

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKET UE-170033 &

UG-170034 (*consolidated*)

CROSS-ANSWERING TESTIMONY OF

SHAWN M. COLLINS (SMC-3T)

DIRECTOR OF  
THE ENERGY PROJECT

*Low-Income Issues*

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: Are you the same Shawn Collins who has previously filed testimony in this proceeding?**

A: Yes. On June 30, 2017, I filed Response Testimony on behalf of The Energy Project. On July 31, 2017, I filed Revised Response Testimony to clarify one statement in response to a question from Commission Staff.

**Q: Please summarize the purpose of your cross-answering testimony.**

A: My cross-answering testimony addresses the rate design proposals of Commission Staff witness Jason Ball, in particular seasonal rates, a minimum bill, increases in basic monthly charges, and comments on the proposed modifications of the rate block structure.

1 **Q: Please describe your understanding of Mr. Ball's seasonal rate design**  
2 **proposal.**

3 A: Under Mr. Ball's residential rate design proposal, there would be no seasonality  
4 for the first block of usage up to 600 kWh, with the rate the same in summer and  
5 winter. However, under the seasonal rate proposal, a higher per kWh rate would  
6 be charged in the winter months (defined as October-March) for the second block  
7 of usage, over 600 kWh per month, as compared with the summer month rate for  
8 the second block. Both summer and winter rates for the second usage block  
9 would have a higher per kWh rate than the first block, maintaining the current  
10 inclining block structure.<sup>1</sup>

11 **Q: Do you have concerns with the proposal to introduce seasonal rates for**  
12 **residential customers?**

13 A: Yes. Mr. Ball's proposal would put upward pressure on residential customer bills  
14 in the winter months. In common with all residential customers, even without  
15 seasonal rates, low-income customer bills are already higher in the winter due to  
16 higher usage for essential uses such as home heating and lighting. The seasonal  
17 rate proposal further ratchets up this effect. For low-income customers, who have  
18 a higher household energy burden and greater affordability problems than the  
19 general residential customer population, this effect would be felt more severely.

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<sup>1</sup> Ball, Exh. JLB-1T at 20, Table 4.

1           This winter season impact is exacerbated by an additional factor.  
2           According to data provided by PSE in its decoupling analysis in this case, low-  
3           income electric customers receiving bill assistance have higher average usage in  
4           the winter months than residential customers.<sup>2</sup> In other words, winter increases  
5           will have a relatively greater effect on PSE’s bill assisted low-income customers  
6           than on the average residential customer.

7   **Q: Mr. Ball states that a seasonal rate design provides an important signal about**  
8   **the costs of supplying electricity. What is your response to this point?**

9   A: The value of price signals is tied to the degree to which the signals can affect  
10   customer behavior. From the low-income customer perspective, the reality is, that  
11   low-income customers have, in most cases, little or no ability to respond to price  
12   signals. Households living at or below 150 percent of the Federal Poverty Level  
13   (i.e., those eligible for PSE HELP) struggle to pay for expenses required to meet  
14   the basis needs of their household members. Many of these households are  
15   already very aware of their energy consumption and of its cost. They have very  
16   little ability to further reduce their consumption in response to higher rates  
17   without impacting household health and livability. Furthermore, utility bills  
18   represent a disproportionately larger share of the household budget than in  
19   households with more expendable income, especially in the winter. Low-income

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<sup>2</sup> Piliaris, Exh. JAP-29 at 64 and Figure IV.2 (Three Years of Decoupling, H. Gil Peach & Associates)( “[b]ill assisted customers show a pattern of higher energy use (kWh) from December to May, suggesting higher space-heat costs.”).

1 homes are less likely to have significant discretionary energy usage that can be  
2 reduced without a real impact on standard of living. An increased utility bill  
3 results in worse living conditions and less funds available for other basic  
4 necessities, not in a price signal to consume less energy.

5 At a basic policy level, therefore, The Energy Project has concerns about  
6 adoption of a rate design that turns up the dial even further in terms of customer  
7 hardship, at a time of year when heat and light are most essential, and already  
8 most costly. There would need to be a compelling case made that such a change  
9 is in the public interest. It's worth noting that PSE discontinued seasonal rates  
10 over a decade and a half ago and has not subsequently felt the need to revisit that  
11 decision.

12 **Q: Do you have any comment regarding Public Counsel's testimony about**  
13 **seasonal rates?**

14 **A:** I would only point out that Public Counsel does not propose immediate adoption  
15 of seasonal rates in this case. Public Counsel witness Glenn Watkins simply  
16 observes that "the Commission may want to consider studying the establishment  
17 of seasonal rates for the Residential class" as a way to send cost-signals.<sup>3</sup> Mr.  
18 Watkins has not developed specific rates, but does suggest that the Commission  
19 consider increasing the first usage block to 800 kWh, "priced in the context of a  
20 low 'life line' rate," a change supported by The Energy Project.

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<sup>3</sup> Watkins, Exh. GAW-1T at 62:5-17.

1 **Q: Do you have any concerns with the minimum bill proposal?**

2 A: Yes. To the extent the minimum bill is intended as a complement or adjunct to  
3 fixed cost or basic monthly charge increase, I have similar concerns to those I  
4 raised in my initial testimony regarding the monthly charge. High fixed charges,  
5 as a general matter, have disproportionate impact on lower volume users, many of  
6 whom are low-income. Such charges diminish the incentive to conserve and to  
7 pursue energy efficiency measures. In addition, the introduction of a minimum  
8 charge into PSE's rate design adds complexity to an already complicated billing  
9 structure.

10 **Q: Do you have other concerns about the justification for Mr. Ball's basic**  
11 **charge and minimum bill rate design proposals?**

12 A: Yes. He lists as one of the advantages of Staff's rate design proposal that it  
13 "[b]egins to address cross-customer subsidization by increasing the basic charge  
14 and implementing a minimum bill to recover the full-level of customer costs[.]"<sup>4</sup>  
15 A fundamental premise underlying Mr. Ball's proposals is the broad assertion that  
16 PSE is not adequately recovering its fixed costs because its monthly customer  
17 charge is insufficient, resulting in "cross-customer subsidization that is  
18 inconsistent with the principle of cost-causation" and "inappropriate price

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<sup>4</sup> Ball, Exh. JLB-1T at 23:4-5.

1 signals.”<sup>5</sup> He further concludes that it would be unaffordable to fully recover all  
2 fixed costs in the monthly charges, and therefore, proposes the minimum bill.<sup>6</sup>

3 Mr. Ball’s theory, however, hinges on his argument that the current basic  
4 monthly charge for electric is insufficient because it does not incorporate line  
5 transformer costs. If the Commission does not accept Mr. Ball’s (and PSE’s)  
6 position on this issue, then the current customer charge is sufficient and the  
7 customer cross-subsidization about which Mr. Ball is concerned is not present.  
8 Mr. Ball conceded this point in response to discovery.<sup>7</sup>

9 Absent the inclusion of line transformers in customer service costs, there  
10 is, therefore, no need to consider his proposed basic charge and minimum bill  
11 proposals. Expert testimony from Public Counsel witness Glenn Watkins  
12 concludes that line transformer costs are not properly classified as direct customer  
13 costs and that PSE’s current electric monthly customer charge is more than  
14 sufficient to recover direct customer costs.<sup>8</sup> NW Energy Coalition witness  
15 Amanda Levin also provides analysis reaching this conclusion.<sup>9</sup>

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<sup>5</sup> Ball, Exh. JLB-1T at 24:18-25:3.

<sup>6</sup> Ball, Exh. JLB-1T at 25:5-9.

<sup>7</sup> Staff Response to TEP Data Request No. 4. Mr. Ball agreed with the statement that “the cross-customer subsidization he describes in testimony would not be present if the Commission determines that all ‘fixed customer-related expenses’ are being recovered in the [*sic*] PSE’s current customer charge and that line transformers are not appropriately included.”

<sup>8</sup> Watkins, Exh. GAW-1T at 51:13-19 (full discussion at pp. 41-51).

<sup>9</sup> Levin, Exh. AML-1T at 5:19-8:16.

1 **Q: Do you have any other concerns about the theoretical rationale for Mr. Ball's**  
2 **rate design proposal?**

3 A: Yes. Mr. Ball lists one of the advantages of his rate design proposals as providing  
4 “an avenue to introduce residential demand charges and unbundled rates in the  
5 future.”<sup>10</sup> He also supports his proposal at one point by describing it is a  
6 “surrogate demand charge.”<sup>11</sup> The concern with this rationale is that Washington  
7 has not to date adopted residential demand charges or unbundled residential rates  
8 for any investor-owned utility. Mr. Ball’s testimony does not include any  
9 discussion explaining residential demand charges or justifying their adoption.<sup>12</sup>

10 While demand charges are not uncommon for large commercial and  
11 industrial customers, for the residential class they have primarily been considered  
12 in connection with the deployment of advanced metering infrastructure (AMI).  
13 Demand charges can be problematic for the residential class. Although in theory  
14 demand charges can send price signals to reduce peak consumption, “there is little  
15 evidence indicating that large numbers of residential customers have the  
16 wherewithal to respond to demand charge price signals.”<sup>13</sup> Demand charges can

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<sup>10</sup> Ball, Exh. JLB-1T at 23:8-9.

<sup>11</sup> Ball, Exh. JLB-1T at 36:5-7.

<sup>12</sup> Staff Response to The Energy Project Data Request No. 6. Staff stated it was “not aware of any Commission order, rule, policy, interpretive statement testimony, or docket that refers to residential demand charges.” Staff was unable to located any Staff testimony proposing unbundled residential rates, or any utility request for unbundled residential rates from 2001 to the present.

<sup>13</sup> John Howat, Recovery of Utility Fixed Costs: Utility, Consumer, Environmental, and Economist Perspectives, Future Electric Regulation, Lawrence Berkeley National Laboratory, Report No. 5 (LBNL-1005742), June 2016, at 30.



1 raise fairness concerns if customers don't have access to timely information about  
2 their usage.<sup>14</sup>

3 The point is that it would be premature to adopt a rate design because  
4 it paves the way, or acts as a surrogate for, residential demand charges when  
5 there has been no serious examination of the desirability of such a charge in  
6 Washington. Even when AMI technology is ultimately in place, it is not clear  
7 whether Washington utilities would want to adopt demand charges for  
8 residential customers. This argument does not provide a justification for the  
9 adoption of Staff's rate design.

10 **Q: What is The Energy Project's position regarding Mr. Ball's alternative rate**  
11 **design proposals?**

12 A: In his Exh. JLB-2, Mr. Ball presents three alternatives to his primary rate design  
13 proposals, two of which include a third block without seasonal rates. While The  
14 Energy Project does not currently support adoption of a third block, the version  
15 which does not include transformers in the basic charge is the most reasonable of  
16 Mr. Ball's alternatives. An appealing aspect of the design is the increase of the  
17 first tier to cover 800 kWh.

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

19 A: Yes.

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<sup>14</sup> *Electricity Regulation in the US: A Guide*, Regulatory Assistance Project (Jim Lazar with RAP Staff) Second Edition, 2016, at 73 ("The argument is that unless a customer can track their demand level in real time, demand charges are somewhat ineffective as a price signal that customers can use to modify their behavior." *Id.*)