

**Exh. JL-24T**  
**Dockets UE-190529/UG-190530 and**  
**UE-190274/UG-190275 (*consolidated*)**  
**Witness: Jing Liu**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY,**

**Respondent.**

**DOCKETS UE-190529  
and UG-190530 (*consolidated*)**

**In the Matter of the Petition of**

**PUGET SOUND ENERGY**

**For an Order Authorizing Deferral  
Accounting and Ratemaking Treatment  
for Short-life UT/Technology Investment**

**DOCKETS UE-190274 and  
UG-190275 (*consolidated*)**

**CROSS-ANSWERING TESTIMONY OF**

**Jing Liu**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

***Low Income Bill Assistance Issues;  
Sale of Colstrip Unit 4***

**January 15, 2020**

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## **LIST OF EXHIBITS**

- Exh. JL-25 PSE HELP Spending Details for October 2018 – September 2019 Program Year (PSE Second Revised Response to UTC Staff Data Request No. 230)
- Exh. JL-26 PSE HELP Spending Details by Community Action Agency for the Last Three Program Years (PSE Revised Response to UTC Staff Data Request No. 231)
- Exh. JL-27 PSE’s Determination of HELP Administrative Fees (PSE Response to UTC Staff Data Request No. 232)
- Exh. JL-28 PSE’s Verification of HELP Administration Fees (PSE Response to UTC Staff Data Request No. 233)
- Exh. JL-29 HELP Service Contract between PSE and Community Action Agencies (PSE Response to UTC Staff Data Request No. 234)

1 **I. INTRODUCTION**

2

3 **Q. Please state your name and business address.**

4 A. My name is Jing Liu, and my business address is 621 Woodland Square Loop SE,  
5 Lacey, Washington, 98503. My business mailing address is P.O. Box 47250,  
6 Olympia, Washington, 98504-7250. My business email address is  
7 jing.liu@utc.wa.gov.

8

9 **Q. Are you the same Jing Liu who filed response testimony in these dockets on**  
10 **November 22, 2019, on behalf of Commission Staff (Staff)?**

11 A. Yes.

12

13 **II. SCOPE AND SUMMARY OF TESTIMONY**

14

15 **Q. What is the scope and purpose of your testimony?**

16 A. My testimony responds to the Energy Project (TEP) witness Shawn Collins’  
17 response testimony regarding his proposals for a funding increase and an  
18 administrative cost increase to PSE’s Home Energy Lifeline Program (HELP).

19 I also provide Staff’s perspective on the relevance to this general rate case  
20 (GRC) of PSE’s agreement to sell its portion of Colstrip Unit 4.

21

1 **Q. What are TEP's proposals with regard to PSE's HELP program?**

2 A. In its response testimony, TEP makes two proposals regarding the HELP program.  
3 TEP asks the Commission to order PSE to (1) increase HELP funding by twice the  
4 average percentage increases to residential customer *base rates*; and (2) increase the  
5 administrative cost PSE pays to community action agencies from approximately 20  
6 percent to 30 percent, with a specific allowance of 10 percent for indirect costs.

7  
8 **Q. What are your recommendations with respect to TEP's proposals?**

9 A. I recommend the Commission increase the HELP funding by twice the average  
10 percentage increases to residential customer *bills*, or \$1.4 million, whichever is  
11 greater. The Commission should reject TEP's proposal to tie HELP funding to  
12 increases in base rates, as it is the bill impact (and not the base rate impact) that  
13 ratepayers actually experience.

14 I recommend the Commission reject TEP's proposal to increase the  
15 administrative cost for the HELP program from approximately 20 percent to 30  
16 percent. While Staff agrees that community action agencies should be compensated  
17 for a reasonable level of costs associated with administering the program, the  
18 evidence does not show administrative costs above the current fee structure.

19

20 **III. HELP PROGRAM FUNDING INCREASE**

21

22 **Q. What is the HELP program?**

1 A. Home Energy Lifeline Program (HELP) is PSE’s bill assistance program for its low  
2 income customers. HELP bill credits are available to households at or below 150  
3 percent of the Federal Poverty Line, and they are in addition to the bill credits those  
4 households may receive from the federal Low Income Home Energy Assistance  
5 Program (LIHEAP). PSE contracts with 11 community action agencies (agencies) to  
6 process bill assistance applications.

7 HELP is funded by revenue collected from tariff Schedule 129. HELP  
8 currently has a budget of \$24 million.<sup>1</sup> For the October 2018 – September 2019  
9 Program Year, PSE distributed approximately \$12.9 million in direct benefits to  
10 30,451 customers.<sup>2</sup> Over that period, PSE paid a total of \$3.8 million to agencies for  
11 administrative costs, representing 22 percent of total program spending.<sup>3</sup>

12  
13 **Q. What is TEP’s proposal for increasing HELP funding?**

14 A. In response to PSE’s proposal to increase the HELP funding by twice the average  
15 residential *bill increase*,<sup>4</sup> TEP testifies that it only accepts PSE’s proposal if the  
16 Commission approves the full rate increase PSE requested. In the event that a lower  
17 rate increase is approved, TEP recommends that the increase in HELP funding be  
18 double the percentage increase authorized for the residential *base rate*.<sup>5</sup> In the event

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<sup>1</sup> PSE Natural Gas Tariff WN U-2 Sheet No. 1129-A.1 and Electric Tariff WN U-60 Sheet No. 129-A.1.

<sup>2</sup> See Liu, Exh. JL-25 for details on spending and benefits for the 2018-2019 Program Year.

<sup>3</sup> See Liu, Exh. JL-26.

<sup>4</sup> Based on PSE’s requested rates, under PSE’s proposal the electric portion of the HELP funding would be increased by twice the average residential bill increase of 7.67 percent, which is an increase of \$2.9 million. For the gas portion of HELP, the funding would be increased by twice the average residential bill increase of 7.54 percent, which is an increase of \$0.7 million. See Piliaris, Exh. JAP-1T at 19:11-19; 44:5-12.

<sup>5</sup> Collins, Exh. SMC-1T at 7:2-6.

1 that the Commission orders a reduction for either electric or gas rates, TEP proposes  
2 that HELP funding not be reduced.<sup>6</sup>

3

4 **Q. What is your response?**

5 A. The Commission should reject TEP's proposal to tie the HELP funding increase to  
6 the base rate increase. I recommend that the Commission accept PSE's proposal,  
7 with one modification. Specifically, the Commission should authorize PSE to  
8 increase HELP funding by twice the percentage of the residential *bill* increase, or  
9 \$1.4 million, whichever is greater. However, I agree with TEP's suggestion that  
10 HELP funding not be reduced in the event of rate reduction. My recommendation  
11 bases the HELP funding increase on the actual increase to customer bill, but also  
12 provides a minimum threshold to ensure the funding increase is meaningful.

13

14 **Q. How does the *base rate* increase differ from the *bill* increase?**

15 A. The primary difference is due to moving certain rider schedules into the base rate  
16 schedules.<sup>7</sup> All else equal, moving a rider schedule into base rates can have the effect  
17 of increasing base rates without a corresponding bill increase.

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<sup>6</sup> *Id.* at 7:8-11.

<sup>7</sup> Specifically, electric rates on Schedule 95 (Power Cost Adjustment Clause), Schedule 141 (Expedited Rate Filing, or ERF), and Schedule 141X (Protected Plus Excess Deferred Income Tax Reversals, or EDIT Reversals) will be rolled into the base rates; likewise, gas rates on Schedule 141 (ERF), Schedule 141X (EDIT Reversals) and Schedule 149 (Cost Recovery Mechanism for pipeline replacement, or CRM) will be incorporated into the base rates.

1                   For PSE’s electric service, the bill increase percentage and base rate increase  
2                   percentage are very close. However, for PSE’s natural gas service the percent base  
3                   rate increase would be larger than the percent bill increase.<sup>8</sup>

4

5   **Q.   Do you agree with TEP’s proposal?**

6   A.   No. TEP’s proposal inappropriately attempts to link the need for an increase in  
7           HELP funding to an increase to base rates, which will be larger than the net bill  
8           increase as an artifact of moving certain existing rider schedules into base rates. The  
9           base rate increase does not represent the true increase to overall customer rates and,  
10          therefore, is an inappropriate basis for determining the need for additional low  
11          income funding. The average residential *bill* increase is a more appropriate  
12          representation of the impact to low income customers of a rate increase authorized  
13          through a GRC.

14                 It is also worth noting that HELP funding already has been increased twice in  
15                 2019, based on the rate increase from the ERF in March and the decoupling  
16                 surcharge increase in May.<sup>9</sup> Because the schedule implementing PSE’s ERF rates  
17                 (Schedule 141) are being incorporated into base rates through this GRC, TEP’s  
18                 proposal would increase HELP funding related to ERF rate increase for a second  
19                 time.

20

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<sup>8</sup> Under PSE’s initial revenue request, the electric rate increases before and after rider schedule changes are 7.68% and 7.67%, respectively; the gas rate increases before rider schedule changes and after rider schedule changes are 11.38% and 7.54%, respectively. The three gas rider schedules account for \$32 million in total. The three electric rider schedules only account for \$3 million in total. *See* Piliaris, Exh. JAP-14 and JAP-15.  
<sup>9</sup> *See generally* Dockets UE-190752 & UG-190729, workpapers filed Sept. 6, 2019.

1 **Q. Why do you believe it is more appropriate to tie HELP funding to customer bill**  
2 **impact?**

3 A. The purpose of HELP funding is to mitigate the effect on low income customers of  
4 increases in energy costs (due to increases in rates). Therefore, it is appropriate and  
5 logical to tie HELP funding to increases in customer bills. It is inappropriate to tie  
6 the HELP funding increase to the base rate increase, as the base rate increase does  
7 not necessarily reflect the increase in cost experienced by customers on their bills.

8

9 **Q. Why do you recommend providing a minimum funding increase of \$1.4**  
10 **million?**

11 A. I concur with TEP that there is still a large unmet demand for financial assistance in  
12 PSE's service territory and additional funding will facilitate the outreach of PSE's  
13 HELP benefits to more customers in need. In the event that the Commission orders a  
14 smaller revenue increase than that recommended by Staff, I believe it is still  
15 important to ensure that the HELP receives a meaningful funding increase.  
16 Therefore, I recommend the Commission authorize the HELP funding be increased  
17 by twice the percentage of the residential bill increase, or \$1.4 million, whichever is  
18 greater. This amount (\$1.4 million) corresponds to double the average percentage  
19 residential bill increase recommended by Staff in its response case. This approach is  
20 consistent with what the Commission ordered for funding increases for Avista's Low  
21 Income Rate Assistance Program (LIRAP).<sup>10</sup> Table 1 below shows my assessment of

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<sup>10</sup> The Commission authorized a five-year funding plan for Avista's LIRAP, in which the LIRAP funding will increase by twice the approved increase to the base rate, or 7 percent, whichever is greater. *See Washington Utilities & Transportation Commission v. Avista Utilities*, Dockets UE-150204 & UG-150205, Order 05, 80 ¶ 232 (Jan. 6, 2016). Avista does not have the ERF, CRM, or EDIT Reversals rider schedules that PSE has.

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1 potential increase to HELP funding based on PSE's and Staff's revenue  
 2 requirements.

3 **Table 1. Proposals for HELP Program Funding Increase**

|  | <b>ELECTRIC</b> | <b>GAS</b>   | <b>TOTAL</b>  | <b>PERCENT</b> |
|--|-----------------|--------------|---------------|----------------|
| 2018-2019 Program Year<br>Budget (UE-190752/UG-<br>190729) | \$ 19,151,821   | \$ 5,015,234 | \$ 24,167,055 |                |
| PSE Proposed Residential<br>Bill Impact                    | 7.67%           | 7.54%        |               |                |
| Double %   | 15.34%          | 15.08%       |               |                |
| PSE Proposed<br>Funding Increase                           | \$ 2,937,889    | \$ 756,117   | \$ 3,694,006  | 15%            |
| Staff Proposed Residential<br>Bill Impact                  | 2.77%           | 3.57%        |               |                |
| Double %   | 5.54%           | 7.14%        |               |                |
| Staff Proposed<br>Funding Increase                         | \$ 1,061,011    | \$ 358,088   | \$ 1,419,099  | 6%             |
| Staff Proposed Residential<br>Base Rate Impact             | 2.87%           | 8.19%        |               |                |
| Double %   | 5.74%           | 16.38%       |               |                |
| TEP Proposed<br>Funding Increase                           | \$ 1,099,315    | \$ 821,495   | \$ 1,920,810  | 8%             |

1                   **IV.     ADMINISTRATIVE COST OF PSE’S HELP PROGRAM**

2

3   **Q.     How much in administrative fees does PSE currently pay to the community**  
4           **action agencies for delivering HELP benefits?**

5   A.     PSE’s prescribed agency administrative fee structure is based on actual costs to  
6           community action agencies.<sup>11</sup> Currently, 21 percent of the budgeted funds for HELP  
7           are allocated to agency administrative costs, subject to a true-up for actual costs.<sup>12</sup>  
8           For the 2018-2019 program year, PSE paid a total of \$3,783,433 to 11 agencies, or  
9           22 percent of the total actual spending.

10

11 **Q.     What is the TEP’s proposal?**

12 A.     TEP asserts that “the current fee structure is under strain as major changes taking  
13           place both within PSE and more generally with energy regulation in Washington add  
14           costs for agencies.”<sup>13</sup> TEP proposes a 50 percent increase in the overall allowable  
15           administrative fees, from 20 percent to 30 percent of total funds.<sup>14</sup> TEP proposes an  
16           allowance of 10 percent be established for indirect costs within the overall agency  
17           fee structure, as an incremental supplement to the existing agency administrative  
18           allotment of approximately 20 percent, which TEP proposes be allocated to direct  
19           costs.<sup>15</sup>

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<sup>11</sup> PSE Natural Gas Tariff WN U-2 Sheet No. 1129-A.1 and Electric Tariff WN U-60 Sheet No. 129-A.1.

<sup>12</sup> Available budget is calculated as total budget minus approximately half a million for PSE’s administrative costs related to HELP. Please see Liu, Exh. JL-27 and JL-28 for a description of how PSE determines and verifies the administrative fees to agencies. Please also see Liu, Exh. JL-29 for a sample service contract between PSE and the agencies.

<sup>13</sup> Collins, Exh. SMC-1T at 8:10-12.

<sup>14</sup> *Id.* at 9, n.19.

<sup>15</sup> *Id.* at 9:3-6.

1 **Q. Do you support TEP’s proposal to increase administrative fees by 50 percent?**

2 A. No. TEP’s proposal is not substantiated by cost evidence.<sup>16</sup> The current  
3 administrative fees are based on actual costs of providing the service, including  
4 administrative services, conservation education, support services and other program  
5 services.<sup>17</sup> PSE’s tariffs and PSE’s contracts with the agencies both specify that the  
6 administrative fees are based on *actual costs* even though the initial allocation is  
7 based on 21 percent of available budget. Some agencies fully utilize the allocated  
8 amount and others do not. In the last three years, the actual cost for all agencies has  
9 been consistently below the allocated amount. There is no need to institute an  
10 increase at this time, and certainly not to 30 percent as TEP proposes. Therefore, I  
11 recommend the Commission reject TEP’s proposal to change PSE’s administrative  
12 fee structure.

13 An administrative fee of 30 percent simply cannot be justified at this time.  
14 For the 2018-2019 program year, PSE paid \$3.8 million in administrative fees, less  
15 than the \$4.8 million budgeted at the beginning of the program year. The actual  
16 administrative costs represents 22 percent of total spending, certainly a far cry from  
17 the 30 percent fee suggested by TEP. Furthermore, an increase from 20 percent to 30  
18 percent represents an additional \$2.5 million in annual administrative expenses,  
19 likely absorbing any funding increase provided through this GRC, and possibly  
20 eating into amounts that otherwise would be available to low income customers.<sup>18</sup>

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<sup>16</sup> Staff requested cost information in Staff Data Request No. 1 to the Energy Project. However, the response did not show cost details.

<sup>17</sup> Liu, Exh. JL-29 at 12.

<sup>18</sup> (Current HELP budget \$24,167,055 + potential funding increase based on Staff-recommended rate increase \$1,419,099 – PSE administrative expense \$500,000) \* 10% = \$2,508,615. See Table 1 above for budget and funding increase calculation.

1 For example, if the Commission accepts Staff’s recommendation to increase HELP  
2 funding by \$1.4 million and accepts TEP’s recommendation to increase  
3 administrative fees by \$2.5 million, the amount available for direct benefits for low  
4 income customers could actually decrease by \$1.1 million.

5  
6 **Q. TEP mentioned that “[t]his type of agency fee structure has been adopted and**  
7 **approved for multiple Washington IOU low-income weatherization programs**  
8 **and has been instrumental in helping programs to expand to serve more eligible**  
9 **households in the State.”<sup>19</sup> Do you agree that the administrative fees for the**  
10 **HELP should be structured the same as the low-income weatherization**  
11 **programs?**

12 A. No. Low income weatherization programs are not good proxies for evaluating the  
13 administrative costs of bill assistance programs. My understanding is that the low-  
14 income weatherization program involves visits to customers’ premises and  
15 coordination with contractors. The delivery of low income bill assistance benefits is  
16 much less resource intensive and, therefore, does not require the same level of  
17 administrative overhead as low income weatherization programs.

18  
19 **Q. TEP stated that “[f]or example, agencies have been cumulatively engaged in**  
20 **hundreds, if not thousands, of hours in 2018 for process planning meetings, beta**  
21 **testing and other software related efforts specifically attributable to a third-**

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<sup>19</sup> Collins, Exh. SMC-1T at 9, n.20.

1 **party contractor’s delivery of various components of the PSE’s Get To**  
2 **Zero/Energy Assistance Project Initiative.”<sup>20</sup> TEP also mentioned increasing**  
3 **customer education and outreach as well as efforts to expand program**  
4 **participation. Do you think this is a justification for an administrative fee**  
5 **increase?**

6 A. It could be, if TEP demonstrated actual cost increases. PSE’s contracts with agencies  
7 allow the recovery of direct and indirect costs, including resources spent to  
8 accommodate PSE’s Energy Assistance Project Initiative under its Get-To-Zero  
9 program. So, to the extent that the agencies’ actual costs have increased, an increase  
10 in administrative fees could be justified. However, TEP has not produced evidence  
11 of actual cost increases.

12 The agencies can bill PSE for all relevant and recoverable cost. If in the new  
13 program year starting from October 2019, the actual costs exceed the allocated  
14 amount, the agencies can bring the issue to PSE directly or to the HELP Advisory  
15 Group. PSE has the primary responsibility to manage the contractual relationship  
16 with agencies, which includes evaluating and adjusting agencies’ fees. The HELP  
17 Advisory Group, formed after the 2017 GRC, can facilitate the discussion if  
18 needed.<sup>21</sup>

19  
20 **Q. Do you believe the current level of administrative fees is appropriate for a**  
21 **program like PSE’s HELP?**

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<sup>20</sup> *Id.* at 8:12-16.

<sup>21</sup> *Washington Utilities & Transportation Commission v. Puget Sound Energy*, Dockets UE-170033 & UG-170034, Order 08, Appendix B, Multiparty Settlement Stipulation and Agreement, 29 ¶ 107 (Dec. 5, 2017).

1 A. Yes. From 2015 to 2017, 18 – 24 percent of the total HELP spending was spent on  
2 administrative fees to agencies.<sup>22</sup> The current level of administrative expense (18-24  
3 percent) is within a reasonable range for non-profit organizations. As a point of  
4 reference, whereas PSE allocates 21 percent for administrative fees for HELP, the  
5 Department of Commerce provides a total of 12 percent of the LIHEAP fund to  
6 community action agencies: 7 percent for contractor administration and 5 percent on  
7 conservation education.

8           Again, I support agencies’ recovery of costs for administering the HELP  
9 program. However, I am mindful that we need to maintain a proper balance between  
10 the direct benefits to customers and the costs of delivering such benefits. In  
11 considering whether increases in revenues for agencies are warranted, we should  
12 adhere to the same standards we apply to utilities seeking recovery of costs. That is,  
13 in seeking the recovery of costs from ratepayers, the actual costs in question must be  
14 verified. In this case, they are not.

15  
16 **Q. Do you have an alternative recommendation on this issue?**

17 A. Yes. If some agencies could present the cost details to PSE in the current program  
18 year and the cost indeed exceeds the budgeted amount, PSE could provide a  
19 moderate administrative fee increase going forward. A specific directive from the  
20 Commission would be unnecessary.

21

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<sup>22</sup> Dockets UE-011570 & UG-011571, *Annual Report on Program Outcome of PSE’s Low Income Program Home Energy Lifeline Program (“HELP”) for 2017 Program Year October 2017 through September 2018* at 20 (May 28, 2019).



1 **Q. If the Commission is concerned about costs associated with Colstrip Unit 4**  
2 **being included in PSE's cost of service in this rate case, what should it do?**

3 A. First, it is important to recognize that this is only an issue *if* the Commission  
4 approves the transfer, and only after the transfer is complete. So *if* the Commission  
5 approves the transfer, it could in its final order require PSE to defer the revenues the  
6 Company receives from the portion of rates attributable to Colstrip Unit 4 costs and  
7 evaluate the deferrals at a later date. At the point in time the Commission enters its  
8 final order on the transfer of Colstrip Unit 4, it will have a much better understanding  
9 of how the transfer (were it to be approved) would affect PSE's cost of service.

10 In any event, this is an issue for another proceeding.

11

12 **Q. Does this conclude your testimony?**

13 A. Yes.

14

15

16