are the Colstrip cost recovery issues in the Main Settlement in the public**  
5 **interest?**

6 A. Yes. CETA requires Washington electric utilities to “eliminate coal-fired  
7 resources from [their] allocation of electricity” by December 31, 2025.<sup>43</sup> The dry  
8 ash facility costs are not maintenance costs, and instead extend the life of the  
9 Colstrip plant. Including these costs is incongruous with CETA and Washington’s  
10 clean energy goals. Additionally, recovering appropriate Colstrip maintenance  
11 costs over three years regardless of when costs are incurred will result in some  
12 costs extending beyond 2025, when CETA no longer allows those costs in rates.  
13 This treatment of Colstrip maintenance costs is in the public interest because  
14 customers would pay for the benefit of the facility so long as it is allowed in rates  
15 and would not pay for costs that would extend the life of the plant past 2025.  
16 Further, the terms regarding Microsoft’s lump sum payment ensure PSE assumes  
17 the risk of higher than forecasted costs, and Microsoft assumes the risk of lower  
18 than forecasted costs, protecting other ratepayers.

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<sup>41</sup> *Id.* at 26.

<sup>42</sup> *Id.*

<sup>43</sup> RCW 19.405.030(1)(a).

1 **VI. LOW-INCOME ISSUES**

2 **Q. Please summarize the low-income terms of the Main Settlement.**

3 A. The Main Settlement addresses four main topics related to low income issues: (1)  
4 bill discount rate and arrearage management program; (2) home energy lifeline  
5 program (HELP) funding increase; (3) low-income conservation and  
6 weatherization; and (4) credit and collections.<sup>44</sup>

7 Regarding the first topic, the Settlement specifies that PSE will consult  
8 with its Low-Income Advisory Committee (LIAC) to develop and a bill discount  
9 rate and Arrearage Management Plan (AMP). The Company will seek approval of  
10 its LIAC designed bill discount rate and AMP via a filing with the Commission  
11 by July 1, 2023.<sup>45</sup> The bill discount rate program will include “at least five  
12 income-based discount tiers”<sup>46</sup> serving low-income customers up to 200 percent  
13 of the Federal Poverty Level or 50 percent of Area Median Income, whichever is  
14 higher.<sup>47</sup> For customers with incomes between 50 and 80 percent of the Area  
15 Median Income, PSE, its community action agencies, and the LIAC will “evaluate  
16 ways to provide bill discounts.”<sup>48</sup> The terms also specify that the Company will  
17 develop and adopt an AMP for implementation starting October 1, 2024.<sup>49</sup> The  
18 Company must consult with the LIAC regarding the eligibility criteria for the  
19 programs; enrollment procedures (including income verification and self-

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<sup>44</sup> Main Settlement at 21–24.

<sup>45</sup> *Id.* at 21.

<sup>46</sup> *Id.* at 21.

<sup>47</sup> *Id.* at 21–22.

<sup>48</sup> *Id.* at 22.

<sup>49</sup> *Id.* at 22.

1 attestation); management of HELP, bill discount rate, and the Low-Income Home  
2 Energy Assistance Program; and how best to integrate the bill discount rate with  
3 HELP and the AMP.<sup>50</sup> There are a number of other terms related to the  
4 administration of the programs, the role that the community action agencies will  
5 play, and the funding separation of bill discount rate and HELP funds.<sup>51</sup>

6 Regarding the second topic, the parties agreed that PSE will increase  
7 HELP funding “consistent with RCW 80.28.425(2), as amended.”<sup>52</sup>

8 For the third topic, PSE agreed to make “a good faith effort to increase  
9 weatherization measure incentive amounts in 2022.”<sup>53</sup> PSE will work with its  
10 Conservation Resources Advisory Group (CRAG) to review actual costs and  
11 adjust rebate amounts, if appropriate.<sup>54</sup> The Company also agreed to “fund low-  
12 income weatherization programs that the low-income agencies inform PSE they  
13 can feasibly achieve with an annual base funding level of no less than the amount  
14 in PSE’s current Biennial Conservation Plan Low-Income Weatherization  
15 Programs through the next General Rate Case.”<sup>55</sup>

16 Regarding the fourth topic, PSE agreed to continue its current credit and  
17 collection processes “until the conclusion of the proceeding” in Docket  
18 U-210800.<sup>56</sup>

19 **Q. Are the low-income terms of the Main Settlement in the public interest?**

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<sup>50</sup> *Id.*

<sup>51</sup> Main Settlement at 23.

<sup>52</sup> *Id.*

<sup>53</sup> *Id.*

<sup>54</sup> *Id.*

<sup>55</sup> *Id.* at 24.

<sup>56</sup> *Id.* at 24.

1 A. Yes. Public Counsel believes that the terms of the Main Settlement address the  
2 concerns we raised in our earlier filed testimony and are in the public interest. As  
3 noted in the Response Testimony of Public Counsel witness Stephanie Chase,  
4 Public Counsel supports the bill discount rate programs as required by RCW  
5 80.28.068 because these programs “serve low-income customers by reducing  
6 energy burden, which is important to address as customers experience higher  
7 prices in housing, food, childcare, and other costs.”<sup>57</sup> Because the bill discount  
8 rate and AMP programs are shifting how utilities provide services to low-income  
9 customers, it is vitally important that PSE work with its LIAC, community action  
10 agencies, and other stakeholders to develop and design this program. The  
11 Settlement terms establish some of the framework for the programs, but allow the  
12 LIAC and stakeholders to contribute and fully develop the terms of the bill  
13 discount rate and AMP.<sup>58</sup> Having the LIAC and stakeholders design and develop  
14 these programs should result in a more robust and fully developed program than  
15 what PSE originally proposed. Notably, The Energy Project also supports the  
16 low-income terms of the Settlement.<sup>59</sup> The low-income terms in the Settlement  
17 are in the public interest because they incorporate the requirements of  
18 RCW 80.28.068 and will develop a bill discount rate and AMP that will  
19 effectively serve low-income customers with the valuable input of the LIAC and  
20 stakeholders.

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<sup>57</sup> Response Testimony of Stephanie K. Chase, Exh. SKC-1T at 7.

<sup>58</sup> As noted above, the terms include the eligibility criteria for the programs; enrollment procedures (including income verification and self-attestation); management of HELP, bill discount rate, and the Low-Income Home Energy Assistance Program; and how best to integrate the bill discount rate with HELP and the AMP. Main Settlement at 22.

<sup>59</sup> See Bradley T. Cebulko, Exh. BTC-7T at 8–12.

1 **VII. TIME VARYING RATES PILOT**

2 **Q. Please describe the Settlement terms relating to the Time Varying Rates**  
3 **(TVR) pilot.**

4 A. The Settling Parties agree to the TVR pilots proposed by PSE in the testimony of  
5 Dr. Ahmad Faruqui, Exhibit AF-1T, subject to modifications that expand low-  
6 income provisions and further customer understanding. The pilot must:

- 7 • Include low-income customers up to 200 percent of the Federal Poverty  
8 Level or 80 percent of the Area Median Income;<sup>60</sup>
- 9 • Provide enabling technology to half of the low-income program  
10 participants at no cost to the low-income participant and examine the  
11 results in the evaluation, measurement, and verifications (EM&V) plan;<sup>61</sup>
- 12 • Provide bill protection to half the low-income participants and examine  
13 the results in the EM&V plan;<sup>62</sup>
- 14 • Provide for review and comment on recruitment language by the  
15 Commission Consumer Protection Division;<sup>63</sup>
- 16 • Include in the EM&V plan an exit survey that asks customers if they  
17 understood their rate; and<sup>64</sup>
- 18 • Refresh the rates proposed for the pilot to reflect the electric revenue  
19 requirement resulting from the Main Settlement and the electric cost of  
20 service methodology presented in the testimony of Birud D. Jhaveri.<sup>65</sup>

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<sup>60</sup> Main Settlement at 24.

<sup>61</sup> *Id.*

<sup>62</sup> *Id.*

<sup>63</sup> *Id.* at 25.

<sup>64</sup> *Id.*

<sup>65</sup> *Id.*

1 **Q. Are the TVR terms of the Main Settlement in the Public Interest?**

2 A. Yes, they are. As noted in The Energy Project’s witness Bradley Cebulko’s  
3 testimony, Exhibit BTC-7T, industry literature shows that low-income customers  
4 can benefit from TVR programs, but have slightly lower reduction in rates than  
5 non-low-income customers.<sup>66</sup> Further, they are less likely to already have  
6 enabling technology, or be able to afford enabling technology that will help to  
7 reduce load. The interventions proposed in the Settlement help evaluate the TVR  
8 pilot impacts on low-income customers using enabling technology and the  
9 provision of bill protection. The final EM&V, which measures these impacts,  
10 should then be used in the future to inform TVR proposals, and help protect low-  
11 income customers enrolled in TVR.

12 **VIII. DISTRIBUTIONAL EQUITY ANALYSIS**

13 **Q. Please describe the distributional equity analysis terms in the Main**  
14 **Settlement.**

15 A. The Company agrees to assemble stakeholders to develop methods and process  
16 for a pilot distributional equity analysis.<sup>67</sup> The Company will apply the methods  
17 developed to its proposed 80 MW of distributed energy resources, as proposed in  
18 its 2021 Integrated Resource Plan and Clean Energy Implementation Plan, as a  
19 pilot.<sup>68</sup> Within 15 months of the approval of this MYRP, PSE will file a  
20 compliance item documenting the methods and results of the pilot.<sup>69</sup> This lays the

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<sup>66</sup> Brandon Baatz, *Rate Design Matters: The Intersection of Residential Rate Design and Energy Efficiency* at viii (Am. Council for an Energy-Efficient Econ., Mar. 2017), available at <https://www.aceee.org/sites/default/files/publications/researchreports/u1703.pdf> (Report U1703).

<sup>67</sup> Main Settlement at 27.

<sup>68</sup> *Id.*

<sup>69</sup> *Id.*



- 1 on the net present value (NPV) methodology using a two-year timeframe  
2 and updated inputs from this case.<sup>72</sup>
- 3 • No later than January 1, 2024, such tariff revisions shall reflect a natural  
4 gas line extension margin allowance based on the NPV methodology using  
5 a one-year timeframe and the same inputs used in 2023.<sup>73</sup>
  - 6 • No later than January 1, 2024, such tariff revisions shall reduce the natural  
7 gas line extension margin allowance to zero.<sup>74</sup>

8 **Q. Are the natural gas line extension terms of the Main Settlement in the public**  
9 **interest?**

10 A. Yes. A line extension allowance is the amount of funding a utility will provide  
11 toward extending distribution services to a new customer. Existing customers pay  
12 for these allowances through rates. The Commission recently considered the issue  
13 of appropriate line extension allowances in Docket UG-210729, in which the  
14 Commission ordered that utilities providing natural gas service must adopt a NPV  
15 methodology using a seven-year timeline. This methodology was selected in  
16 contrast to the perpetual net present value (PNPV) methodology. In its Order, the  
17 Commission noted that the decision was “an interim measure that will  
18 substantially reduce line extension allowances while we continue to engage in  
19 dialogue with regulated utilities and other stakeholders ...”<sup>75</sup>

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<sup>72</sup> *Id.* at 26–27.

<sup>73</sup> Main Settlement at 27.

<sup>74</sup> *Id.*

<sup>75</sup> *In re: Chair Danner’s Mot. to Consider Whether Nat. Gas Utils. Should Continue to Use the Perpetual Net Present Value Methodology to Calculate Nat. Gas Line Extension Allowances*, Docket UG-210729, Order 01 at 27 (Oct. 29, 2021).



1 Many stakeholders, including Public Counsel, noted in that docket that as  
2 Washington continues its transition to clean energy through CETA and Climate  
3 Commitment Act compliance, utilities should make efforts not to heavily  
4 incentivize natural gas usage through allowances. The terms of the Main  
5 Settlement provide an appropriate means to comply with state policy and phase  
6 out extension allowances. Further, as I discuss in the section below, other  
7 Settlement terms provide assistance for customers in electrification, which could  
8 help some customers that may be impacted by reducing and eliminating  
9 allowances.

10 **X. DECARBONIZATION AND ELECTRIFICATION STUDY**

11 **Q. Please summarize Public Counsel's position on the decarbonization and**  
12 **electrification terms of the Main Settlement.**

13 **A.** As further outlined in Andrea Crane's testimony, Exhibit ACC-19T, Public  
14 Counsel supports the decarbonization and targeted electrification provisions of the  
15 Main Settlement. An updated decarbonization study will help to ensure the  
16 Company's decarbonization efforts are based on the most up-to-date technology  
17 and cost estimates. The targeted electrification pilot will provide valuable  
18 information about the impact of incentives, particularly among low-income,  
19 Highly Impacted, and Vulnerable Populations. It is particularly timely given the  
20 terms phasing out natural gas line extension allowances, as noted above. The  
21 study will provide a framework for the Company to maximize carbon emission  
22 reductions and to encourage electrification in a cost-effective and efficient  
23 manner. We additionally support the provision that actual costs of the program

1 will be reviewed and considered for recovery in the next base rate case. Public  
2 Counsel will carefully review these costs for prudence when they are filed for  
3 recovery.

#### 4 XI. POWER COSTS

5 **Q. Please summarize the power cost only rate case (PCORC) terms of the Main**  
6 **Settlement and Public Counsel's position on the terms.**

7 A. The Main Settlement stipulates that PSE agree to a PCORC stay-out the pendency  
8 of the MYRP.<sup>76</sup> Public Counsel is supportive of this term, as it reduces how often  
9 during the rate plan PSE can reset power costs included in customer rates, and  
10 will result in more stable rates.

11 **Q. Does Public Counsel take a position on the other power cost terms of the**  
12 **Main Settlement?**

13 A. Public Counsel does not oppose any of the other power cost terms of the  
14 Main Settlement, but we do have particular concerns regarding the prudence  
15 provision, as discussed further by Dr. Robert Earle in Exhibit RLE-14CT. To  
16 summarize, the Settlement states that, “[n]othing in this agreement limits the  
17 Settling Parties’ ability to review and contest prudence in future proceedings.”<sup>77</sup>

18 There is not, however, a further description in the Settlement or in testimony  
19 supporting the Settlement as to which future proceedings would determine  
20 prudence. Dr. Earle outlines multiple reasons Public Counsel believes that  
21 prudence should be explicitly addressed through a full adjudicative proceeding.

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<sup>76</sup> Docket UG-210729, Order 01 at 17.

<sup>77</sup> Main Settlement at 17.

1           Should the Commission approve this part of the Settlement, it should mandate  
2           that the prudence of power costs be determined in the next GRC.

3                           **XII.           PERFORMANCE BASED RATEMAKING**

4   **Q.    Please summarize Public Counsel’s Position on the PBR terms of the Main**  
5   **Settlement.**

6   **A.**   As further outlined in Andrea Crane’s testimony, Exhibit ACC-19T, Public  
7   Counsel supports the additional performance metrics that Settling Parties agree to  
8   and the elimination of the electric vehicle (EV) performance incentive mechanism  
9   (PIM). Public Counsel has general concerns about any PIM that is based on a  
10   percentage of program costs, such as the demand response PIM agreed to by  
11   Settling Parties, as it could incentivize the utility to increase spending to earn a  
12   greater reward. However, the new reward thresholds proposed in the Main  
13   Settlement are a vast improvement to those originally proposed by the Company.  
14   In addition, the Settlement provides a cap, such that PSE cannot earn additional  
15   reward past 150 percent of its target. Finally, the PIM will terminate December  
16   31, 2024, unless specifically continued by the Commission. Each of these terms  
17   serve to protect ratepayers in the implementation of the PIM. Public Counsel  
18   expects PSE and other stakeholders to carefully evaluate the impacts of this PIM  
19   and continue to evaluate PIMs and PBR in the generic proceeding in Docket  
20   U-210590 to implement lessons learned in the future.

1

**XIII. CONCLUSION**

2 **Q. Please summarize your testimony.**

3 A. My testimony addressed the scope of issues addressed in our filings and the  
4 witnesses presented in this matter. My testimony outlined several concerns Public  
5 Counsel has with the various settlements in this Docket, and summarized Public  
6 Counsel's recommendations to alleviate those concerns.

7 My testimony also described how various components of the Main  
8 Settlement are reasonable and in the public interest.

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

10 A. Yes, it does.