

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Complainant,

v.

PUGET SOUND ENERGY

Respondent.

DOCKETS NOS. UE-190529 and UG-190530 (*Consolidated*)

**RESPONSE TESTIMONY OF CARLA A. COLAMONICI
ON BEHALF OF THE
WASHINGTON STATE OFFICE OF ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

EXHIBIT CAC-1CT

November 22, 2019

Shaded Information is Designated Confidential per Protective Order
in Dockets UE-190529 & UG-190530 (*Consolidated*)

PUBLIC VERSION

DOCKETS UE-190529 and UG-190530 (Consolidated)
RESPONSE TESTIMONY OF CARLA A. COLAMONICI
EXHIBIT CAC-1CT

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION / SUMMARY	1
II. WATER HEATER RENTAL PROGRAM.....	4
III. GREEN DIRECT PROGRAM.....	12
IV. DISTRIBUTION SYSTEM PLANNING.....	16
V. INTRODUCTION OF PUBLIC COUNSEL WITNESSES	18
VI. CONCLUSION	19

DOCKETS UE-190529 and UG-190530 (Consolidated)

RESPONSE TESTIMONY OF CARLA A. COLAMONICI

EXHIBIT CAC-1CT

EXHIBITS LIST

Exhibit CAC-2	Puget Sound Energy Response to Public Counsel Data Request No. 97
Exhibit CAC-3	Puget Sound Energy Response to Public Counsel Data Request No. 94, Attachment A.
Exhibit CAC-4	Puget Sound Energy Response to Public Counsel Data Request No. 93 with Attachment A, No. 96 with Attachment A, and 178
Exhibit CAC-5	Puget Sound Energy Response to Public Counsel Response No. 176
Exhibit CAC-6	Puget Sound Energy Response to Public Counsel Response No. 91
Exhibit CAC-7	Puget Sound Energy Response to WUTC Staff Data Request No. 94
Exhibit CAC-8C	Puget Sound Energy Response to WUTC Staff Data Request No. 95
Exhibit CAC-9C	Puget Sound Energy Response to WUTC Staff Data Request No. 96
Exhibit CAC-10	Puget Sound Energy Response to WUTC Staff Data Request No. 97

I. INTRODUCTION / SUMMARY

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

2 A. My name is Carla Colamonici and my business address is 800 Fifth Avenue, Suite 2000,
3 Seattle, Washington, 98104.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed as a Regulatory Analyst with the Public Counsel Unit of the Washington
6 State Attorney General's Office ("Public Counsel").

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

8 A. I am testifying on behalf of the Public Counsel Unit.

9 **Q. Please describe your professional qualifications.**

10 A. I have a B.A. in Philosophy and a B.S. in Psychology from Loyola University Chicago,
11 as well as a Master of Public Policy also from Loyola University Chicago. Additionally, I
12 am currently pursuing a Master's in Business Administration from Seattle University.

13 Prior to joining Public Counsel, I was a Consumer Rights Counselor and a Policy
14 Intern at Citizens Utility Board (CUB) in Chicago, Illinois. In my duties as a Consumer
15 Rights Counselor, I assisted ratepayers in understanding their rights under the Public
16 Utilities Act, filed informal cases with investor-owned utilities, and conducted billing
17 analyses. As a Policy Intern, I represented CUB at Stakeholder Advisory Group monthly
18 energy efficiency meetings and in negotiations on their Energy Efficiency Portfolio
19 Standard Plans. Additionally, I worked on issues and cases related to Smart Grid
20 deployment, distributed generation, and consumer protections related to electricity
21 deregulation.

1 Since joining Public Counsel in August 2016, I have worked on a range of energy
2 issues and cases, including the review and analysis of utility conservation programs,
3 low-income assistance programs, and various issues in an electric and natural gas general
4 rate case (Avista's 2017 General Rate Case, Dockets UE-170485 and UG-170846 on fuel
5 conversions). I testified on behalf of Public Counsel in support of the settlements reached
6 in Dockets UG-151663 (Puget Sound Energy's Liquefied Natural Gas proposal),
7 UE-161123 (Puget Sound Energy Open Access Tariff), UG-170929 (Cascade Natural
8 Gas's 2017 General Rate Case), and UE-180899 and UG-180900 (Puget Sound Energy
9 Expedited Rate Filing). Finally, I testified on behalf of Public Counsel in opposition of
10 the settlement reached in Dockets UE-170033 and UG-170034 (Puget Sound Energy's
11 2017 General Rate Case).

12 **Q. What exhibits are you sponsoring in this proceeding?**

13 A. I will be sponsoring the following exhibits:

- 14 • Exhibit CAC-2, Puget Sound Energy Response to Public Counsel Data Request
15 No. 97;
- 16 • Exhibit CAC-3, Puget Sound Energy Response to Public Counsel Data Request
17 No. 94, Attachment A;
- 18 • Exhibit CAC-4, Puget Sound Energy Response to Public Counsel Data Request
19 No. 93 with Attachment A, No. 96 with Attachment A, and 178;
- 20 • Exhibit CAC-5, Puget Sound Energy Response to Public Counsel Data Request
21 No. 176;
- 22 • Exhibit CAC-6, Puget Sound Energy Response to Public Counsel Response

- 1 No. 91;
- 2 • Exhibit CAC-7, Puget Sound Energy Response to WUTC Staff Data Request
- 3 No. 94;
- 4 • Exhibit CAC-8C, Puget Sound Energy Confidential Response to WUTC Staff
- 5 Data Request No. 95;
- 6 • Exhibit CAC-9C, Puget Sound Energy Response to WUTC Staff Data Request
- 7 No. 96; and
- 8 • Exhibit CAC-10, Puget Sound Energy Response to WUTC Staff Data Request
- 9 No. 97.

10 **Q. Please provide a summary of your testimony.**

11 A. I will be discussing Puget Sound Energy's (PSE or the "Company") Water Heater Rental

12 Program, its Green Direct Program, and propose a Distribution System Planning process.

13 Specifically, I recommend:

- 14 • The Commission should order PSE to notify participants of the Water Heater
- 15 Rental Program when their leased equipment is fully depreciated;
- 16 • The Commission should not allow PSE to transfer the rental agreements of fully
- 17 depreciated equipment in the sale of the Water Heater Rental Program.

18 Additionally, the Company should either provide the customer the option of either

19 (1) requesting to end the rental agreement and take ownership of the equipment,

20 or (2) request to end the rental agreement and remove the equipment;

- 21 • The Commission should require that any gain on the sale of the Water Heater
- 22 Program should be returned to customers;

- 1 • The Commission should require PSE to remove the two power purchase
2 agreements associated with the Green Direct Program, as well as any other costs
3 associated with these power purchase agreements, from the Company's power
4 cost adjustment until the projects are in service and provide benefits to customers;
- 5 • The Commission should require PSE to file an accounting petition for the
6 treatment of their accumulated liquidated damages associated with the
7 Skookumchuck Project for the Green Direct Program;
- 8 • The Commission should order the Company to return the liquidated damages
9 earned from the delay of the Skookumchuck Project to Schedule 139 customers
10 by offset program costs; and
- 11 • The Commission should require PSE to implement a Distribution System
12 Planning Process and Advisory Group for more transparency and stakeholder
13 involvement.

14 Finally, I will introduce all of Public Counsel's witnesses in this proceeding.

II. WATER HEATER RENTAL PROGRAM

15 **Q. Please describe the Company's Water Heater Rental Program.**

16 A. For many years now, PSE has offered its customers the option to lease its heating
17 equipment directly from the Company. This has been a long-standing program, which
18 began with PSE's predecessors and continued in some capacity by PSE. Interested
19 customers would sign a rental agreement and pay a monthly fee, which includes the price
20 of maintenance, repairs, and replacement costs, in exchange for renting heating

1 equipment directly from PSE. The program includes both residential and commercial
2 heating equipment rentals. While the program is no longer open to new customers, the
3 program has seen annual declining participation rates.¹

4 **Q. How much revenue is associated with the program?**

5 A. The program's annual revenue for 2018 was a little over \$5.8 million.²

6 **Q. How many customers are currently participating in the program?**

7 A. According to the Prefiled Direct Testimony of William T. Einstein, as of December 31,
8 2018, there were a total of 26,456 participating customers, with 24,028 residential and
9 2,428 commercial customers.³

10 **Q. What is the current attrition rate for the program?**

11 A. The annual attrition rate for the program has been between four and six percent annually.
12 For example, the attrition rate for 2017 was 4.58 percent and 5.19 percent in 2018.⁴

13 **Q. Are any participants making payments on fully depreciated equipment?**

14 A. Yes. As shown in the table below, 45 percent of participating customers are making
15 payments on fully depreciated equipment.⁵ As of July 31, 2019, there were 11,262
16 undepreciated residential water heaters and 1,269 undepreciated commercial water
17 heaters in service.⁶

¹ Prefiled Direct Testimony of William T. Einstein, Exh. WTE-1CT at 2-3.

² Einstein, Exh. WTE-1CT at 3.

³ *Id.*

⁴ Carla A. Colamonici, Exh. CAC-2

⁵ Einstein, Exh. WTE-1CT at 3.

⁶ Colamonici, Exh. CAC-3.

Table 1: Number of Depreciated Equipment in the Water Heater Rental Program⁷

	Number of Current Customers*	Number of Depreciated Equipment*	Number of Undepreciated Equipment**
Residential	24,028	10,955	11,262
Commercial	2,428	973	1269
Total	26,456	11,928	12,531

* As of Dec. 31, 2018

** As of July 31, 2019

Q. Why are customers continuing to make monthly payments on fully depreciated equipment?

A. Public Counsel believes that customers are not being appropriately notified when they have paid off the book value (at the time of installation) of the equipment they are leasing. We are cognizant of the possibility that some customers may be aware that their equipment is fully depreciated and may be continuing in the program for the added benefit of the maintenance and repair costs that are covered by the monthly payment. However, as of August 23, 2019, only an average of 0.19 and a median of zero repairs were attributable to active rental agreements.⁸

Q. Is the Company notifying customers that their equipment is fully depreciated?

A. No, they are not. According to PSE, the Company will only inform customers if their equipment is fully depreciated when the customer asks to end its lease agreement. The customer will then receive a verbal, as well as written (email or mail) indication of the

⁷ Number of customers are December 31, 2018, numbers as stated in Exhibit WTE-1CT at 3.

⁸ These numbers only include repairs. Replacements are tracked separately from repairs and appear as “a new, unique equipment number. This would mean that any replacement water heater would fall under the same category as an installation date.” Colamonic, Exh. CAC-4.

1 depreciated value of the equipment.⁹ Thus, this information is only given to the customer
2 if the customer requests the information from the Company.

3 **Q. Does Public Counsel agree with this practice?**

4 A. No, we do not. The Company is earning revenue from fully depreciated assets, in
5 addition to not informing customers that they have paid off of the book value of the
6 leased equipment. As previously stated, the Company is earning around \$5 million in
7 revenues associated with the program that has almost half of its assets fully depreciated.

8 **Q. What does the Company plan to do with the Water Heater Rental Program?**

9 A. According to the Supplemental Testimony of William T. Einstein, PSE intends to sell its
10 Water Heater Rental Program or end the program within five years. At this time, PSE has
11 received a few offers from bidders and is reviewing the bidders' proposals for selection.
12 The Company anticipates that it will seek the Commission's approval to sell the Water
13 Heater Rental Program by the end of 2019.¹⁰

14 **Q. Please describe the three options PSE proposes to offer to all its current customers
15 participating in the Water Heater Rental Program, upon approval by the
16 Commission to sell the Water Heater Rental Program.**

17 A. PSE proposes to give all current customers, regardless of book value of the rental
18 equipment, the same three options:

- 19 (1) The customer can transfer the rental agreement to the new owner and continue to
20 make monthly payments;
21 (2) Request to end the current rental agreement and take ownership of the equipment;

⁹ Colamonici, Exh. CAC-5.

¹⁰ Supplemental Testimony of William T. Einstein, Exh. WTE-8T at 1-2.

1 or

2 (3) Request to end the current rental agreement and the equipment be removed by

3 PSE.¹¹

4 **Q. Are these options applicable to both rental agreements that are for fully depreciated**
5 **and undepreciated equipment?**

6 A. Yes. The Company plans to offer the same three options to customers with rental
7 agreements for fully depreciated and undepreciated equipment.¹²

8 **Q. Does Public Counsel agree with the Company's proposal to offer the same three**
9 **options for fully depreciated and undepreciated equipment?**

10 A. No, we do not. We agree the undepreciated rental agreements should be offered the
11 Company's proposed three options. These rental agreements as of July 31, 2019, have a
12 net book value of \$8,747,140 for 12,531 units,¹³ with about 686 new installation dates in
13 2019 (as of August 23, 2019).¹⁴

14 However, when considering fully depreciated rental agreements, Public Counsel
15 believes that these agreements should receive similar treatment to those agreements in
16 PSE's Gas Conversion Burner Rental Program. In Docket UG-190784, the Company
17 proposed to either allow the customer to take ownership of the equipment or have the
18 equipment removed.¹⁵

19

¹¹ Einstein, Exh. WTE-1CT at 7:13-20.

¹² Colamonici, Exh. CAC-6.

¹³ Colamonici, Exh. CAC-3.

¹⁴ Colamonici, Exh. CAC-4

¹⁵ Open Meeting Memo, *Puget Sound Energy Natural Gas Tariff Revision* (Oct. 24, 2019) (Docket UG-190784).

1 **Q. Does Public Counsel agree with the Company's decision to sell the Water Heater**
2 **Rental Program?**

3 A. Public Counsel does not oppose the sale of the Water Heater Rental Program for those
4 assets and rental agreements that are not fully depreciated. However, as we mentioned
5 above and discuss at length below, we do not agree with the sale or transfer of those
6 rental agreements associated with fully depreciated equipment.

7 **Q. Why does Public Counsel believe that PSE should not include the fully depreciated**
8 **equipment rental agreements in the sale of the Water Heater Program?**

9 A. We have two primary reasons for opposing the inclusion of fully depreciated rental
10 agreements from the sale of the Water Heater Rental Program.

11 First, a little under half of customers in this program have been paying for fully
12 depreciated equipment for an extended period of time. This practice should not continue
13 into the sale of the program. For example, assume a customer is currently an active
14 customer with no repairs. This customer's equipment had a book value of \$850 at the
15 time of installation in January 2000. The customer will have paid a total of \$1,340.64 at a
16 rate of \$5.88 a month since installation (at the end of 2019). This customer paid \$490.64
17 more than the value of the equipment at the time of installation.

18 Another example, assume another customer who at the time of installation of
19 equipment in October 2007 had a book value of \$1,900.00, was charged \$33.40 a month
20 and is still an active customer at the end of 2019. This customer would have paid a total
21 of \$4,475.60, which is \$2,575.60 more than the value of the equipment at the time of

1 installation.¹⁶ Thus, both of these customers are continuing to make payments toward
2 fully depreciated equipment, which in most cases is now obsolete and inefficient
3 equipment.

4 Second, most customers with fully depreciated equipment do not benefit from
5 paying monthly fees for repair costs. According to PSE's Response to Public Counsel
6 Data Request No. 93, only 3,524 of the 25,357, or 14 percent, of rental equipment have
7 utilized at least one repair. Only 261, or 0.1 percent, of rental equipment has more than
8 two repairs. Thus, 21,832, or 86 percent, of the rental agreements never employed a
9 repair on their rental equipment.¹⁷ Therefore, the majority of customers are not utilizing
10 these benefits and should not continue to pay for this program once it is sold to a third
11 party.

12 **Q. Does Public Counsel have any other comments regarding the sale of the Water**
13 **Heater Program?**

14 A. Yes, we do. In Exhibit WTE-8T, the Company states, "If the Commission approves the
15 sale of PSE's water heater rental service prior to the end of this case, PSE proposes that
16 the associated reduction in rate base, expenses and revenues be reflected in the
17 compliance filing supporting the final rates in this case."¹⁸ Public Counsel believes that
18 any gain from the sale of an asset should be returned to customers and not kept by the
19 Company. We believe this is consistent with Commission precedent, such as in the
20 Pacific Power and Light proceeding associated with sale of water rights and associated

¹⁶ Colamonici, Exh. CAC-4.

¹⁷ *Id.*

¹⁸ Einstein, Exh. WTE-8T at 3:5-8.

1 assets of the Naches Hydroelectric Facility,¹⁹ PSE's Jefferson County PUD sale,²⁰ and
2 Avista Corporation's sale of the Centralia coal plant.²¹

3 **Q. Please summarize your recommendations regarding the Water Heater Program.**

4 A. Public Counsel has four recommendations regarding the Water Heater Rental Program.

5 First, the Company should notify all participating customers if and when the customer
6 has fully depreciated equipment, given that the Company intends to sell the program
7 within five years.

8 Second, when PSE notifies the customer that their equipment is fully depreciated,
9 the Company should provide the customer with the option to either: (1) end the rental
10 agreement and take ownership of the equipment; or (2) end the agreement and PSE will
11 remove the equipment.

12 Third, we oppose the inclusion of any rental agreements for fully depreciated
13 equipment within the sale of the Water Heater Rental Program. These customers have
14 overpaid for their rental equipment, and this overpayment should cease when equipment
15 is fully depreciated. We believe this is especially important given the lack of Commission
16 purview toward a third party entity that may change the rental agreements and the
17 monthly charges, further degrading ratepayers' consumer protections for their leased
18 equipment.

¹⁹ *In the Matter of the Petition of Pac. Power & Light Co. for an Ord. Authorizing the Sale of the Water Rights & Associated Assets of the Naches Hydroelectric Facility in accordance with WAC 480-143 & RCW 80.12*, Docket UE-021118, Order Granting Application (Oct. 9, 2002).

²⁰ *In the Matter of the Petition of Puget Sound Energy for an Accounting Ord. Approving the Allocation of Proceeds of the Sale of Certain Assets to Pub. Util. District #1 of Jefferson Cty.*, Docket UE-132027, Order 04: Final Order (Sept. 11, 2014).

²¹ *WUTC v. Avista Corp.*, Dockets UE-991606 and UG-991607, Third Supplemental Order: Final Order (Sept. 29, 2000).

1 Finally, any gains PSE receives from selling the Water Heater Rental Program
2 should be returned to customers.

III. GREEN DIRECT PROGRAM

3 **Q. Please describe the Green Direct Program.**

4 A. The Green Direct Program is a voluntary long-term renewable energy program for large
5 customers with usage over 10,000 MWh per year. The program allows customers to
6 choose contracts between 10 and 20 years for access to low cost renewable energy. The
7 program has a capacity of 85 aMW, and is currently fully subscribed.²²

8 **Q. Has the Commission approved the Green Direct Program?**

9 A. In September 2016, the Commission approved the voluntary tariff, known as Schedule
10 139, in Docket UE-160977.²³ Public Counsel participated in this filing and was
11 supportive of the tariff. Our primary concern with the filing was the possibility of non-
12 participating customers cross-subsidizing program costs. However, per the Commission's
13 Order 01 and RCW 19.29A.090(5), the Company will be monitoring the costs and
14 benefits of Schedule 139 separately in its Power Cost Adjustment mechanism.

15 **Q. What projects were chosen from PSE's resource acquisition processes for the Green
16 Direct Program?**

17 A. The Company had two Open Seasons to procure resources needed for the Green Direct
18 Program, which resulted in the acquisition of two Purchase Power Agreements (PPAs).

²² Einstein, Exh. WTE-1CT at 10.

²³ UE-160977, *In the Matter of Tariff Revisions Filed by Puget Sound Energy Offering Voluntary Long Term Renewable Energy*, Docket UE-160977, Order 01: Order Approving Tariff Filing (Sept. 28, 2016).

1 The first Open Season resulted in a 43 aMW Skookumchuck Wind Project in Lewis
2 County and the second was a 42 aMW Lund Hill Solar Project in Klickitat County.²⁴

3 **Q. Please describe the timeline for the Skookumchuck Project.**

4 A. The Skookumchuck Project was projected to be completed in the first quarter of 2019.
5 However, PSE stated there were many unexpected delays and delivery of energy should
6 begin late 2019.

7 **Q. Is the Skookumchuck Project set to deliver energy late 2019?**

8 A. No, according to PSE's response in discovery, the Company believes that the "Final
9 Completion" will be February 14, 2020.²⁵

10 **Q. Is the Lund Hill Project online?**

11 A. Lund Hill is not in service and is set to begin service in 2021.²⁶

12 **Q. Are these PPAs included in the power cost update for this rate case?**

13 A. Yes. According to Mr. Paul K. Wetherbee's Prefiled Direct Testimony, the two PPAs
14 associated with the Green Direct Program are primary drivers of the increase in power
15 costs from 2017 for the May 2020 to April 2021 rate year.²⁷ The Skookumchuck PPA
16 and Lund Hill PPA result in an increase to the power cost adjustment of [REDACTED]
17 ([REDACTED] and [REDACTED], respectively).²⁸ The Skookumchuck PPA also has an
18 estimated [REDACTED] in balancing costs associated with the wind integration of the
19 resource for the rate year.²⁹

²⁴ Einstein Exh. WTE-1CT at 11.

²⁵ Colamonic, Exh. CAC-7.

²⁶ Einstein, Exh. WTE-1CT at 14.

²⁷ Prefiled Direct Testimony of Paul K. Wetherbee, Exh. PKW-1CT at 3-4.

²⁸ Wetherbee, Exh. PKW-3C at Tab "13C Summary by resource", rows 31-32.

²⁹ Wetherbee, Exh. PKW-3C, at Tab "22C Skookumchuck balancing".

1 **Q. Are the PPAs currently providing benefits to customers?**

2 A. No, they are not.

3 **Q. Does Public Counsel believe that the costs associated with these PPAs and the Green**
4 **Direct Program should be included in the power cost update?**

5 A. Public Counsel does not believe that either of the PPAs or any other costs associated with
6 the Green Direct Program should be included in this power cost update. Neither of the
7 PPAs are in service and participating customers are not receiving any benefits from them;
8 thus, they should be removed until they are in service and delivering energy. However, if
9 the Skookumchuck project does come into service by its expected February 2020
10 completion date and is providing benefits to customers, then we concur to the inclusion
11 of this PPA and its balancing costs in the power cost adjustment.

12 **Q. Does Public Counsel have any other concerns regarding the Green Power Program?**

13 A. Yes, we do. As we previously mentioned, the construction of the Skookumchuck Project
14 has had several delays. This resulted in PSE receiving liquidated damages, pursuant to
15 the provisions in its PPA, due to these delays.³⁰

16 **Q. Please provide the amount of accumulated liquidated damages the Company has**
17 **received.**

18 A. According to PSE, they have received [REDACTED] of liquidated damages as of September
19 30, 2019.³¹

20 **Q. Is the Company expected to receive more liquidated damages?**

21 A. Yes. According to PSE, they are projecting an additional [REDACTED] through February

³⁰ Wetherbee, Exh. PKW-3C.

³¹ Colamonic, Exh. CAC-8C.

1 2020.³²

2 **Q. Has PSE proposed how it will treat its liquidated damages?**

3 A. PSE has not finalized how it will treat the liquidated damages. However, in discovery, the
4 Company explained that it was considering several possibilities and shared some of their
5 thoughts on the liquidated damages.³³

6 First, the Company states that they may not have authority to defer the liquidated
7 damages. Second, PSE states that there is “no contractual or tariff basis for allocating
8 these funds to Schedule 139 customers at this time,”³⁴ in reference to allocating these
9 funds to the customers before the resource becomes commercially operational. Third,
10 there is no current mechanism in place for applying these funds to customers. Fourth, the
11 Company has considered employing these funds to the purchase of RECs on behalf of
12 Schedule 139 customers, as a below-the-line transaction. Finally, the Company proposes
13 to file an accounting petition to defer the liquidated damages.

14 **Q. Does Public Counsel agree with the Company’s proposals and remarks regarding**
15 **the treatment of the liquidated damages?**

16 A. Generally, no. We do agree that an accounting petition is necessary to defer the liquidated
17 damages. However, we believe that these funds should be returned to Schedule 139
18 customers. Specifically, we believe that the liquidated damages should be used to offset
19 the program costs for participating customers.

³² Colamonici, Exh. CAC-9C.

³³ Colamonici, Exh. CAC-10.

³⁴ *Id.*

1 **Q. Please describe Public Counsel’s recommendation for the treatment of the**
2 **liquidated damages.**

3 A. Public Counsel believes that PSE should file an accounting petition in order to defer the
4 liquidated damages accumulated due to the delay in the Skookumchuck Project. Also,
5 PSE should return the liquidated damages to Schedule 139 customers, and these funds
6 should to be used to offset program costs.

IV. DISTRIBUTION SYSTEM PLANNING

7 **Q. Please briefly describe your observation of the AMI decision-making process.**

8 A. As will be discussed by Public Counsel witness Mr. Paul J. Alvarez, it was difficult to
9 decipher and understand PSE’s rationale and assumptions in their AMI Business Case. In
10 fact, our review of the Company’s filing resulted in more questions and necessary
11 explanations for their decisions. Considering that this was a significant investment and it
12 appears to be a discretionary investment, we believe stakeholder input would have
13 strengthened the decision making process. Specifically, we believe that stakeholder
14 involvement and input would have been advantageous in discussing the perceived (or
15 lack thereof) costs and benefits of this investment and the alternatives presented in this
16 case.

17 **Q. Does Public Counsel have any recommendations that would have made this process**
18 **easier for stakeholders to decipher?**

19 A. Yes, as we have discussed and supported in other proceedings before the Commission,
20 Public Counsel believes that a stakeholder process for distribution planning and

1 distribution system plans should be established in order to increase transparency and
2 understanding of utility investments.³⁵ We believe this distribution planning process is
3 necessary for two reasons. First, new and changing technology is now customer-centric
4 and localized, and can now be added to the distribution system in a manner that we have
5 not seen before in Washington State. We believe that the integration of distribution
6 system plans can assist in understanding how these investments are chosen and determine
7 whether the investments are cost-effective in relation to other options.

8 Second, with the passing of the Clean Energy Transformation Act (CETA),
9 capital investments are necessary to achieve its goals. Distribution planning is essential to
10 the integration of new renewable and non-emitting energy, as well as the integration of
11 distributed generation, while maintaining a reliable and safe grid. We believe that the
12 distribution system plans can also assist in understanding the investments made pursuant
13 to CETA.

14 **Q. What would be the purpose and primary objective of a Distribution Planning**
15 **Group?**

16 A. Public Counsel believes that the primary objective of this group is to increase
17 transparency and understanding of distribution investments. We believe this group would
18 serve a similar purpose as other advisory groups, such as the integrated resource plan
19 advisory groups. The group would meet to discuss and understand a utility's future
20 distribution investments, such as pilots or other potential investments related to
21 increasing reliability, safety, and resiliency, which would be filed in a distribution system

³⁵ Public Counsel Comments on Distribution Planning, *Rulemaking for Integrated Resource Planning, WAC 480-100-238, WAC 480-90-238, and WAC 480-107* (May 17, 2018) (Docket U-161024).

1 plan.

2 **Q. Would this advisory group be independent of other advisory groups currently in**
3 **place?**

4 A. Yes, we believe that the distribution planning group should be separate from other
5 existing advisory groups. However, we understand that there will be some necessary
6 coordination with other advisory groups, such as the integrated resource planning
7 advisory groups, for distribution investments employed as a resource, or with the
8 conservation advisory groups, for distribution investments with conservation potential.
9 Furthermore, similar to the two advisory groups just mentioned, we believe the
10 distribution system plans should have independent filings that are reviewed similarly to
11 an integrated resource plan.

12 **Q. Please summarize Public Counsel's recommendation regarding Distribution**
13 **Planning.**

14 A. Public Counsel believes that the Commission should establish a process for distribution
15 system plan filings, including distribution planning groups, in order to address current
16 stakeholder's lack of transparency and understanding of distribution system investments.

V. INTRODUCTION OF PUBLIC COUNSEL WITNESSES

17 **Q. Please present Public Counsel's witnesses for this proceeding.**

18 A. Public Counsel will have six witnesses, including myself. Below is a list of the witnesses
19 and a summary of their respective testimony:

- 20 • Mark Garrett is our revenue requirement witness. He will discuss Public

- 1 Counsel's recommended revenue requirement for both gas and electric. He will
2 also discuss the Company's request for an attrition adjustment and projected
3 capital costs for an entire year following the rate year.
- 4 • Glenn Watkins is our cost of service witness. He will discuss rate spread and rate
5 design for PSE's electric and gas operations.
 - 6 • Susan Baldwin will testify on the Company's Get to Zero proposal.
 - 7 • Paul Alvarez will discuss PSE's deployment of advanced metering infrastructure.
 - 8 • Randy Woolridge is our cost of capital witness. He will propose an 8.75 percent
9 return on equity and a rate of return of 6.98 percent.

VI. CONCLUSION

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

11 **A. Yes**