BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PUGET SOUND ENERGY, Respondent.	DOCKETS UE-220066 and UG-220067 *(Consolidated)*

RESPONSE TESTIMONY OF

ALEX PFEIFER-ROSENBLUM

ON BEHALF OF THE ENERGY PROJECT

EXHIBIT APR-1T

December 8, 2023

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EXHIBIT LIST

I. Introduction

Q: Please state your name and business address.

A: My name is Alex Pfeifer-Rosenblum. My business address is Strategen Consulting ("Strategen"), 10265 Rockingham Drive, Suite #100-4061, Sacramento, CA 95827.

Q: Please describe your professional experience, educational background, and qualifications.

A: I am currently a Senior Consultant at Strategen Consulting. The Strategen team is nationally recognized for its thought leadership and deep expertise in regulatory innovation, performance-based regulation, rate design, renewable program development, grid modernization, new grid technologies, and electric vehicles. During my time at Strategen, I have supported engagements with regulators, public agencies, consumer advocates, and nongovernmental organizations on topics including utility cost of service modeling, advanced rate design, vehicle and building electrification, natural gas system decarbonization, rate case support, prudence reviews, and other policies related to an equitable clean energy transition.

Before joining Strategen in 2019, I held internship positions providing analysis related to ratepayer advocacy at CleanPowerSF and low-income energy efficiency programs at the Public Advocate's Office at the California Public Utilities Commission. I hold a Master of Public Policy from the Goldman School at UC Berkeley and a Bachelor of Arts in History from Wesleyan University. My resume is attached as Exhibit APR-1.

Q: Have you previously testified before the Washington Utilities and Transportation Commission?

A: No.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of the Energy Project ("TEP").

Q: Are you sponsoring any exhibits?

A: Yes. Exh. APR-2 provides my resume. Exhs. APR-3 through APR-6 provide several discovery responses referenced in my testimony.

Q: What is the purpose of your testimony?

A: My testimony evaluates several of the claims made and information submitted by Puget Sound Energy ("PSE" or "the Company") in its proposal to resume dunning and disconnections against the terms of the Settlement Stipulation and Agreement on Revenue Requirement and All Other Issues Except Tacoma LNG and PSE's Green Direct Program ("Settlement"). Specifically, I evaluate the Company's claims regarding how the size of PSE arrearages compare to other Washington utilities, the Company's forecast of arrearage growth, the rate impacts of declining to adopt the Company's proposal, and the impacts of the Company's proposal on its most vulnerable customers.

Q: Could you please summarize your findings?

A: Yes. I find that:

- The Company's proposal for resuming dunning and disconnections is unclear and includes information that appears contradictory;
- PSE substantially inflates the estimated rate impacts of declining to implement the Company's proposal;
- PSE's proposal would disproportionately harm its most vulnerable customers;
- PSE's claim that the Settlement's credit and collection term results in significantly more arrearages for PSE than other Washington investor-owned utilities (IOUs) is incorrect when one accounts for differences in the numbers of customers served; and,
- PSE's forecast of arrearage growth is flawed.

II. The Company's proposal for resuming dunning and disconnections is unclear and includes information that appears contradictory

Q: What is the purpose of this section?

A: In this section, I describe a lack of clarity in the Company's proposal for resuming dunning and disconnections, specifically in regard to whether the Company proposes to resume dunning and disconnections on customers with arrearages over $1,000 and earning below 200% FPL. The Company's contradictory claims about this subset of customers is concerning for several reasons. First, low-income customers with the highest arrearages may struggle the most with repayment and are thus most vulnerable to disconnection. Second, evaluating the equity impacts of the Company's proposal and the rate impacts of declining to implement it requires transparent information regarding the customers on whom the Company proposes to resume dunning and disconnections and when. Finally, if the Company is unable to meet its burden of providing these basic details about its proposal in the record, it should not be accepted by the Commission.

Q: Please describe the Company's plan for resuming dunning and disconnections.

A: The Company proposes to revise its phased approach for resuming dunning and disconnections, which was discussed prior to the August 2022 Settlement. In the first phase, which the Company began in May 2022,"included customers with an arrearage of $1,000 or more and excluded all known and estimated low-income customers."[1] The Company states that in subsequent phases, "PSE planned to gradually decrease the arrearage dollar threshold and to add back in low-income customers over several months

[1] Wallace, Exh. CLW-13T at 17:14-16.

to give customers the opportunity to apply for assistance and/or make long-term payment plans."[2] Now, the Company proposes the following revisions to its phased approach:

Table 1: PSE's Revised Approach for Resuming Dunning/Disconnections[3]

(A) Phase	(B) Dollar Threshold	(C) Income Threshold	(D) Est. New Customers in Dunning	(E) Amount Past Due	(F) = (E) / (D) Average Amount Past Due per New Customer in Dunning
1 (Current)	> $1000	Above 200% FPL	17,359	$43,451,691	$2,503
2 (Nov 2023 – Jan 2024)	$750-$999	Above and below 200% FPL	16,857	$14,684,334	$871
3 (Jan – May 2024)	$500-$749	Above and below 200% FPL	21,262	$13,125,974	$617
4 (May – June 2024)	> $250	Above and below 200% FPL	35,754	$12,827,517	$358
5 (Jun 2024 onward)	> $150	Above and below 200% FPL	27,815	$5,411,227	$195

Q: Did Table 1 raise any questions for you?

A: Yes. Upon reviewing Table 1 above, I sought to clarify when the Company planned to resume dunning and disconnections on customers with arrearages over $1,000 but earning below 200% FPL. Given that Phases One and Two limit the maximum arrearage threshold at $999 and $749, respectively, while Phase Four does not include a limit, I interpreted the table to indicate that PSE proposes to resume disconnections on customers

[2] Wallace, Exh. CLW-13T at 17:16-19.

[3] Wallace, Exh. CLW-13T at 19, Table 2.

with arrearages over $1,000 and earning below 200% FPL in Phase Four. However, I sought to clarify my understanding via discovery.

Q: How did the Company respond to your inquiry?

A: The Company responded with a correction to Table 1, clarifying that the Company also proposes upper limits to the dollar sizes of arrearages in Phases Four and Five. Specifically, the Company corrected Table 1 to indicate that it would resume collections on customers with arrearages of $250-499 in Phase Four and with arrearages of $150-$249 in Phase Five.[4]

Q: How did you respond to the data submitted by the Company?

A: I noticed that Table 1, as amended by the Company's discovery response, proposes an upper threshold to the dollar amount of arrearages owed by customer earning below 200% FPL at every phase of the process. This threshold never exceeds $999. As such, the Company appears not to have included customers with arrearages over $1,000 and earning below 200% FPL in any phase of its proposal to resume disconnections.

In a second effort to confirm my interpretation, I first compared the information submitted by the Company to a subsequent discovery response replicated in Table 2 below. If Column (B) below is subtracted from Column (A), it appears that customers with over $1,000 in arrearages who earn less than 200% FPL collectively owe tens of millions of dollars in arrearages. Yet, the total customer counts and past due amounts in Rows (C) through (F) were comparable to the values for these figures in Phases 2 through 6, respectively, in Table 1, above. The difference between these values is not enough to account for tens of millions of dollars. This further suggested to me that customers with

[4] Pfeifer-Rosenblum, Exh. APR-3 (PSE Response to TEP DR 119) at 3.

arrearages of over $1,000 and earning below 200% FPL are not included in any phase of the Company's proposal to resume dunning and disconnections. To be certain, however, I issued another round of discovery.

Table 2: PSE's Subsequent Discovery Response[5]

Past Due Threshold	Total Customer Count	Total Past Due Amount
(A) >$1,000	29,876	$84,231,194
(B) >$1,000 and >200% FPL	19,218	$59,900,460
(C) $750-$999	16,757	$14,596,713
(D) $500-$749	21,682	$13,326,196
(E) $250-$499	37,880	$13,546,298
(F) $150-$249	32,984	$6,411,570

Q: How did the Company respond to your subsequent discovery?

A: When asked whether "the Company propose[s], in any phase, to resume dunning, collections, or disconnections for customers with debts over $1,000 and incomes less than 200% of the federal poverty level," the Company responded: "Yes; as outlined in Table 2 on page 19 of the Prefiled Direct Testimony of Carol L. Wallace, Exh. CLW-13T, when phase 2 begins, the income threshold is removed, resuming dunning for all customers."[6]

Q: How do you interpret the Company's response?

A: The Company's response appears contradictory and unsupported. The first several columns of the table identified in the Company's response is replicated in Columns (A) through (E) of Table 1, above. As demonstrated, however, Phase One excludes customers with incomes below 200% and Phase Two excludes customers with arrearages above $1,000 – contradicting the Company's subsequent statement that it intends to resume

[5] Pfeifer-Rosenblum, Exh. APR-4 (PSE Response to TEP DR 132) at 3-4.

[6] Pfeifer-Rosenblum, Exh. APR-5 (PSE Response to TEP DR 136) at 1.

disconnections on customers with arrearages over $1,000 and earning below 200% FPL. It remains unclear whether Table 1 includes customers with arrearages above $1,000 and earning below 200% FPL. If the table does include such customers, it is unclear under which phase they are included. If the table does not include such customers but the Company intends to resume disconnections on them anyway, then the Company appears to have omitted substantial numbers of customers and arrearage amounts – potentially tens of millions of dollars – from its direct testimony and subsequent discovery responses which I relied upon to analyze the impact of the Company's proposal.

Q: What do you conclude from your discovery on this issue?

A: The Company's testimony is unclear on a very important issue – if and when the Company proposes to resume dunning and disconnection for customers who are in arrears greater than $1,000 but make less than 200% FPL, who may struggle the most with repayment and are thus most vulnerable to disconnection. The burden is on the Company – not intervenors – to provide transparency about its proposal and associated impacts, including which customers the Company proposes to resume dunning and disconnections, at which stage, and associated summary statistics such as customer counts, characteristics, and arrearage levels that can allow other stakeholders to understand the impact of the Company's proposal. If the Company is not able to provide this information in the record, its proposal should not be accepted by the Commission.

III. PSE substantially inflates the estimated rate impacts of declining to implement the Company's proposal.

Q: What is the purpose of this section?

A: In this section, I analyze the Company's claims regarding the bill impacts of neglecting to resume disconnections. I find that the Company substantially inflates the size of estimated bill impacts. I also find that the Company neglects to mention the increased dunning expenditures that would result from its proposal to more than double the number of customers in dunning. Increased dunning expenditures would be recovered from all customers, disproportionately burdening low-usage customers, who also tend to be low-income.

Q: What does the Company claim regarding rate impacts?

A: The Company states that "if PSE is not able to modify the current dunning and collections process" and "all current arrearages became bad debt and were written off," the result would be "an approximate one-time rate increase of 4.2 percent for electric customers and 3.0 percent for gas customers."[7] This statement amends a claim from the Company's August petition, in which the Company cited comparable figures but alleged that "these estimated rate impacts would be regular, annual, and would last until PSE is able to move beyond its Phase 1 dunning process."[8] The Company states that it also calculated the rate impacts assuming that only estimated low-income customers were written off fully, claiming that such a scenario would "translate into one-time estimated rate increases of approximately 2.0 percent for electric and approximately 1.1 percent for gas customers."[9]

Q: How did the Company calculate rate impacts for all customers, including both low-income and non-low-income customers?

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[7] Wallace, Exh. CLW-13T at 9:1-10.

[8] Puget Sound Energy's Petition to Amend Final Order, ¶ 12, *citing* Exhibit B, Puget Sound Energy Comments in Docket U-210800, note 2 (June 21, 2023).

[9] Wallace, Exh. CLW-13T at 11:18-19.

A: The Company calculated rate impacts by dividing all $139M in arrearages (as of October 31, 2023) by total annual projected revenues at currently effective rates.[10]

Q: Did the Company separate rate impacts by customer class?

A: No. The Company has calculated a weighted average rate increase for all residential and C&I customers, assuming that all current arrearages become bad debts.

Q: Had the Company separated the rate impacts by customer class, would the results have been reasonable?

A: No. It is unclear why the Company believes that assuming all $139M in arrearages, including $107M in arrearages for residential customers,[11] become bad debt is an appropriate way to estimate the impact of "not [being] able to modify the current dunning and collections process"[12] as proposed. The $107M figure for residential arrearages used in the Company's calculations is inflated because it includes, for example, nearly $44M from customers for whom the Company has already resumed dunning and who are not a focus of the Company's proposal. In other words, the Company's suggestion that its alleged rate impacts would result from "not [being] able to modify the current dunning and collections process"[13] in the current proceeding is misleading.

Q: Have you calculated the rate impacts that would actually result if the Company's proposal is not adopted?

[10] Wallace, Exh. CLW-22.

[11] Wallace, Exh. CLW-22.

[12] Wallace, Exh. CLW-13T at 11:1-2.

[13] Wallace, Exh. CLW-13T at 11:1-2.

A: Yes. Through discovery, I asked the Company to isolate the total arrearages "of customers whose dunning/collections are not currently paused and for whom the Company proposes to resume dunning/collections" by "exclud[ing] the arrearages that fall under 'Phase 1'…and includ[ing] only arrearages falling under Phases 2-5."[14] As stated in Section II, the Company provided contradictory responses regarding whether it proposes to resume dunning and disconnection on customers with arrearages of above $1,000 and earning below 200% FPL; however, my question was phrased to specify that arrearage data on all customers on whom the Company proposes to resume dunning and collections should be included, at any phase and regardless of income status or arrearage level. The Company responded that it proposes to resume dunning and collections on approximately $45M, the vast majority of which ($43M) are arrearages held by residential customers.[15] This $45M figure is approximately a third of the $139M assumed in the Company's rate impact calculations.

Table 3 provides the rate impacts that would result if the Company's proposal is not implemented. As indicated, the bill impacts to residential customers are roughly half the size of those calculated by the Company.

Table 3: One-Time Rate Impacts by Customer Class[16]

Customer Category	Electric	Gas
Residential	2.2%	1.7%
C&I	0.1%	0.2%
Weighted Average	1.3%	1.2%

[14] Pfeifer-Rosenblum, Exh. APR-6 (PSE Response to TEP DR 117) at 1.

[15] Pfeifer-Rosenblum, Exh. APR-6 (PSE Response to TEP DR 117) at 2.

[16] Pfeifer-Rosenblum, Exh. APR-6 (PSE Response to TEP DR 117) at 2; PSE Response to TEP DR 121, Attachment C.

Q: How did the Company calculate the bill impacts of assuming that bad debts for estimated low-income customers only are written off fully?

A: The Company calculated rate impacts by dividing approximately $65M in arrearages for low-income residential customers (as of October 31, 2023) by total annual projected revenues for all rate classes, at currently effective rates.[17]

Q: Do you have any comments regarding the Company's methodology for calculating rate impacts assuming that bad debts for low-income customers only are fully written off?

A: Yes. First, the Company's methodology inconsistently divides arrearages for *residential* classes by expected revenues for *all* classes. It is not appropriate to calculate a weighted average rate increase across every customer class when only residential classes are receiving the bill increase, and the increase for C&I classes is zero. This confusing and misleading approach masks the fact that, contrary to the Company's claims and as I explain in Section IV, it is low-income customers who are disproportionately burdened by arrearages.

Second, as stated previously, if one wishes to measure the rate impact of "not [being] able to modify the current dunning and collections process"[18] as proposed in the current proceeding, it is not appropriate to assume that all $65M arrearages from low-income customers are written off. When I asked the Company to isolate the arrearages for only the estimated low-income customers on whom the Company proposes to resume

[17] Wallace, Exh. CLW-22.

[18] Wallace, Exh. CLW-13T at 11:1-2.

dunning and collections, the Company clarified that this figure was only $23M.[19] When this issue is corrected, rate impacts would drop to 1.2% and 0.8%, respectively, for residential electric and gas customers – less than half of the figures asserted by the Company.[20]

Q: Would these bill impacts reoccur?

A: No. While the Company initially claimed that bill impacts would be "regular" and annual,"[21] PSE appears to now admit—after an executive was required to provide sworn testimony to support their statements—that rate impacts would occur only once. It is not appropriate to give any weight to statements in a petition that no Company witness is willing to support and has essentially been retracted in sworn testimony.

I also note that, should the Commission wish to decrease the bill impacts even further, it could order that these pandemic era bad debts be collected over multiple years.

Q: Does the Company attempt to quantify the cost and rate impact to customers from its proposal to resume dunning?

A: No. The Company's testimony is silent on the costs to all customers associated with the changes it proposes to the dunning and collections process.

Q: Will the Company's proposed dunning and collections process introduce additional costs for residential customers?

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[19] Pfeifer-Rosenblum, Exh. APR-6 (PSE Response to TEP DR 117).

[20] Pfeifer-Rosenblum, Exh. APR-6 (PSE Response to TEP DR 117) at 2; PSE Response to TEP DR 121, Attachment C.

[21] Puget Sound Energy's Petition to Amend Final Order, ¶ 12, *citing* Exhibit B, Puget Sound Energy Comments in Docket U-210800, note 2 (June 21, 2023).

A: Yes. The Company is already spending substantial amounts on collections, allocates most of these costs to residential customers, and proposes to substantially increase the number of customers in dunning.

The Company recovers dunning expenditures through FERC Account 903, Customer Records and Collections. Across its electricity and gas business, the Company spent $35M on customer records and collections in 2022 and has spent $34M through October 31, 2023.[22] The Company states that it cannot break collections costs down by customer class; [23] however, the Company's 2021 cost of service studies allocated 86% and 85% of customer records and collections expenses to residential electric and gas customers, respectively.[24] The Company states that it had nearly 39,000 residential customers in dunning in 2022 and nearly 47,000 in dunning as of October 31, 2023;[25] now, the Company proposes to resume dunning on nearly 95,000 additional residential customers.[26]

The Company describes dunning as a high-touch process that includes "phone outreach, mailed outreach, and door to door interactions:"[27] When necessary to prevent disconnections, which are disruptive and potentially dangerous, dunning should be a high-touch process. However, as described in the testimony of TEP Witness Shaylee N. Stokes, contact with customers who have arrearages should be initiated prior to when

[22] PSE Response to TEP DR 123(A).

[23] PSE Response to TEP DR 123(A).

[24] PSE Response to TEP DR 118, Attachments A and B.

[25] PSE Response to TEP DR 123(A).

[26] Pfeifer-Rosenblum, Exh. APR-3 (PSE Response to TEP DR 119) at 4.

[27] Wallace, Exh. CLW-13T at 16:10.

customers are at risk of disconnection – presumably when contacting customers is also cheaper than allocating staff time to making door-to-door visits. Given that the Company conducts systematic outreach only to customers who are at risk of disconnection,[28] the Company's proposal may thus double down on the most expensive parts of the customer outreach and collections processes when more cost-effective outreach could be conducted earlier. This presents a risk that the already high level of costs allocated to residential customers could increase substantially if the Company is permitted to more than double the number of residential customers placed into an unmodified dunning process.

Q: How are collections costs recovered?

A: Collections costs are recovered from all customers, primarily through the basic charge. For example, in the 2021 cost of service study, each residential customers pays over \$36/year (\$3/month) and \$24/year (\$2/month) for electric and gas collections expenses, respectively. [29]

Q: Do you have any concerns about the potential that increased dunning expenses will be recovered through the fixed basic charge?

A: Yes. When compared to a rate design with a higher volumetric rate, high customer charges, by definition, shift cost collection to lower usage customers. This is because the fixed portion of the bill comprises a relatively larger portion for lower-usage customers. Usage is often correlated with income, meaning that all else equal, lower-income

[28] Wallace, Exh. CLW-13T at 9:7-11; PSE Response to WUTC DR 311; PSE Response to TEP DR 104.

[29] PSE Response to TEP DR 118, Attachments A and B

residents typically consume less than higher-income residents. When this is true, high fixed charges shift costs onto lower-income residential customers.

Q: Is there evidence that low-income customers tend to use less energy than high-income customers?

A: Yes. The Energy Information Administration periodically conducts the Residential Energy Consumption Survey (RECS) which collects information on energy characteristics, usage patterns, and household demographics from a nationally representative sample of households across the country. According to the most recently released RECS data, income and energy usage are positively correlated in the Pacific region where Washington is located, as indicated by Table 4, below.

Table 4: Electricity Usage and Income, Pacific Region[30]

Income	Electricity Usage (kWh)
Under $20,000	5,746
$20,000-$39,000	6,882
$40,000-$59,000	7,125
$60,000-$99,999	7,789
$100,000-$149,999	8,763
Over $150,000	9,364

Q: Would shareholders share in the cost of neglecting to implement the Company's proposal?

A: I assume PSE intends to be made whole for all arrearages through energy assistance programs or the recovery of bad debt. PSE did not provide any testimony alleging negative impacts on shareholders from arrearages. The Commission should therefore

[30] Energy Information Administration, 2020 Residential Energy Consumption Survey (RECS), filtered for "Pacific" DIVISION, grouped by MONEYPY, average KWH weighted by NWEIGHT.

assume that there are no negative impacts on PSE's shareholders from failing to implement the Company's proposal.

Q: What do you conclude regarding the bill impacts of the Company's proposal?

A: In addition to substantially inflating the bill impacts that would result from failing to resume disconnections, the Company neglects to mention the bill impacts that would result from more than doubling the number of customers for whom the Company proposes to resume disconnections. These increased expenses would be recovered from all customers, disproportionately burdening low-usage customers, who also tend to be low-income.

IV. PSE's proposal would disproportionately harm its most vulnerable customers

Q: Does the Company analyze the equity features of customers with arrearages?

A: As further discussed in the testimony of TEP Witness Shaylee N. Stokes, the Company's analysis is quite limited. Witness Stokes presents details on equity concerns raised by disconnections for nonpayment, as well as the ways in which PSE neglected to meet every one of the Commission's requirements for considering and integrating equity into its proposal. I reviewed the Company's claim that "past due customers are somewhat more likely to be in HIC [Highly Impacted Communities] and High Vulnerability populations, but not any more likely to be estimated low income or energy burdened."[31]

Q: Is the Company's limited analysis sufficient?

A: No. First, the Company's limited analysis is flawed because it contains inactive customers who would not face the same threat of disconnection under the Company's proposal. Additionally, it does not isolate the customers for whom the Company proposes

[31] Wallace, Exh. CLW-29

to resume dunning and disconnection or analyze whether customers with arrearages are representative of customers who PSE will ultimately disconnect. Finally, even the limited data provided by the Company indicates that vulnerable customers would be disproportionately harmed by the Company's proposal, at times contradicting the Company's claims otherwise.

The Company asserts that 46% of all customers are estimated to be low-income and that "past due customers are…not any more likely to be estimated low income or energy burdened."[32] However, this statement is unrevealing because it 1) appears to include inactive customers and 2) does not attempt to isolate the customers for whom the Company proposes to resume dunning and disconnections.

It is unclear why the Company would include inactive customers when comparing the income status of customers with arrearages to the Company's total customer base. If the intention of the Company's equity metrics are to understand the equity impacts of PSE's proposed disconnections, including inactive customers distorts this metric, as customers who are already inactive cannot be disconnected.

In response to TEP's data requests, PSE calculated the equity features of active customers owing $150-999. I investigated the equity features of this subset of customers based on the Company's indication, as described in Section II, that it would be focusing only on such customers. However, given the Company's contradictory responses in subsequent discovery requests, it is possible that the Company proposes to resume dunning and disconnections on customers with arrearages of over $1,000 and who earn below 200% FPL, as well. Table 5 indicates that active customers owing $150-$999 are

[32] Wallace, Exh. CLW-29 at 1.

disproportionately impacted across every category for which comparison data is available. While the difference is smaller for low-income and energy burdened customers, it is statistically significant – meaning that, contrary to the Company's claims, the customers for whom the Company proposes to resume disconnections are, in fact, statistically more likely to be estimated low-income and energy burdened. If the Company is proposing to resume dunning and disconnections on customers with arrearages of over $1,000 but earning below 200%, adding this disproportionately low-income subset of customers would be expected to increase the share estimated or known to be low-income.

Table 5: Equity Features of Active Customers with $150-$999 in Arrearages

	% of customers with $150-$999 in arrearages[33]	Approximate % of all customers[34]
In Highly Impacted Community	35%	20%
In Highly Vulnerable Population	48%	33%
Known Low-Income	7%	
Estimated Low-Income	48%	46%
Energy Burdened	19%	16%

The Company neglects to mention that not only are the customers who owe $125-$999 more likely to be members of the named communities identified above, but members of named communities owe more, on average. Table 6 below indicates that, within this subset of customers owing $125-$999, members of each of the named communities identified owe more than the average customer. I calculated the information depicted in Table 6 before I learned via discovery that inactive customers appear to be

[33] Puget Sound Energy Response to TEP DR 138.

[34] Wallace, Exh. CLW-29 at 1.

included in the dataset. However, these findings are consistent with data on estimated low-income customers that excludes inactive customers (I was not able to issue follow-up discovery on the other named communities within the timeline provided).[35]

Table 6: Average Dollars Owed Among Customers with $150-$999 in Arrearages (Including Inactive Customers)

	$/customer owed among customers owing $150-999[36]
All customers	**$438**
In Highly Impacted Community	$453
In Highly Vulnerable Population	$455
Known Low-Income	$482
Estimated Low-Income	$458
Energy Burdened	$460

Q: What do you conclude regarding the Company's analysis of equity features?

A: The Company's analysis of equity features is insufficient. However, the limited information submitted by the Company indicates disproportionate harm to the most vulnerable customers.

V. PSE's claim that the Settlement's credit and collection term results in significantly more arrearages for PSE than other Washington IOUs is incorrect when one accounts for differences in the numbers of customers served.

Q: Please describe the level of PSE's arrearages compared to the other investor-owned utilities (IOUs) in Washington.

[35] PSE Response to TEP DR 122(A), Attachment A. Examining customers with any level of arrearages ($1 to >$1,000), average arrearages for estimated low-income, active customers are $533 per customer while average arrearages are $460.04 per customer for all active customers

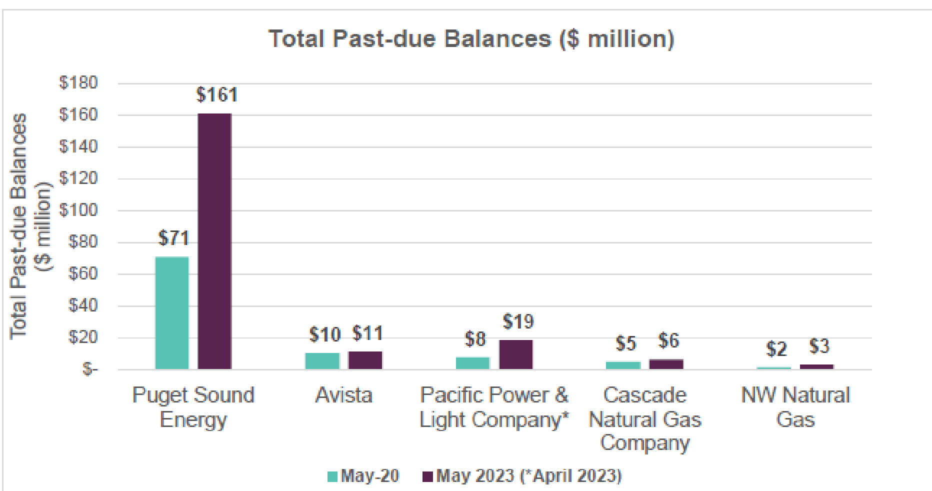
[36] Pfeifer-Rosenblum, Exh. APR-4 (PSE Response to TEP DR 132) at 3-4.

A: When measured by the average per-customer arrearages for the residential class, PSE's arrearages are slightly lower than PacifiCorp's arrearages.

Q: How did PSE compare its arrearages to other utilities?

A: In its Petition, PSE used the absolute dollar amount of arrearages for all customer classes. PSE asserted that its current level of arrearages "is much larger than any other Washington State investor-owned utility."[37] To support this assertion, PSE attached to its petition and cited its June 21, 2023, comments in the Credit and Collections Rulemaking. Those comments noted that "other IOUs have returned to normal dunning operations" and provided Figure 1, duplicated below.[38]

*Figure 1. Washington IOUs' arrearage balances in May 2020 and in May (*April) 2023*



Source: UTC Docket U-200281

Q: Is it appropriate to compare the financial impacts on IOUs in Washington by using absolute dollar amounts?

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[37] Puget Sound Energy's Petition to Amend Final Order, ¶ 9 (Aug. 10, 2023).

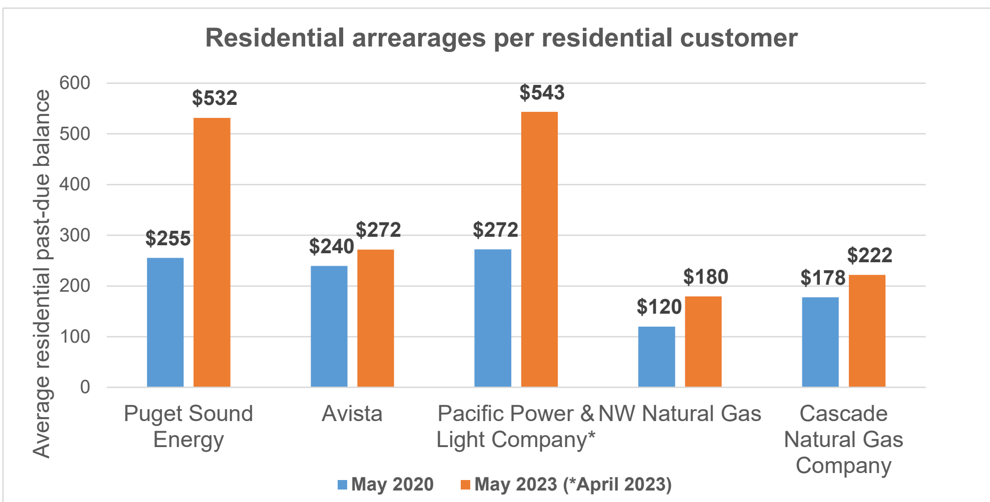
[38] Exhibit B to Puget Sound Energy's Petition to Amend Final Order, Puget Sound Energy Comments in Docket U-210800, at 1-2 (June 21, 2023).

A: No. As this Commission knows, PSE is a much larger utility than the other IOUs, so a comparison like Figure 1 of absolute dollar amounts will almost always show PSE's bar rising much higher than the others. Therefore, I find Figure 1 to be an inappropriate and misleading comparison.

Q: What is a more appropriate way to compare arrearage levels among utilities?

A: Arrearage levels among utilities should be compared on a per-customer basis for residential customers, as demonstrated in Figure 2, below.[39]

Figure 2: Residential Arrearages per Residential Customer, Washington IOUs



Source: UTC Docket U-200281

There are two key differences from PSE's measure: (1) Figure 2 divides total arrearages by the number of residential customers so that the size of the utility does not distort the measure, and (2) it only includes residential customer arrearages. In both the Credit and Collections Rulemaking and this proceeding the Joint Advocates, including TEP, propose to provide disconnection protections to only residential customers, not commercial and

[39] PSE Response to TEP DR 100.

industrial (C&I) customers. Thus, the only policies in dispute—and the only arrearages the Commission should consider in its decision making—are those of residential customers.

Q: Is the Company's total arrearage level, including commercial and industrial customers, relevant to the dispute in this proceeding?

A: No, only residential customer policies and residential customers arrearages are in dispute.

Q: What conclusions do you draw from the data presented in Figure 2?

A: The data does not support PSE's assertion that the Settlement's credit and collection term results in more arrearages for PSE as compared to the other IOUs. The other IOUs have resumed pre-pandemic disconnection practices, while PSE maintains a $1,000 disconnection threshold. Figure 2 shows that PacifiCorp has the highest level of arrearages per customer, yet PacifiCorp also has the lowest disconnection threshold among the Washington IOUs at $50. Put simply, the data does not support PSE's claim that the disconnection threshold correlates with arrearage levels.

VI. PSE's forecast of arrearage growth is flawed.

Q: How does PSE characterize its growth in arrearages?

A: Using data from all customer classes, Witness Wallace argues that PSE's arrearages have grown 157% from 2019 to 2023.[40]

Q: Do you have any concerns about the relevancy of this data?

A: Yes. The time period from 2019 to 2023 covers the extraordinary years of the COVID-19 pandemic and the economic instability that followed. During the outbreak of COVID-19, customers experienced challenges such as unemployment, underemployment, and rising

[40] Wallace, Exh. CLW-13T at 7:3-4.

inflation. It is reasonable to hypothesize that such economic challenges contributed to higher-than-average growth in arrearages over this period. Although we continue to experience some challenges associated with COVID-19, the economy is recovering, it continues to stabilize, and it is not reasonable to presume that arrearages will continue to grow at the same pace during the height of the pandemic. I do not believe it is appropriate to make decisions about the future based on data including the peak years of the pandemic and subsequent economic volatility.

In addition, as I noted above, only residential customer policies are in dispute, so arrearage data including C&I customer arrearages is not relevant.

Q: How does PSE project growth in arrearages?

A: The Company states that it projects growth in arrearages by applying "the average percentage change in arrearages month to month for 2020, 2021, and Jan-April 2022," beginning in May 2022. The Company states that the forecast begins in May 2022 because the Company assumes that it had not resumed disconnections for non-payment during this month.[41]

Q: Is this an appropriate way to project growth in arrearages?

A: No. It is not appropriate to simply assume that the rate of increases in arrearages that occurred during COVID-19 and the subsequent economic instability will continue indefinitely. It is far more reasonable to assume that the growth in arrearages that occurred during these extraordinary years are an outlier that is inconsistent with historic trends. While the Company declined to provide the data needed to verify this assumption

[41] Wallace, Exh. CLW-13T at 8 (Figure 2: Projected Arrearage Amounts).

when requested,[42] the Company's testimony indicates that average annual arrearage growth over 2020-2022 was about seven times higher than it was from 2018-2019.[43]

It does not appear that the Company made any attempt to control for the drivers of arrearage growth when developing its forecast. Rather, the Company simply extended data from the anomalous years over-lapping with the COVID-19 crisis into the foreseeable future, without considering whether the factors that contributed to higher arrearages during COVID-19 are likely to continue.

Q: Do you have any additional concerns regarding the Company's approach to forecasting arrearage growth.

A: Yes. It is unclear why the Company adjusted its data to assume it had not resumed dunning and collections on $43M in debt,[44] as such a decision incorrectly and unreasonably inflates forecast arrearages beyond what they are known to be.

Q: Has the Company's approach to forecasting arrearages performed accurately?

A: No. As of October 2023, the Company's forecast is 15% higher than actual arrearages.[45]

Q: Please summarize the flaws with the Company's approach to forecasting arrearages.

A: The Company's forecast is based exclusively on data that is known to be non-representative, given that it includes $43M arrearages on which collections resumed over a year ago. In addition, the Company's forecast does not consider the likely drivers of

[42] PSE Response to TEP DR 128.

[43] Wallace, Exh. CLW-13T at 8 (Figure 1). The table indicates that annual arrearages grew at the rate of 35%, on average, over 2020-2022, which is seven times the 2018-2019 figure of 5%.

[44] Wallace, Exh. CLW-13T at 19, Table 2.

[45] PSE Response to TEP DR 124, Attachment A.

arrearages, such as the employment instability and inflation that were sparked by the COVID-19 pandemic and which are beginning to re-stabilize. Given these numerous flaws, the Commission should give the Company's forecast little, if any, weight when making its decision.

VII. Conclusion

Q: Please restate your findings.

A: I find that:

- The Company's proposal for resuming dunning and disconnections is unclear and includes information that appears contradictory;
- PSE substantially inflates the estimated rate impacts of declining to implement the Company's proposal;
- PSE's proposal would disproportionately harm its most vulnerable customers;
- PSE's claim that the Settlement's credit and collection term results in significantly more arrearages for PSE than other Washington IOUs is incorrect when one accounts for differences in the numbers of customers served; and,
- PSE's forecast of arrearage growth is flawed.

Q: Does this conclude your testimony?

A: Yes, it does.