

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**DOCKETS UE-170033 & UG-170034
(Consolidated)**

REVISED RESPONSE TESTIMONY OF

SHAWN M. COLLINS (SMC-1Tr)

**DIRECTOR OF
THE ENERGY PROJECT**

Low-Income Issues

JULY 31, 2017

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

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EXHIBIT LIST

Exh. SMC-2 *Professional Qualifications*

I. INTRODUCTION

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Q: Please state your name and business address.

A: My name is Shawn Collins. My business address is 3406 Redwood Avenue, Bellingham, WA 98225.

Q: By whom are you employed and in what capacity?

A: I am the Director of The Energy Project (TEP), a program of the Washington State Community Action Partnership housed at the Opportunity Council in Bellingham, WA.

Q: How long have you been employed by the Opportunity Council.

A: I have been employed by Opportunity Council since 2006.

Q: Would you please state your educational and professional background?

A: Attached as Exh. SMC-2 is a statement of my professional qualifications.

Q: On whose behalf are you testifying?

A: I am testifying for TEP, an intervenor in this proceeding, on behalf of the Community Action Partnership (CAP) organizations that provide low-income energy efficiency and bill payment assistance for customers in Puget Sound Energy's service territory. These agencies include: Centerstone; Community Action Council of Lewis, Mason, Thurston; Community Action of Skagit County; Hopelink; Hopesource; Metropolitan Development Council; Multi-Service Center; Kitsap Community Resources; Opportunity Council; Pierce County Community Action, and Snohomish County Community Action.

1 **II. PURPOSE AND SUMMARY OF TESTIMONY**

2 **Q: What is the scope of your testimony?**

3 A: My testimony is concerned with the PSE programs that provide assistance to low-
4 income customers in PSE's service territory, as well as selected issues in this
5 docket that impact low-income populations.

6 **Q: Could you please summarize your testimony?**

7 A: My testimony supports the recommendations of PSE witness Suzanne Sasville
8 with regard to the PSE Home Energy Lifeline Program (HELP). In addition, my
9 testimony addresses low-income weatherization proposed increases to the
10 customer charge, PSE's Get To Zero initiative, decoupling, outreach, and the
11 proposal for a three-tier rate structure.

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

14 **III. CHANGES TO PSE'S LOW-INCOME BILL ASSISTANCE AND**
15 **WEATHERIZATION PROGRAMS**

16
17 **A. PSE'S LOW-INCOME BILL ASSISTANCE PROGRAM AND THE**
18 **LEVEL OF NEED.**

19
20 **Q: Suzanne Sasville provides a brief overview of the PSE HELP in her**
21 **testimony. Is that an accurate assessment of the program?**

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

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

3 A: I agree with Ms. Sasville's statement that there is unmet need in the Company
4 service territory. The need is substantial. It is important to keep in perspective, as
5 she points out, that approximately 20 percent of PSE customers are at or below
6 150 percent of Federal Poverty Level (FPL), around a quarter of a million
7 people.¹ Of this number, only about 13 to 14 percent receive assistance from the
8 HELP program.² The significance of the 150 percent metric is that it is used to
9 determine eligibility for the PSE HELP program, and is also the metric used in
10 most other investor-owned utility (IOU) bill assistance programs in Washington.

11 While 150 percent of FPL is a useful metric at a practical level, it provides
12 a quite conservative picture of the real low-income population. Other analyses
13 have been developed to more accurately capture the nature and extent of income
14 insecurity in Washington. The Washington Self-Sufficiency Standard (WSSS)
15 developed at the University of Washington is one example. This standard
16 describes how much income families of various sizes and compositions need to
17 make ends meet without private or public assistance in each county of
18 Washington. It is a measure of economic security that is based on the cost of
19 basic needs for working families: housing, child care, food, health care,

¹ Exh. SMS-1T at 3:7-10; Exh. SMS-3.

² The percentage (13.2) is obtained by dividing the reported HELP customers in the 2014/2015 Annual Report (34,938) by the estimated total number of PSE customers below 150 percent of Federal Poverty Level in Exh. SMS-3 (264,988). The Annual Report was produced in the PSE Response to Staff Data Request No. 130, Att. A.

1 transportation and miscellaneous items as well as taxes and tax credits.³ The most

2 recent analysis by the WSSS observes:

3 The Self-Sufficiency Standard for Washington State 2014 defines the
4 income needed to realistically support a family, without public or private
5 assistance. For most workers throughout Washington State the Self-
6 Sufficiency Standard shows that earnings well above the official Federal
7 Poverty Level are nevertheless far below what is needed to meet families'
8 basic needs.⁴

9
10 For example, the WSSS finds that for a three-person household with one
11 adult, one preschooler, and one school age child, the income required for self-
12 sufficiency in Thurston County is 264 percent of the Federal Poverty Level, in
13 South King County 327 percent, and in Kittitas County 240 percent.⁵

14 The United Way ALICE reports provide another perspective on household
15 economics in Washington. ALICE is an acronym that stands for Asset Limited,
16 Income Constrained, Employed. This population comprises households with
17 income above the Federal Poverty Level but below the basic cost of living. The
18 ALICE reports calculate the “ALICE Threshold”, the average level of income that
19 a household needs to afford the basics defined by the ALICE Household Survival
20 Budget for each county in the Pacific Northwest.⁶ The Household Survival Data
21 snapshot page for each county describes a “bare minimum budget [that] does not
22 allow for any savings, leaving household vulnerable to unexpected expenses.”⁷

³ The Self-Sufficiency Standard for Washington State 2014 (August 2015 Revision)(WSSS), Executive Summary, p. 1.

⁴ *Id.*

⁵ WSSS, Table C-1.

⁶ ALICE reports are prepared for many parts of the United States. Citations here are to the United Way ALICE Report – Pacific Northwest: Idaho, Oregon and Washington (Fall 2015, Revised September 2016)(ALICE Report). Alice Report, Executive Summary, p. 2.

⁷ ALICE Report, p. 334, ALICE in Thurston County, 2013 Point In Time Data.

1 For Thurston County, for example, the ALICE report calculates a survival budget
2 of \$56,136 for a household with two adults, one preschooler, and one infant.
3 Using a Federal Poverty Level for that size household of \$23,550, a minimal
4 survival budget in Thurston County is 238 percent of FPL under the ALICE
5 methodology.⁸

6 The picture of the low-income population in PSE's service territory
7 provided by these different metrics provides essential context for evaluating the
8 need for low-income programs, as well as for more broadly evaluating the impact
9 of PSE's rate proposals in this case.

10 **B. PROPOSED INCREASE FOR HELP FUNDING.**

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

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

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

19 A: The Commission recognized in its 2013 Rate Plan Order that "any rate increase,
20 no matter how small, has a disproportionate impact on PSE's low-income
21 customers."⁹ The Commission also observed that programs for low-income bill

⁸ *Id.*

⁹ *In the Matter of The Petition of Puget Sound Energy, Inc., and Northwest Energy Coalition*, Dockets UE-121697 and UG-121705, UE-130137/UG-130138, Order 07 (Rate Plan Order), ¶ 174.

1 assistance are “chronically underfunded.”¹⁰ The increases proposed here by PSE
2 will help to address these concerns. The magnitude of the unmet need in PSE’s
3 service territory discussed above, and in Ms. Sasville’s testimony, further
4 provides a strong justification for this increase. An increase in bill assistance of
5 twice the percentage of the residential increase has been approved as reasonable
6 by the Commission for other Washington companies.¹¹

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

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

15 The HELP increase proposed by Ms. Sasville addresses the “overall percent rate
16 increase to the residential class that is approved by the Commission in this case.”
17 Mr. Piliaris updates the proposed base rate changes to show an 8.2 percent
18 increase for residential rates.¹³ However, PSE’s ERF proposal and its ECRM
19 proposal may result in additional increases to rates in the future, prior to the next

¹⁰ Rate Plan Order, n.246.

¹¹ *Washington Utilities & Transportation Commission v. Avista Corporation*, UE-150204/UG-150205, Order 05, ¶ 232; *Washington Utilities & Transportation Commission v. Pacific Power & Light Co.*, Docket UE-152253, Order 12, ¶ 241.

¹² Rate Plan Order, ¶ 177.

¹³ Supplemental Direct Testimony of Jon Piliaris, Exh. JAP-34T at 12, Table 1.

1 rate case, that would not be included in the impacts described by Mr. Piliaris. To
2 the extent the HELP increases proposed do not take those future increases into
3 account, they represent a conservative level of offset to the potential full impact of
4 the PSE proposals in this case. It may be appropriate to revisit HELP funding
5 levels if these mechanisms result in significant additional rate increases.

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

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

9 A: Yes, TEP supports making adjustments to the HELP program's funding ratio
10 between electric and gas. The proposed change modifies HELP funding
11 allocation so that it will be distributed 80 percent to electric and 20 percent to
12 natural gas customers. This change will allow for funds to be directed to where
13 they are most currently utilized, as outlined in Ms. Sasville's testimony.¹⁴

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

15 **Q: What is TEP's perspective on PSE's proposed change in the eligibility and**
16 **certification process for HELP?**

17 A: Allowing for a two-year certification process for senior, disabled, and other fixed
18 income customers who are eligible for HELP will better meet the needs of those
19 customers with limited mobility and no substantial change in their household
20 circumstances. It is our hope that this change will also help to reduce some of the

¹⁴ Direct Testimony Of Suzanne M. Sasville, Exh. SMS-1T at 5:9-12.

1 administrative burden on the agency side in terms of processing applications and
2 administering benefits.

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

5 A: As mentioned by Ms. Sasville in her testimony¹⁵, Pacificorp's Low-income Bill
6 Assistance Program utilizes two-year eligibility. For Avista's Senior and
7 Disabled Rate Discount Pilot program, customers were allowed to establish
8 eligibility for the two-year term of the pilot.¹⁶

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

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

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

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

17 A: Under PSE's current HELP tariff Schedule 129, the income-eligibility ceiling for
18 the program fluctuates in a range between 125 percent and 150 percent of federal
19 poverty guidelines. Within that range, the precise income eligibility figure equals
20 50 percent of the median income of a specific area.

¹⁵ Sasville, Exh. SMS-1T at 7:4-6.

¹⁶ Avista Utilities, Schedules 2 and 102 (Fixed-Income Senior and Disabled Residential Service-Washington).

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

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

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

14 A: Yes. The metric is used as a stand-alone income eligibility metric by Pacific
15 Power, Cascade Natural Gas, and Northwest Natural Gas for their bill assistance
16 programs.¹⁷

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

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

19 A: Yes. Mr. Piliaris notes in his testimony that as part of the original decoupling
20 mechanism, PSE agreed to increase its funding for low-income weatherization by

¹⁷ Avista uses an eligibility level of 125 percent of Federal Poverty Level, except in its Fixed-Income Senior and Disabled Pilot which uses 126 – 200 percent. Avista, Schedules 2 and 102.

1 \$500,000 per year. Mr. Piliaris states: “PSE proposes to continue this higher
2 funding level for the proposed mechanisms in this filing.”¹⁸

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

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

¹⁸ Direct Testimony of Jon A. Piliaris, Exh. JAP-1T at 146:4-5.

¹⁹ Rate Plan Order 07, ¶ 177.

²⁰ *Id.*

²¹ As part of the original Rate Plan Settlement, PSE also committed to provide \$100,000 per year for low-income energy efficiency. Rate Plan Order 07, ¶ 178. Exh. JAP-29 at 85, n.41 (Peach Decoupling Report). That commitment expires with the end of the Rate Plan. Shareholder funding provides additional flexibility to fund health and safety and repair measures that facilitate low-income energy efficiency.

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

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

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

15 A: Yes. I recommend that funding for low-income energy efficiency programs be
16 increased by \$250,000 per year above the current level²⁴ in order to keep pace
17 with the impacts expected under the new decoupling proposal. This is
18 particularly necessary, given the expiration of the shareholder contribution of
19 \$100,000 per year to low-income energy efficiency that was in effect during the
20 Rate Plan.

²² Piliaris, Exh. JAP-1T at 136:4-8.

²³ Rate Plan Order 07, n.246.

²⁴ The current funding level includes the \$500,000 proposed to continue by Mr. Piliaris. That would remain in effect. The Energy Project proposal of \$250,000 would be additional to that.

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

2 **A. GET TO ZERO/INTEGRATED VOICE RESPONSE (IVR) –**
3 **BENEFITS.**

4
5 **Q: Does The Energy Project have a reaction to the PSE “Get to Zero” initiative?**

6 A: The Energy Project sees potential benefits to some customers in PSE’s Get to
7 Zero program and its increased use of IVR for customer service interactions. As
8 consumers in general have become increasingly comfortable with automated
9 customer service transactions, there is a greater expectation that they will be able
10 handle some business affairs conveniently and efficiently through electronic
11 interactions on the telephone or on-line. One example of this, discussed below,
12 could be electronic enrollment for bill assistance programs. Customers who
13 prefer and are comfortable with these options can find value in the use of
14 electronic channels of communication with the utility. The Energy Project also
15 has a concern, however, that this initiative be appropriately coordinated with
16 Community Action agencies and that it not impair service for low-income
17 customers who need to contact a live agent, particularly to get help with
18 challenging situations such as disconnection.

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

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

22 A: Yes. Low-income customers may encounter situations where electronic customer
23 service is not sufficient to address their needs. This is particularly true in
24 challenging situations, for example, where disconnection, medical emergencies,

1 payment arrangements, and other credit and collection issues are involved. In
2 these circumstances, customers need to have in-person contact with a company
3 representative to get assistance and understand their rights and remedies.

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

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

15 Use of IVR could also pose problems for customers with medical
16 emergencies. Commission rules require the Company to postpone disconnection
17 under Commission rules if it receives "verbal" notification that the customer has a
18 medical emergency.²⁶ If the service has already been disconnected, PSE must
19 reconnect if "the customer contacts the utility prior the close of the business day
20 and requests same day reconnection." Again, it does not appear that IVR would
21 be appropriate to handle this type of call.

²⁵ WAC 480-100-128(6)(a)(iv).

²⁶ WAC 480-100-128 (5).

1 It is important to recall that Commission rules prohibit disconnection of
2 service when a customer is pursuing any remedy or appeal, or is “engaged in
3 discussion with the utility’s representatives” or with the Commission.²⁷

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

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

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

15 A: Yes, Commission rules allow a third party to be designated to receive a notice of
16 disconnection or of other matters affecting service for a customer. If the utility
17 believes a customer is not able to understand the effect of the disconnection, the
18 utility must consider a social agency to be the third party.³⁰ A social agency or
19 other third party will need to be in contact with a live representative to learn what

²⁷ WAC 480-100-128(9).

²⁸ WAC 480-100-128(5)(c)(iii).

²⁹ WAC 480-100-113 (4).

³⁰ WAC 480-100-128(6)(n).

1 is happening, understand the options, and arrange the details for payment or other
2 means to prevent disconnection.

3 Another situation requiring direct communication arises when service is
4 provided to a master meter, or to someone other than the customer of record.
5 When disconnection is threatened, the company must make efforts to contact the
6 occupants of the service address, and the occupants can contact the utility to
7 postpone disconnection and arrange for continued service.³¹

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

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

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

³¹ WAC 480-100-128(6)(l).

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

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

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

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

- 19 (1) residential services deposits,
20 (2) refusal of service and prior obligations,
21 (3) disconnection of service,

³² WAC 480-100-143(1)(a).

- 1 (4) medical emergencies,
- 2 (5) reconnection after disconnection,
- 3 (6) payment arrangements,
- 4 (7) bill assistance, including HELP or LIHEAP, and
- 5 (8) low-income weatherization.

6 PSE stated that, of these call types, only payment arrangement calls can be
7 independently handled by the IVR system.³³ Even for calls about payment
8 arrangements, notwithstanding the availability of the fully automated path, the
9 large majority of calls ultimately required participation by PSE customer
10 representatives.³⁴ In 2015, PSE received 265,282 payment arrangement calls, of
11 which 61,667 were handled solely by the IVR system, with the remainder
12 (203,615 or 77 %) handled by a customer representative. In 2016, PSE received
13 228,470 calls, of which 56,122 were handled solely by the IVR system, with the
14 remainder (172,348 or 75%) handled by a customer representative. This appears
15 to reflect a practical necessity or a strong customer preference, or both, for
16 interaction with a PSE customer representative to make payment arrangements.

17 The Company reported that all the other call types listed are routed
18 through the IVR to be handled by PSE customer representatives.³⁵ PSE was not
19 able to provide the number of calls received by PSE for any of the call types

³³ PSE Response to The Energy Project Data Request No. 1(a).

³⁴ PSE Response to The Energy Project Data Request No. 1(e) and (f).

³⁵ PSE Response to The Energy Project Data Request No. 1(b).

1 except payment arrangement calls as it does not keep detailed data for these call
2 types.³⁶

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

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

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

18 Mr. Mills' testimony does not specifically address the types of calls
19 discussed here. The testimony does express the "aim ... to make the customer
20 experience so good that customers will not have a need to pick up the phone and

³⁶ PSE Response to The Energy Project Data Request No. 1(f).

³⁷ PSE Response To The Energy Project Data Request No. 1 (g). PSE referred The Energy Project generally to the testimony of David Mills, Exh. DEM-1T, for overall information on the objectives and scope of the Get to Zero program.

1 call PSE.”³⁸ While this a laudable goal generally, the reality is that significant
2 numbers of PSE customers will likely always have a need to pick up the phone to
3 interact with a customer representative to resolve payment issues, disconnections,
4 medical certificates and similar circumstances.³⁹ The Get to Zero metric for
5 success described by Mr. Mills is call reduction -- 300,000 fewer calls by the end
6 of 2017, with “similar results in future years.”⁴⁰ Without more information, this
7 testimony raises concerns about PSE’s future ability to be responsive to calls from
8 customers in difficult circumstances.

9 The Energy Project believes it is essential that the Company continue to
10 budget for, hire, and train sufficient staff to provide accurate, high-quality and
11 responsive customer service through live agents for the types of calls discussed
12 here, including payment arrangement calls. This docket provides an opportunity
13 for the Commission to provide guidance to the Company that it should support
14 this function and that the Get to Zero program should not result in impaired access
15 to PSE customer representatives by customers in distressed circumstances who
16 require assistance with payment, disconnection and related issues.

³⁸ Mill, Exh. DEM-1T at 24:2-3.

³⁹ For example, as noted above, PSE receives well over 200,000 calls per year regarding payment arrangements, most of which are handled by live agents.

⁴⁰ Mill, Exh. DEM-1T at 24:14-17.

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

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

4 A: Yes. As discussed by PSE witness Jon Piliaris, the company proposes to increase
5 the basic monthly charge for residential electric customers to \$9.00, an increase of
6 \$1.51.⁴¹ For residential natural gas customers, the basic monthly charge would
7 increase to \$11.00, an increase of \$0.66.⁴² Not only do these increases make these
8 essential services less affordable, a higher customer charge penalizes low-volume
9 users within the residential rate class, since a greater portion of the bill is fixed,
10 relative to higher use customers.

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

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

⁴¹ Piliaris, Exh. JAP-1T at 65:7-12.

⁴² *Id.* at 92:1-4.

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

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

7 We reject the Company's and Staff's proposals to increase significantly
8 the basic charge to residential customers. *The Commission is not*
9 *prepared to move away from the long-accepted principle that basic*
10 *charges should reflect only "direct customer costs" such as meter*
11 *reading and billing. Including distribution costs in the basic charge*
12 *and increasing it 81 percent, as the Company proposes in this case,*
13 *does not promote, and may be antithetical to, the realization of*
14 *conservation goals.*⁴³

15
16 The Energy Project urges the Commission to continue to adhere to this past
17 approach to cost support for the basic charge.

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

19 A: No, they are not. Just as volumetric rates are not set by comparison to other
20 states, rates for basic monthly charges are not set in that way. Utility rates are set
21 based on the costs incurred by a specific company to provide service to the
22 customers in its own service territory. PSE customers in Washington should not
23 be paying a rate calculated on the basis of another utility company's costs on the
24 other side of the country. Not only do different companies have different costs of
25 service, even within the same state, but policies vary from state to state when it

⁴³ *Washington Utilities & Transportation Commission v. Pacific Power & Light Company*, Docket UE 140762 et. al., Order 08, ¶ 216 (emphasis added).

1 comes to cost recovery principles and energy efficiency incentives. For example,
2 to the extent the national data offered by Mr. Piliaris includes states that have
3 adopted high fixed charges as a policy choice, or includes higher local customer
4 costs, it is skewed upward. Adopting a national average results in Washington in
5 effect adopting, unexamined, a different state's policy choices, costs, or both.
6 Fixed cost recovery in this case should be based on PSE's cost of service and on
7 Washington policy.

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

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

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

16 **Q: What is The Energy Project's position regarding Mr. Piliaris' proposal for**
17 **the three-tier structure?**

18 A: The Energy Project agreed in the settlement that a proposal would be brought
19 forward in the next PSE general rate case. However, parties to the original
20 settlement have jointly agreed that the settlement should be modified to allow
21 parties to take any position they wish regarding the inverted block rate structure.

⁴⁴ Piliaris, Exh. JAP-1T at 57:16.

⁴⁵ *Id.* at 57:16-21 (referencing the Rate Design Settlement in Docket UE-141368).

1 The Energy Project agrees with this modification and is supporting a motion to
2 modify the settlement which I expect will be filed in the prior docket
3 contemporaneously with the testimony in this case.

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

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

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

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

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

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

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

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

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

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

1 **E. DECOUPLING.**

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

5
6 **A:** No. I believe this statement unduly minimizes the impact of the rate changes
7
8 experienced by low-income customers under the decoupling mechanism.
9
10 According to the Peach Report, low-income electric customers experienced a
11 cumulative ~~increase~~ Schedule 142 rate impact in their bills of just over 9 percent
12 during the three year evaluation period.⁴⁶ In dollar terms, the cumulative
13 Schedule 142 rate impact on an average bill-assisted customer’s bill over the
14 evaluation period was more than \$100 per year.⁴⁷ The highest annual impact,
15 \$57.91 in Year 3 (2015/2016), compares to an average HELP grant in Year 3 2016
16 of \$409400, approximately 14.5 percent of the grant.⁴⁸ The cumulative bill
17 increase over the term of the Rate Plan, therefore, represents approximately 25
18 percent of the average HELP grant size. In addition, as context, the Peach Report
19 notes that during the term of the Rate Plan covered by the Report, bill assistance
20 funded a smaller share of the low-income customer’s bill than in prior years, due
 to decreases in federal LIHEAP funding. While HELP funding increased during
 this period, it was not enough to offset the federal decline.⁴⁹

⁴⁶ The Puget Sound Energy Electric and Gas Evaluation, Three Years of Decoupling, H. Gil Peach & Associates, (Peach Decoupling Evaluation), Exh. JAP-29 at 62.

⁴⁷ Peach Decoupling Evaluation, Exh. JAP-29 at 63, Table IV. 4. Over the three years of the Report, the impact on bill-assisted customers ranged from 11 percent to 16 percent more than on non-bill assisted customers.

⁴⁸The average HELP grant for the period July 2015-July 2016 was approximately \$400 (\$399.87). Peach Decoupling Evaluation, Table IV-13, Exh. JAP-29 at 71. The percent of the HELP grant would be lower if the average annual Schedule 142 increase of \$34 were used.

⁴⁹ Peach Decoupling Evaluation, Exh. JAP 29 at 18. Peach observes that the drop in federal support is a contextual factor that would have happened with or without decoupling.

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

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

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

⁵⁰ Peach Decoupling Evaluation, Exh. JAP-29 at 26.

⁵¹ Peach Decoupling Evaluation, Exh. JAP 29 at 60.

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

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

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

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

⁵² Piliaris, Exh. JAP-1T at 136:1-19.

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

10 TEP recommends that the advisory committee meet on a quarterly basis
11 and include participation by PSE, Commission Staff, Public Counsel, Northwest
12 Energy Coalition, The Energy Project, Community Action Partnership agencies
13 from the service territory and other interested stakeholders. As with the Avista
14 advisory committee, the cost of convening the advisory group would be recovered
15 through general rates.⁵⁶

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

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

⁵⁶ *Washington Utilities & Transportation Commission v. Avista Corporation*, Dockets UE-140188/UG-140189, Order 07, ¶ 7.

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

14 Outreach. A second important topic is the creation of a shared marketing
15 and outreach plan and budget. This is an important step in providing better
16 coordinated outreach to potentially eligible low-income customers, in addition to
17 allowing for more effective uses of limited resources among agencies and the
18 utility. Developing an annual plan and budget with the participation of all PSE
19 Low-Income Advisory Committee stakeholders would provide a clearly
20 articulated strategy and targets for outreach activities and the ability to evaluate

⁵⁷ *Id.*, ¶ 13. The parties in the Avista low-income settlement agreed to explore addition of new program offerings, including arrearage management plans.

1 their effectiveness on an ongoing basis. TEP strongly recommends including this
2 aspect to the role of a PSE Low-Income Advisory Committee.

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

15 VI. CONCLUSION

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

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

- 19 • approval of PSE's request to increase funding to HELP by twice the
20 percentage of the overall rate increase to residential customers for both the
21 gas and electric customers;

⁵⁸ One effective approach could be for the Advisory Group to establish a targeted working group/collaborative with a focus on specific proposals or pilots using technology to enhance access to PSE's low-income programs.

- 1 • modification of the HELP program’s funding ratio between electric and gas
- 2 so that the distribution is 80 percent electric and 20 percent gas;
- 3 • two-year eligibility certification; and
- 4 • removal of area median income as a factor in HELP eligibility.

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

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

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

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

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

22 A: Yes.