

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

V.

Respondent.

PUGET SOUND ENERGY.

Petitioner,

For an Accounting Order Authorizing deferred accounting treatment of purchased power agreement expenses pursuant to RCW 80.28.410.

) DOCKETS UE-240004 and
) UG-240005, UE-230810
) (*consolidated*)

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I. Introduction

1 In Final Order 09/07, the Utilities and Transportation Commission (UTC or Commission) took extraordinary steps to boost Puget Sound Energy’s (PSE’s) cash flow and earnings potential. These extraordinary steps include authorizing PSE’s shareholders to receive their highest return on equity (ROE) since at least 2011 and allowing PSE to increase monthly residential bills by 13.9% for electric customers¹ and 9.3% for gas customers.² Further, Final Order 09/07’s steep \$1.50 increase to the gas fixed charge makes it more difficult for low-income and fixed-income residential customers to control their bills by going without heat, as many do.³

2 But these extraordinary concessions are apparently not enough. PSE now petitions to change the only significant parts of Final Order 09/07 where the UTC decided that PSE’s shareholders were not entitled to additional revenues: accelerated depreciation, construction work in progress, and operations and maintenance expenses. It is striking that PSE’s shareholders would ask for even more money after being authorized the highest ROE in a decade and half, while residential customers face double-digit percentage increases in their bills. In any rate case, the Commission has an obligation to balance a utility’s request for increased profits with customers’ need for relief from unsustainable bill increases. Pursuant to the Commission’s February 3, 2025 Notice of Opportunity to Respond, TEP requests that the Commission carefully consider the rate impacts of PSE’s petition on low-, moderate-, and fixed-income customers struggling to pay their

¹ Puget Sound Energy Compliance Filing Workpapers, JDT-12, tab “Typical Res Bill_RY#1” lines 30-32, column M (Jan. 21, 2025).

² Puget Sound Energy Compliance Filing Workpapers, CTM-8 tab “Exh CTM-8 Typical Res Bill RY#1”, lines 41-43, columns V-W (Jan. 21, 2025).

³ Reply Brief of Public Counsel, at 1-2 (Dec. 4, 2024); Post-Hearing Brief of The Energy Project, at 1-2 (Dec. 4, 2024) *citing* Colton, Exh. RDC-1T at 71-74 *citing* National Energy Assistance Directors Association, National Energy Assistance Survey (2018).

bills. Because these customers cannot afford to pay more than they already do, the Commission should reject PSE's petition.

3 Turning to the petition of the Joint Environmental Advocates (JEA), TEP requests that the Commission modify Final Order 09/07 to authorize the electrification pilot. Initiative 2066 retained the legislative language requiring PSE to offer low-income electrification programs in Integrated System Plans (ISPs), so there is no reasonable argument that I-2066 should be interpreted to pause or prohibit PSE's low-income electrification pilot here. In rejecting the income-qualified electrification pilot for single-family and multifamily homes, Final Order 09/07 contributed to the volatility in program availability and funding experienced by the community-based weatherization agencies that administer these low-income programs. While this volatility is primarily caused by uncertainty surrounding continued federal funding for weatherization, the UTC can distinguish itself from decision-makers in the other Washington by providing a stable set of low-income weatherization and low-income electrification programs for our most vulnerable residents. The Commission should modify Final Order 09/07 to reinstate the income-qualified electrification pilot and allow weatherization agencies to install high-efficiency heat pumps, which provide air conditioning in low-income homes that would not otherwise have it.

II. The Commission should not give Puget Sound Energy's shareholders another bite at the apple.

4 Over the strenuous objections of ratepayer advocates, the Commission granted PSE extraordinary relief in this case. Increasing residential bills beyond the 13.9% electric increase and 9.3% gas increase would further upset the already lopsided balance between ratepayers' rights to reasonable rates and PSE's right to sufficient profits. For this reason, TEP opposes PSE's petition for reconsideration.

5 As explained above, the Commission authorized a higher ROE for PSE than at any time since at least 2011. The ROE of 9.8% for the first year and 9.9% for the second year was significantly higher than any other party, including Commission Staff, recommended. In authorizing these extraordinary profit margins, the Commission accepted nearly all of PSE's arguments about the need to compensate its shareholders. Yet PSE now asks for another bite at the apple.

6 PSE implicitly acknowledges, in the second sentence of the petition, that the Commission listened to its arguments:

PSE expresses its appreciation for the Commission's recognition in Order 09/07 of PSE's progress on the clean energy transition and the need to improve PSE's financial health by incrementally increasing cash flow necessary to operate the utility while balancing customers' interests.⁴

Indeed, Final Order 09/07 notes that the Commission largely accepted PSE's "persuasive arguments regarding the risk-increasing realities of the clean energy transition and the funding needed for such a transition generally."⁵ TEP finds it curious that PSE both thanks the Commission for providing it extraordinary relief and petitions to change three significant parts of Final Order 09/07 where the UTC decided that PSE's shareholders were not entitled to additional revenues.

7 Financially vulnerable Washingtonians are struggling to pay their utility bills. TEP Witness Roger Colton presented national data showing that low-income customers often rely on unsafe and unhealthy coping measures in response to high bills, demonstrating that public comments like

⁴ Puget Sound Energy's Petition for Reconsideration, ¶ 1 (Jan. 24, 2025).

⁵ Final Order 09 / 07, ¶ 104; Final Order 09 / 07, ¶ 108 ("We recognize that some upward adjustment is needed to ensure the Company remains able to provide reliable and adequate service to its customers, continues to meet its statutory obligation to transition to clean energy, per its CETA requirements, and remains credit worthy and able to acquire capital for continued operations.")

those cited in the briefs of TEP and Public Counsel are representative and not merely anecdotal.⁶ If rates increase even further, low-income customers will take more of these unhealthy and unsafe actions. The Commission should center these customers' daily burdens in its decision-making, as it has done in past multiyear rate plans (MYRPs).

8 The Commission has already departed from past practice in allowing significant rate increases in this case. It should not go any further. For example, in 2012, the Commission approved an MYRP which capped PSE's annual rate increases at 3%.⁷ In contrast, Final Order 09/07 results in a 13.9% electric bill increase in the first year, over 4.6 times higher than the 3% cap from the 2012 MYRP. And for the second year, Order 09/07 authorizes another 6.3% electric bill increase, over double the 3% cap from the 2012 MYRP. Modifying Order 09/07 to include even more shareholder incentives will reduce PSE's incentive to control costs, will cause bills to skyrocket further, and is plainly inconsistent with the Commission's obligation to set fair, just, and reasonable rates.

9 Finally, TEP would be remiss not to respond to PSE argument that it has "ample programs available to assist customers with their energy bills."⁸ TEP thanks PSE for its work co-administering low-income bill assistance programs with Community Action Agencies, including the long-standing Home Energy Lifeline Program and the newer Bill Discount Rate and Arrearage Management Plan. However, given that these financial assistance programs for low-income

⁶ Reply Brief of Public Counsel, at 1-2 (Dec. 4, 2024); Post-Hearing Brief of The Energy Project, at 1-2 (Dec. 4, 2024) *citing* Colton, Exh. RDC-1T at 71-74 *citing* National Energy Assistance Directors Association, National Energy Assistance Survey (2018).

⁷ *Wash. Utils. and Transp. Commission v. Puget Sound Energy*, Dkts. UE-121697, UG-121705, UE-130137, UG-130138, Final Order 07 Granting Petition and Authorizing Rates, at 4 (June 25, 2013).

⁸ Puget Sound Energy's Petition for Reconsideration, ¶ 23 (Jan. 24, 2025).

customers were recently launched or redesigned and are still building enrollment, they cannot compensate for double-digit rate increases, nor is the existence of a robust suite of bill assistance programs grounds to raise rates with impunity. While there has been considerable progress reaching customers and increasing enrollment, TEP has consistently requested that PSE make additional efforts to enroll more customers in assistance programs because the overwhelming majority of PSE's low-income customers do not receive bill assistance.⁹ TEP will continue to monitor the percentage of low-income customers that are enrolled in PSE's bill assistance programs, with high expectations for further progress.

10 In sum, in evaluating PSE's petition the Commission's fundamental task is to balance ratepayer interests against shareholder interests. To reach the appropriate balance, the Commission should consider how PSE's request to further increase shareholder profits will harm low-income customers, both those receiving bill assistance and those who do not, as well as moderate-income households just above the income threshold for assistance, who also struggle to pay their bills.

III. PSE's low-income electrification programs are required by state law and provide low-income participants material benefits, including air-conditioned homes.

11 TEP supports JEA's request for the Commission to reconsider its rejection of PSE's electrification pilot. Specifically, TEP requests that the Commission change its decision to authorize and fund for the income-qualified portion of the electrification pilot, including measures for both single-family and multifamily homes. Given the newfound uncertainty around federal funding, it is even more crucial that PSE's pilot continue to serve the most vulnerable residents in Washington.

⁹ Stokes, Exh. SNS-1T at 10-12.

A. Initiative 2066 retained the legislative language that requires PSE to offer a low-income electrification program, so there is no reasonable argument that I-2066 should be interpreted to pause or prohibit PSE’s low-income electrification pilot.

12 Nothing in I-2066 prohibits the Commission or utilities from offering low-income electrification programs. In fact, the legislative text of I-2066 specifically retains Section 3(4)(i) of HB 1589, which requires ISPs to include low-income electrification programs.¹⁰ Therefore, it is unreasonable to conclude that the voters who enacted the initiative intended to prohibit low-income electrification programs in a rate plan while at the same time requiring them in an ISP.¹¹

13 When considering JEA’s petition, TEP requests that the Commission acknowledge and respond to the legal arguments TEP presented in sections III.A-B of its post-hearing brief concerning I-2066.¹² It is unclear why Final Order 09/07 did not summarize or respond to TEP’s legal arguments.

B. Ending the low-income electrification pilot abruptly rescinds a stable funding source for community-based organizations at a moment of uncertainty for federal weatherization funding.

14 Weatherization agencies in PSE’s service territory have spent the last eighteen months ramping up their staffing and capacity to deliver heat pumps to low-income households in anticipation of stable funding for the low-income electrification pilot. Due to erratic decisions concerning federal funding in recent weeks, weatherization agencies now face considerable uncertainty as to the amount and consistency of federal funding for their core energy efficiency

¹⁰ Because Initiative 2066 eliminates section 3(4)(h) of HB 1589, it renumbers the low-income electrification provisions as 3(4)(h).

¹¹ See *American Legion Post # 149 v. Washington State Dept. of Health*, 164 Wash.2d 570, 585 (Wash. 2008) (“In construing the meaning of an initiative, the language of the enactment is to be read as the average informed lay voter would read it.”).

¹² Post-Hearing Brief of The Energy Project, at 11-15 (Dec. 4, 2024).

work.¹³ In rejecting the low-income electrification pilot, Final Order 09/07 aggravated the volatility experienced by these community-based organizations.

15 Weatherization agencies are ready to deliver low-income customers new heat pumps, which PSE's data shows can lower energy burdens and provide air conditioning in many of our neighbors' homes for the first time. The Commission should modify Final Order 09/07 to reinstate the income-qualified electrification pilot, bring air conditioning to Washingtonians neighbors in need, and restore stability in programming and funding.

16 TEP worked closely with PSE to design the electrification pilot to provide low-income participants material benefits beyond a no-cost heat pump and emissions reductions. These additional benefits often include a decrease in the individual customers' energy burden or the addition of air conditioning. If the Commission eliminates the electrification pilot, it will also eliminate funding for these additional benefits. The Commission should modify Final Order 09/07 to reinstate the income-qualified electrification pilot and provide participating low-income customers lower bills, air conditioning, and the other the material benefits the program delivers.

IV. Conclusion

17 As is appropriate at this juncture, JEA, the Alliance of Western Energy Consumers, and TEP have requested clarifications or modest requests for reconsideration to ensure that Final Order 09/07 dicta and decisions comport with statutory directives. In contrast, it is not appropriate for PSE to entirely relitigate high dollar-value policy issues about which the Commission has made reasoned decisions within the range of its considerable discretion. TEP respectfully requests that

¹³ See *New York v. Donald Trump*, No. 1:25-cv-00039-JJM-PAS, Order at 3 (D. R.I. Feb. 10, 2025), https://storage.courtlistener.com/recap/gov.uscourts.rid.58912/gov.uscourts.rid.58912.96.0_2.pdf

the Commission carefully consider the rate impacts of PSE's petition on low-, moderate-, and fixed-income customers struggling to pay their bills. The Commission should reject PSE's petition.

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