

**EXHIBIT NO. ___(EEE-1T)
DOCKETS UE-151871/UG-151872
PSE EQUIPMENT LEASING SERVICE
WITNESS: ERIC E. ENGLERT**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**Dockets UE-151871
UG-151872**

**PREFILED DIRECT TESTIMONY OF
ERIC E. ENGLERT
ON BEHALF OF PUGET SOUND ENERGY**

February 25, 2016

PUGET SOUND ENERGY
PREFILED DIRECT TESTIMONY OF
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PUGET SOUND ENERGY
PREFILED DIRECT TESTIMONY OF
ERIC E. ENGLERT

I. INTRODUCTION

Q. Please state your name, business address, and position with Puget Sound Energy.

A. My name is Eric E. Englert. My business address is 10885 N.E. Fourth Street Bellevue, WA 98004. I am the Manager, Regulatory Initiatives & Tariffs for Puget Sound Energy (“PSE” or the “Company”).

Q. Have you prepared an exhibit describing your education, relevant employment experience, and other professional qualifications?

A. Yes, I have. It is Exhibit No. ___(EEE-2).

Q. What are your duties as Manager, Regulatory Initiatives & Tariffs for PSE?

A. As Manager, Regulatory Initiatives & Tariffs, I am responsible for the management and preparation of tariff and other regulatory filings, the research and development of regulatory policy and strategy on tariff and other regulatory initiatives, and the interpretation of tariffs and rate schedules. I have been employed by PSE since 1997, working in the area of Rates and Regulatory Affairs. I have been involved with several optional tariff schedule services over the past several years, such as the updated electric Schedule 62 – Substation and

1 Related Equipment Capacity and the natural gas Schedule 54 – Optional Gas
2 Compression Service.

3 **Q. Please summarize your testimony.**

4 **A.** PSE has offered Commission-approved end-use equipment leasing services
5 similar to PSE’s proposed Lease Service for over 50 years. Indeed, PSE currently
6 offers several, fully optional Company-owned, end-use equipment services that
7 share several similar features with PSE’s proposed Lease Solutions. Lease
8 Solutions is simply an extension of these services. In addition, while Lease
9 Solutions will provide conservation savings and other associated public benefits,
10 it is not a Conservation Program (Schedules 200 – 299). PSE’s proposed service
11 also has significant consumer protections.

12 **Q. What is the purpose of your testimony?**

13 **A.** The purpose of my testimony is to demonstrate that Lease Solutions is an
14 extension of PSE’s past and current Commission-approved practice of offering
15 Company-owned, end-use equipment services to its customers and that several of
16 PSE current programs share similarities with Lease Solutions. My testimony will
17 also establish that while Lease Solutions will provide significant conservation
18 benefits and other associated public benefits, it is not a Conservation Program.
19 Finally, my testimony demonstrates that Lease Solutions has numerous consumer
20 protections that facilitate customer choice by fully informing customers of the
21 purpose, benefits, terms, and alternatives to the program. This information helps
22 customers best determine whether the program would be beneficial to them.

1 **II. PSE’S LEGACY OF OFFERING OPTIONAL NATURAL GAS AND**
 2 **ELECTRIC END-USE LEASE SERVICES TO CUSTOMERS**

3 **Q. Has PSE ever offered an optional natural gas and electric end-use equipment**
 4 **lease service to customers?**

5 A. Yes. PSE currently offers several optional natural gas and electric Company-
 6 owned end-use equipment lease services. Figure No. 1 below provides a
 7 summary of some optional services that utilize Company-owned, end-use
 8 equipment where the customer determines value and which sometimes have
 9 conservation savings (but are not part of the PSE Conservation Program).

10 **Figure No. 1**

11 **Optional Company-Owned End-Use Equipment Services**

| | Company Owned Equipment | Optional Service | End Use | Conservation Savings | Customer Determined Value | PSE Conservation Program | Currently Available |
|-------------------------------------|-------------------------|------------------|---------|----------------------|---------------------------|--------------------------|---------------------|
| <i>Electric Schedules</i> | | | | | | | |
| 51-Lighting | X | X | X | X | X | | X |
| 52-Lighting | X | X | X | | X | | X |
| 53-Lighting | X | X | X | | X | | X |
| 54-Lighting | | X | X | X | X | | X |
| 55-Lighting | X | X | X | X | X | | X |
| 56-Lighting | X | X | X | X | X | | X |
| 58-Lighting | X | X | X | X | X | | X |
| 59-Lighting | X | X | X | X | X | | X |
| 62-Substation Rental | X | X | X | | X | | X |
| 84-Water Htr. Rental | X | X | X | X | X | | |
| <i>Natural Gas Schedules</i> | | | | | | | |
| 50-Emergency CNG | X | X | X | | X | | |
| 54-Compression Service | X | X | X | | X | | X |
| 71-Resid. Water Htr. Rental | X | X | X | X | X | | X |
| 72-Lg. Vol. Water Htr. Rental | X | X | X | | X | | X |
| 74-Conv. Burner Rental | X | X | X | X | X | | X |
| 75-Circ. Htr. Rental | X | X | X | | X | | |

1 **Q. Is the offering of natural gas end-use equipment as a lease service to**
2 **customers a new policy?**

3 A. No, it is not a new policy. PSE has been offering this kind of service for over 50
4 years. The Commission has approved the leasing of natural gas end-use
5 equipment, such as water heaters and conversion burners, since at least the early
6 1960s. In 1961, a predecessor to PSE—Washington Natural Gas Company—
7 implemented a program to lease residential gas conversion burners to encourage
8 customers to use gas heating and appliances without having to incur the up-front
9 cost of purchasing the equipment. A few years later, the program was expanded
10 to include gas heaters, furnaces, and water heaters. In *Cole v. Washington*
11 *Utilities & Transportation Commission*, 79 Wn.2d 302 (1971), several oil dealers
12 challenged the program as beyond the jurisdiction of the utility and that the
13 program was having adverse effects on local fuel dealers. The Washington
14 Supreme Court fully upheld the program finding that “the leasing program was
15 legal, fully compensatory and of great benefit to the utility and to its consumers.”
16 *Id.* at 310. PSE has continued that program and various other leasing programs
17 since that time.

18 **Q. Does the Commission-approved natural gas tariff book allow the Company**
19 **to offer any optional natural gas end-use equipment services to its**
20 **customers?**

21 A. Yes. In PSE’s Commission-approved Rule No. 2 Definitions (Sheet No. 12-A),
22 Gas Service is defined broadly to include “Rental of natural gas equipment”:

1 16. Gas Service: All services rendered to effect the initiation,
2 administration or maintenance of:

- 3 a. Installation and operation of distribution facilities;
4 b. Sale or transportation of gas on the Company's system;
5 c. Rental of natural gas equipment;
6 d. Safety and inspection services;
7 e. Demand-side management (gas conservation) programs; or
8 f. Other utility services provided by the Company; and
9 g. The availability of natural gas for use by the Customer,
10 irrespective of whether natural gas is actually used.

11 Therefore, a lease-type service involving any natural gas Company-owned, end-
12 use equipment is already an intrinsic part of PSE's current natural gas service and,
13 as a broad category of service, has already been approved by this Commission.

14 **Q. Does the Company currently provide specific optional natural gas end-use**
15 **equipment service to customers?**

16 A. Yes, the Company has several Commission-approved services where the
17 Company provides optional natural gas Company-owned, end-use equipment
18 service. These include compression equipment, water heater equipment and
19 conversion burner equipment.

20 **Q. Has the Commission recently approved a new optional natural gas end-use**
21 **equipment service for customers?**

22 A. Yes, on July 25, 2014, the Commission-approved natural gas Schedule 54,
23 Optional Gas Compression Service, became effective.

24 **Q. Is Schedule 54 similar to the tariffs proposed by PSE in these dockets?**

1 A. Yes, the Optional Gas Compression Service tariff schedule shares several
2 similarities with the leasing service tariff proposed by PSE in the current dockets.
3 For example, both Schedule 54 and the proposed Lease Solutions: 1) offer
4 customers optional, end-use equipment services; 2) utilize Company-owned
5 equipment; 3) provide cost savings for customers; 4) provide customers an
6 opportunity to reduce the amount of CO₂ they produce; 5) provide customers
7 fixed pricing over the life of the service; 6) offer price structures that allow the
8 Company to update prices, as necessary; 7) incorporate price structures that
9 ensure the optional service will not unduly burden any non-participating
10 customers; and 8) provide customers with information to determine whether the
11 optional service would provide value to them.

12 **Q. How recently did the Commission approve new updated rates for existing**
13 **optional natural gas end-use equipment service for customers?**

14 A. On July 1, 2013, updated rates for natural gas Schedules 71, 72, 74 and 16 (water
15 heater and gas conversion burner rental service) became effective. When the
16 Commission approved those new rates, neither the Commission nor any other
17 party questioned whether PSE could continue to offer these optional end-use
18 equipment services. The Commission did not require any quantification of any
19 public benefit before allowing these new rates to go into effect.

20 **Q. Is the offering of electric end-use equipment as a service to customers a new**
21 **policy?**

22 A. No. PSE's Commission-approved electric tariff book already allows the
23 Company to offer electric end-use equipment to its customers. PSE has offered

1 optional electric equipment rental services for approximately 40 years. Both the
2 overall concept and the actual practice of providing equipment-leasing services
3 are already part of PSE's Commission-approved tariff.

4 **Q. Please describe the electric end-use equipment PSE currently provides to**
5 **customers.**

6 A. PSE's optional electric Schedule 62 Substation and Related Equipment Capacity
7 makes Company-owned capacity available for use to PSE customers that take
8 service at high voltage under Schedules 46, 49, 449 and 459. PSE has leased
9 substations and related equipment since at least 1975 and Schedule 62 has dozens
10 of long-term lease customers. The Commission allowed price updates to go into
11 effect on September 1, 2015 for this schedule under Docket No. UE-151128.
12 Questions were never raised, from any party, as to whether PSE could or should
13 be offering or continue to offer this optional service of leasing electrical end-use
14 equipment to eligible customers. The Commission did not require a
15 quantification of any public benefit before allowing these rates to go into effect
16 nor did it require a determination that the service had to be cost-effective for any
17 individual customer. The Commission left that determination to the individual
18 customer. In addition to the above, the electric tariff schedules listed below
19 would also be considered as rental or leasing of electric end-use equipment:

- 20 Schedule 51 – LED Lighting Service Company Owned
- 21 Schedule 52 – Custom Lighting Service Company Owned
- 22 Schedule 53 – Street Lighting Service
- 23 Schedule 55 – Area Lighting Service
- 24 Schedule 56 – Residential and Farm Area Lighting Service
- 25 Schedule 58 – Flood Lighting Service
- 26 Schedule 59 – Residential and Farm Flood Lighting Service

1 **Q. How recently did the Commission approve a new electric end-use equipment**
2 **service for customers?**

3 A. The Commission most recently approved revisions to both area and flood lighting
4 rates to become effective on October 30, 2015, under Schedules 55, 56, 58 and
5 59. The optional service provided under these Schedules create conservation
6 savings by use of LED lighting fixtures, but are not considered PSE Conservation
7 Programs, nor are they conducted under PSE Conservation Schedules (Schedules
8 200 – 299). The Commission approved the inclusion of LED lighting fixtures in
9 Schedule 53 – Street Lighting Service on September 1, 2012. These conservation
10 savings have been provided by a non-conservation tariff service for over three
11 years.

12 **III. LEASE SOLUTIONS IS AN INNOVATIVE CHANNEL THAT**
13 **PROMOTES ENERGY EFFICIENT EQUIPMENT, BUT IT IS NOT A**
14 **CONSERVATION PROGRAM**

15 **Q. Has PSE filed Lease Solutions as a Conservation Program?**

16 A. No. This service is a stand-alone separate tariff rate schedule like similar services
17 currently offered, as noted above, and has not been filed as a Conservation
18 Program (Schedules 200 – 299).

19 **Q. Is Lease Solutions a Conservation Program?**

20 A. No. It is an optional, Company-owned, end-use equipment service that will have
21 the additional feature of achieving conservation savings and other quantifiable
22 public benefits from several of the individual products being offered within it.

23 *See Prefiled Direct Testimony of Dr. Ahmad Faruqui, Exhibit No. ____ (AF-1T).*

1 As with all approved optional services, each participating customer will determine
2 if this optional service provides value for their individual home or business.

3 **Q. Once this service structure is approved, can it serve as a channel to support**
4 **Conservation Programs? If so, how?**

5 A. Yes. Once in place, these tariff schedules will provide a structure and a channel
6 to support additional services and products, some of which may have conservation
7 savings or other public benefits.

8 **Q. Once this service structure is approved, can it serve as a platform to support**
9 **Conservation Programs, such as Demand Response Conservation Programs?**

10 A. Yes. In fact, in the updated tariff filing dated February 17, 2016, PSE has
11 proposed providing Wi-Fi-enabled equipment that customers may select as an
12 option. Where there is a Demand Response Conservation Program available to
13 customers, this equipment can be leveraged to quickly dispatch load control and
14 energy storage capabilities for those customers who chose to enroll in the
15 programs.

16 **Q. Once this service structure is approved, can it serve as a platform to support**
17 **Conservation Programs, especially natural gas programs?**

18 A. Yes. Natural gas conservation savings are increasingly difficult to attain. PSE is
19 very interested in finding additional avenues to address its natural gas energy
20 efficiency goals, and believes the Lease Solutions can provide another viable
21 channel that will allow PSE to enhance future conservation goal achievement
22 activities. Increasing natural gas conservation savings is in the public interest.

1 **IV. LEASING SOLUTIONS HAS EXTENSIVE CUSTOMER PROTECTIONS**

2 **Q. Will customers be advised of important elements of the service in the**
3 **Equipment Lease Agreement?**

4 A. Yes, the Equipment Lease Agreement will disclose the lease term, which will be
5 the total number of years and total number of months for each lease quote.
6 Further disclosures will include the total cost of the lease, which is the total lease
7 payment over lease term, and the monthly lease payment.

8 **Q. Will customers be informed of the maintenance schedule and maintenance**
9 **and repair responsibilities?**

10 A. Yes, the lease terms and conditions in the tariff schedules disclose a maintenance
11 schedule. In addition, details are included on how to report an equipment
12 performance issue during the lease term and the timeframe in which PSE will
13 respond to service requests.

14 **Q. Will customers be informed of the details of the warranty?**

15 A. Yes, the lease term and conditions in the tariff schedules disclose the warranty.
16 PSE will provide full warranty and will replace failed equipment throughout the
17 full lease term.

18 **V. CONCLUSION**

19 **Q. Does this conclude your prefiled direct testimony?**

20 A. Yes.