BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY

Respondent.

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

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

EXHIBIT SB-9T

September 9, 2022
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I. INTRODUCTION

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

Q. On whose behalf are you testifying?
A. I am testifying on behalf of Public Counsel in this proceeding.

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

Q. What is the purpose of your testimony?
A. I address the Settlement Stipulation and Agreement on Revenue Requirement and All Other Issues Except Tacoma LNG and PSE’s Green Direct Program (Main Settlement or Settlement) and the Tacoma Liquefied Natural Gas (LNG) Settlement (LNG Settlement). Together, these settlements, along with a prior settlement addressing PSE’s Green Direct program, resolve all issues in these Dockets.\(^1\) My testimony summarizes Public Counsel’s response to the Main Settlement and LNG Settlement. While Public Counsel is generally supportive or

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

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

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

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

Q. Please outline the structure of your testimony.

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

Q. Can you briefly describe Public Counsel’s position on the LNG Settlement?

A. Dr. Robert Earle further discusses Public Counsel’s opposition to the LNG
Settlement in Exhibit RLE-14CT. To summarize, the LNG Settlement is not in the
public interest, as the record does not support the prudence of the Tacoma LNG
Project. PSE did not establish the necessity of an LNG liquefaction and storage
facility for ratepayers,2 excluded some alternatives from analysis,3 and did not
consider evidence that its gas load forecasts incorrectly predicted the need for the
Tacoma LNG Project to avoid gas curtailments over the years leading up to the
decisions to proceed.4 As such, PSE did not meet any of the following four factors
the Commission typically focuses on to evaluate prudence:5

1. The need for the resource;
2. Evaluation of alternatives;
3. Communication with and involvement of the Company’s Board of
   Directors; and
4. Adequate documentation.

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

Q. Please briefly describe the Main Settlement.

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

2 Robert L. Earle, Exh. RLE-14CT at 2–9.
3 Id. at 9–16.
4 Id. at 2–6.
   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

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

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

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

A. Public Counsel is not a party to the Main Settlement.
Q. What is the public interest standard that the Washington Utilities and Transportation Commission (Commission) considers when determining whether to accept or reject a settlement?

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

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

A. Taken as a whole, Public Counsel does not believe the Main Settlement is in the public interest due to the proposed return on equity (ROE) and capital structure. However, Public Counsel believes many components of the Main Settlement are reasonable and are in the public interest, as I will detail later in my testimony. Public Counsel opposes the proposed ROE and capital structure as they are unreasonable and lack the evidence necessary to justify the proposed terms. Public Counsel provides evidence for resolving the issues in a way that is in the public interest, results in fair, just, and reasonable rates, and allows PSE to provide affordable, reliable, and safe electric and natural gas service to PSE’s customers.

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

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6 WAC 480-07-750.
7 J. Randall Woolridge, Exh. JRW-1T through Exh. JRW-12; Exh. JRW-13T.
A. Though some terms in the Main Settlement are not in the public interest, the Commission should accept a number of other terms as reasonable and in the public interest. In addition to the recommendations provided in my testimony, I summarize Public Counsel’s recommendations made in this filing and identify the corresponding testimony with supporting evidence and reasoning.

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

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

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

- ROE (Exh. JRW-1T through Exh. JRW-12; Exh. JRW-13T);
- Capital Structure (Exh. JRW-1T through Exh. JRW 12; Exh. JRW-13T);
Additional issues Public Counsel takes no position on:

- Overall Revenue Requirement (Exh. ACC-19T)
- Energize Eastside
- Depreciation
- Earnings Test
- Power Costs (Exh. RLE-14CT)

II. ROE AND CAPITAL STRUCTURE

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

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

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

A. Dr. J. Randall Woolridge recommended in testimony a capital structure of 48.5 percent equity, 51.5 percent debt. 48.5 percent equity is consistent with PSE’s historic capitalization, consistent with the Commission’s past policies on utility capitalizations, and more reflective of the capital structures of proxy groups of electric dual-fuel, and gas distribution companies.

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8 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”).
9 Response Testimony of J. Randall Woolridge, Exh. JRW-1T at 5.
Dr. Woolridge’s modeling analysis resulted in a recommended, reduced ROE of 8.8 percent, which reflects the actual low levels of interest rates and capital costs in the current market.10

Q. Please summarize Public Counsel’s opposition to the ROE and Capital Structure terms of the Main Settlement.

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

III. RATE SPREAD AND RATE DESIGN

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

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

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10 Id. at 23.
11 Woolridge, Exh. JRW-13T at 3.
12 Id. at 4.
13 Direct Testimony of Birud D. Jhaveri, Exh. BDJ-1Tr.
14 Main Settlement at 19.
15 Id. at 20.
Q. Are the electric rate spread and design terms of the Main Settlement in the public interest?

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

As mentioned above, although the Company proposed an increase to the residential basic fixed charge, the Main Settlement reflects no increase to the Residential customer charge. This is consistent with Public Counsel’s recommendation,17 and in the public interest because the existing charge is sufficient to reflect direct customer costs.

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

A. For gas service, the Settling Parties agree to a gas base rate spread that is midway between PSE’s proposed relative percentage based increases in the testimony of witness John D. Taylor18 and an equal percent of margin.19 The Settling Parties additionally agreed to spread Schedules 141-R and 141-N proportionately to the

16 See, Response Testimony of Glenn A. Watkins, Exh. GAW-1T.
17 Id.
18 Direct Testimony of John D. Taylor, Exh. JDT-1T.
19 Main Settlement at 19.
The residential customer basic charge will increase from $11.50 to $12.50.21

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

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

With regard to the Residential natural gas basic customer charge, although the Company proposed a larger increase to this fixed charge, the Settlement reflects a lower customer charge than that initially proposed by the Company and is consistent with Public Counsel’s recommendation.22

IV. ADVANCED METERING INFRASTRUCTURE

Q. Please describe the Settlement’s AMI terms.

A. The Settling Parties accept a determination that:

- PSE has adequately demonstrated utility system benefits of AMI;23
- PSE will continue deferring recovery of its return on equity on AMI, but will recovery its debt component of return on rate base;

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20 Id.
21 Id. at 21.
22 Watkins, Exh. GAW-1T.
23 Main Settlement at 5.
o On AMI plant in service as of December 31, 2019, PSE will defer through 2022 its return on rate base (equity and debt) per Order 08 in Dockets UE-190529 and UG-190539. Beginning in 2023, PSE will amortize over three years the debt component of return on rate base that has been deferred through 2022 on investments made as of 2023.24

o As of January 1, 2023, the deferral of the return on equity on AMI plant will include plant as of December 31, 2021, and PSE will amortize the debt component of the return on rate base deferred through 2021 over three years beginning in 2023.25

o The deferral of the return on equity component of AMI will continue until rates are changed in PSE’s next MYRP, and the amortization of deferred return on equity on AMI investments may not occur sooner than 2025.26

- PSE is entitled to recovery of its AMI plant put into service through December 31, 2021, to the extent not already recovered;27

- Parties do not object to the Commission making a determination that costs (depreciation and the debt component of return on investment) for AMI after December 31, 2021, are reasonable, subject to refund, pending future review processes;28

24 Id. at 5.
25 Id.
26 Id. at 5.
27 Id. at 6.
28 Id.
PSE will not receive a final determination of prudency on the AMI project until the AMI installation is complete and PSE provides an AMI benefits progress report. PSE will file a final AMI benefits progress report as a compliance filing in these dockets no later than the filing of its next MYRP. The report will provide an update describing how PSE has continued efforts to maximize Company and customer benefits realized under the program and PSE’s plans to continue such maximization efforts, as well as any new Company or customer benefit use cases identified;\(^{29}\)

and

In the AMI benefits progress report, PSE will update its AMI reporting metrics, including equity considerations.\(^{30}\)

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

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

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\(^{29}\) Main Settlement at 6.

\(^{30}\) Id.
until 2025. Therefore, the impact of the full return on the investment will not
affect customer rates at once.

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

- Count of participating customer complaints in each of PSE’s TVR pilots;32
- Load reduction during called events for customers enrolled in the Time of
  Use (TOU) and Peak Time Rebate (PTR) pilot;33
- Count of customer impressions with AMI program marketing efforts;
- High usage alert open rate;34
- Download count of energy data, in both CSV and Green Button format;35
  and
- Count of customers enrolled in smart thermostat programs for space
  heating.36
The additional granularity and improved program metrics can help stakeholders understand AMI program benefits and their impacts on equity. Public Counsel expects that PSE’s updated AMI benefits report will accurately reflect the extent to which AMI benefits actually accrue to customers, particularly those in Highly Impacted Communities and Vulnerable Populations, as the Settlement language intends. For these reasons, Public Counsel believes that the AMI settlement terms are in the public interest.

V. COLSTRIP COSTS

Q. Please briefly describe the Colstrip Cost Recovery issues in the Settlement

A. Settling Parties agree to the proposed Schedule 141-C Colstrip tracker, and PSE agrees to remove all costs related to Colstrip’s dry ash facilities. Settling Parties agree that Colstrip costs included in rates in 2023 and beyond are subject to review, including but not limited to an examination of prudence, and that major maintenance costs incurred during the MYRP will be amortized over three years, regardless of the year incurred. Settling Parties also accept PSE’s calculation of forecasted Colstrip decommissioning and remediation costs, net of monetized Production Tax Credits and PSE’s proposed allocation factor for the purposes of the Microsoft buyout. The Settling Parties accept Microsoft’s proposal to pay its obligation in a lump sum following the conclusion of this case. PSE agrees that in the event the decommissioning and remediation costs exceed the estimates

37 Main Settlement at 7.
38 Id. at 8.
39 Id. at 25.
40 Id.
presented in this case, it will not seek recovery from Microsoft or other ratepayers of amounts that would otherwise be allocated to Microsoft.\(^{41}\) Similarly, Microsoft will not seek reimbursement in the event the costs are less than forecasted.\(^{42}\)

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

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

\(^{41}\) Id. at 26.  
\(^{42}\) Id.  
\(^{43}\) RCW 19.405.030(1)(a).
VI. LOW-INCOME ISSUES

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

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

Regarding the first topic, the Settlement specifies that PSE will consult with its Low-Income Advisory Committee (LIAC) to develop and a bill discount rate and Arrearage Management Plan (AMP). The Company will seek approval of its LIAC designed bill discount rate and AMP via a filing with the Commission by July 1, 2023.45 The bill discount rate program will include “at least five income-based discount tiers”46 serving low-income customers up to 200 percent of the Federal Poverty Level or 50 percent of Area Median Income, whichever is higher.47 For customers with incomes between 50 and 80 percent of the Area Median Income, PSE, its community action agencies, and the LIAC will “evaluate ways to provide bill discounts.”48 The terms also specify that the Company will develop and adopt an AMP for implementation starting October 1, 2024.49 The Company must consult with the LIAC regarding the eligibility criteria for the programs; enrollment procedures (including income verification and self-

44 Main Settlement at 21–24.
45 Id. at 21.
46 Id. at 21.
47 Id. at 21–22.
48 Id. at 22.
49 Id. at 22.
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.\textsuperscript{50} There are a number of other terms related to the administration of the programs, the role that the community action agencies will play, and the funding separation of bill discount rate and HELP funds.\textsuperscript{51}

Regarding the second topic, the parties agreed that PSE will increase HELP funding “consistent with RCW 80.28.425(2), as amended.”\textsuperscript{52}

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

Regarding the fourth topic, PSE agreed to continue its current credit and collection processes “until the conclusion of the proceeding” in Docket U-210800.\textsuperscript{56}

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

\textsuperscript{50} Id.
\textsuperscript{51} Main Settlement at 23.
\textsuperscript{52} Id.
\textsuperscript{53} Id.
\textsuperscript{54} Id.
\textsuperscript{55} Id. at 24.
\textsuperscript{56} Id. at 24.
A. Yes. Public Counsel believes that the terms of the Main Settlement address the concerns we raised in our earlier filed testimony and are in the public interest. As noted in the Response Testimony of Public Counsel witness Stephanie Chase, Public Counsel supports the bill discount rate programs as required by RCW 80.28.068 because these programs “serve low-income customers by reducing energy burden, which is important to address as customers experience higher prices in housing, food, childcare, and other costs.”

Because the bill discount rate and AMP programs are shifting how utilities provide services to low-income customers, it is vitally important that PSE work with its LIAC, community action agencies, and other stakeholders to develop and design this program. The Settlement terms establish some of the framework for the programs, but allow the LIAC and stakeholders to contribute and fully develop the terms of the bill discount rate and AMP. Having the LIAC and stakeholders design and develop these programs should result in a more robust and fully developed program than what PSE originally proposed. Notably, The Energy Project also supports the low-income terms of the Settlement. The low-income terms in the Settlement are in the public interest because they incorporate the requirements of RCW 80.28.068 and will develop a bill discount rate and AMP that will effectively serve low-income customers with the valuable input of the LIAC and stakeholders.

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57 Response Testimony of Stephanie K. Chase, Exh. SKC-1T at 7.
58 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.
59 See Bradley T. Cebulko, Exh. BTC-7T at 8–12.
VII. TIME VARYING RATES PILOT

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

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

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

\(^{60}\) Main Settlement at 24.
\(^{61}\) \textit{Id.}
\(^{62}\) \textit{Id.}
\(^{63}\) \textit{Id.} at 25.
\(^{64}\) \textit{Id.}
\(^{65}\) \textit{Id.}
Q. Are the TVR terms of the Main Settlement in the Public Interest?
A. Yes, they are. As noted in The Energy Project’s witness Bradley Cebulko’s testimony, Exhibit BTC-7T, industry literature shows that low-income customers can benefit from TVR programs, but have slightly lower reduction in rates than non-low-income customers. Further, they are less likely to already have enabling technology, or be able to afford enabling technology that will help to reduce load. The interventions proposed in the Settlement help evaluate the TVR pilot impacts on low-income customers using enabling technology and the provision of bill protection. The final EM&V, which measures these impacts, should then be used in the future to inform TVR proposals, and help protect low-income customers enrolled in TVR.

VIII. DISTRIBUTIONAL EQUITY ANALYSIS
Q. Please describe the distributional equity analysis terms in the Main Settlement.
A. The Company agrees to assemble stakeholders to develop methods and process for a pilot distributional equity analysis. The Company will apply the methods developed to its proposed 80 MW of distributed energy resources, as proposed in its 2021 Integrated Resource Plan and Clean Energy Implementation Plan, as a pilot. Within 15 months of the approval of this MYRP, PSE will file a compliance item documenting the methods and results of the pilot. This lays the

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67 Main Settlement at 27.
68 Id.
69 Id.
groundwork for the Company to incorporate equity considerations into its electric
and natural gas service planning processes. Following the pilot, PSE agrees to
participate in a Staff-led process, which will be open to participation from other
parties, to refine the methods for a distributional equity analysis.\textsuperscript{70} At the end of
that process, PSE will request Commission approval of its methods for a
distributional equity analysis going forward and, when approved, apply the
methods as detailed in the Corporate Capital Planning and Delivery System
Planning sections of the Settlement.\textsuperscript{71}

Q. Is the distributional equity analysis term in the public interest?

A. Yes, it is. Completing the stakeholder process and Commission review of the
distributional equity analysis methods and standards would change the way PSE
does business by including equity in its planning processes. This could bring real
steps toward equitable provision of electric and natural gas service.

IX. NATURAL GAS LINE EXTENSIONS

Q. Please describe the natural gas line extension terms in the Main Settlement.

A. In its compliance filing immediately following the issuance of the final order in
this case, PSE shall file the following tariff revisions relating to natural gas line
extension margin allowances:

\begin{itemize}
  \item No later than when state building codes take effect in 2023, such tariff

revisions shall reflect a natural gas line extension margin allowance based

\textsuperscript{70} Id.
\textsuperscript{71} Id at 28.
on the net present value (NPV) methodology using a two-year timeframe and updated inputs from this case.  

- No later than January 1, 2024, such tariff revisions shall reflect a natural gas line extension margin allowance based on the NPV methodology using a one-year timeframe and the same inputs used in 2023.  
- No later than January 1, 2024, such tariff revisions shall reduce the natural gas line extension margin allowance to zero.

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

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

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72 Id. at 26–27.
73 Main Settlement at 27.
74 Id.
Many stakeholders, including Public Counsel, noted in that docket that as Washington continues its transition to clean energy through CETA and Climate Commitment Act compliance, utilities should make efforts not to heavily incentivize natural gas usage through allowances. The terms of the Main Settlement provide an appropriate means to comply with state policy and phase out extension allowances. Further, as I discuss in the section below, other Settlement terms provide assistance for customers in electrification, which could help some customers that may be impacted by reducing and eliminating allowances.

X. DECARBONIZATION AND ELECTRIFICATION STUDY

Q. Please summarize Public Counsel’s position on the decarbonization and electrification terms of the Main Settlement.

A. As further outlined in Andrea Crane’s testimony, Exhibit ACC-19T, Public Counsel supports the decarbonization and targeted electrification provisions of the Main Settlement. An updated decarbonization study will help to ensure the Company’s decarbonization efforts are based on the most up-to-date technology and cost estimates. The targeted electrification pilot will provide valuable information about the impact of incentives, particularly among low-income, Highly Impacted, and Vulnerable Populations. It is particularly timely given the terms phasing out natural gas line extension allowances, as noted above. The study will provide a framework for the Company to maximize carbon emission reductions and to encourage electrification in a cost-effective and efficient manner. We additionally support the provision that actual costs of the program
will be reviewed and considered for recovery in the next base rate case. Public Counsel will carefully review these costs for prudence when they are filed for recovery.

XI. POWER COSTS

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

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

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

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

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

76 Docket UG-210729, Order 01 at 17.
77 Main Settlement at 17.
Should the Commission approve this part of the Settlement, it should mandate
that the prudency of power costs be determined in the next GRC.

XII. PERFORMANCE BASED RATEMAKING

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

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

Q. Please summarize your testimony.

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

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

Q. Does this conclude your testimony?

A. Yes, it does.