

**EXH. JJJ-11T
DOCKETS UE-190529/UG-190530
UE-190274/UG-190275
2019 PSE GENERAL RATE CASE
WITNESS: JOSHUA J. JACOBS**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**Docket UE-190529
Docket 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 IT/Technology Investment**

**Docket UE-190274
Docket UG-190275 (*Consolidated*)**

PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF

JOSHUA J. JACOBS

ON BEHALF OF PUGET SOUND ENERGY

JANUARY 15, 2020

PUGET SOUND ENERGY

**PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF
JOSHUA J. JACOBS**

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1 **PUGET SOUND ENERGY**

2 **PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF**
3 **JOSHUA J. JACOBS**

4 **I. INTRODUCTION**

5 **Q. Are you the same Joshua J. Jacobs who submitted prefiled direct testimony**
6 **on June 20, 2019, on behalf of Puget Sound Energy (“PSE” or the**
7 **“Company”) in this proceeding?**

8 A. Yes.

9 **Q. What is the purpose of your rebuttal testimony?**

10 A. My rebuttal testimony responds to the response testimony of Susan M. Baldwin
11 (Exh. SMB-1CT), on behalf of Public Counsel, and Shawn M. Collins (Exh.
12 SMC-1T), on behalf of The Energy Project. My rebuttal testimony addresses Ms.
13 Baldwin’s GTZ recommendation that half of PSE’s test year costs should be
14 disallowed and all of PSE’s 2019 costs should be disallowed and the decision to
15 allow recovery delayed until a future rate case. Ms. Baldwin’s recommendation
16 should be disregarded because it is arbitrary and based on an incorrect use of data
17 which she uses to make false assumptions and generalizations about the costs and
18 risks of GTZ. I also address Mr. Collins’ recommendations related to
19 disconnection issues associated with PSE customers.

1 Finally, I provide an update regarding the on-going GTZ investments described in
2 my prefiled direct testimony through November 30, 2019, and also highlight the
3 additional investments expected by June 1, 2020.

4 **II. PUBLIC COUNSEL'S GTZ COST RECOVERY**
5 **RECOMMENDATIONS SHOULD BE DISREGARDED**

6 **Q. What are Public Counsel's cost recovery recommendations?**

7 A. On behalf of Public Counsel, Ms. Baldwin's testimony provides two
8 recommendations regarding GTZ cost recovery:

- 9 • "Consider" disallowance of half of the test year costs associated with GTZ
10 that the Company seeks to recover;¹
- 11 • Not allow recovery of the June 2019 pro forma adjustments and delay the
12 decision of recovery of these investments until a later rate case.²

13 **Q. What is your response to Ms. Baldwin's recommendations?**

14 A. PSE disagrees with both recommendations and they should be disregarded by the
15 Commission. First, Ms. Baldwin's suggestion that half of PSE's GTZ test year
16 costs should be disallowed is completely arbitrary and ignores that the test year
17 GTZ investments are already in service, benefiting customers. Ms. Baldwin's
18 claim that these investments are risky, lack clear benefits, or are unjustified by
19 customer behavior is false. Furthermore, Ms. Baldwin does not provide a basis as
20 to why one-half is an appropriate amount to disallow. Second, Ms. Baldwin's

¹ Baldwin, Exh. SMB-1CT at 4:18-20.

² *Id.* at 4:16-17.

1 suggestion that PSE’s post-test year GTZ costs should be not recovered is
2 baseless. These investments are also already in service, benefitting customers and
3 not allowing recovery would only penalize PSE. I address both of Ms. Baldwin’s
4 recommendations in more detail below.

5 **A. Public Counsel’s Recommendation That the Commission Should**
6 **“Consider” Disallowing Half of PSE’s GTZ Test Year Costs Is**
7 **Arbitrary and Should Be Disregarded**

8 **Q. What is the basis for Ms. Baldwin’s recommendation that the Commission**
9 **“consider” disallowing half of PSE’s GTZ test year costs?**

10 A. Ms. Baldwin provides no apparent mathematical basis, rationale, methodology,
11 metric, or specific justification to support her proposal. Her recommendation that
12 half of PSE’s test year costs be disallowed appears to be a completely arbitrary
13 percentage. While she “recognizes that the project does offer customer benefits,”³
14 the only basis she provides is her general concern regarding “the uncertainty of
15 the costs and risks associated with GTZ.”⁴

16 **Q. Does she explain which GTZ projects have “uncertain” “costs and risks”?**

17 A. No. Ms. Baldwin does not identify actual GTZ projects but instead offers only a
18 general⁵ concern that GTZ presents the following risks for customers: (1) that
19 PSE will not “achieve the savings in the operational expenses that it predicts and
20 that PSE’s costs are greater than forecast, causing upward pressure on residential

³ *Id.* at 4:14.

⁴ *Id.* at 4:18.

⁵ *Id.* at 4:16.

1 rates”; (2) “PSE’s efforts to automate its interactions with customers could put at
2 risk the customer service quality offered to customers who may be slower to
3 adopt digital platforms”; and (3) “Customers who are least digitally fluent risk
4 being left behind or facing challenges understanding how to communicate with
5 PSE.”⁶

6 **Q. Do you agree with Ms. Baldwin’s opinion that the items she identifies are**
7 **“costs and risks” of GTZ?**

8 A. No. I address each of these in more detail below, focusing first on Ms. Baldwin’s
9 assertions surrounding “digital fluency.”

10 **1. Ms. Baldwin’s concerns that GTZ will result in lower service quality**
11 **for customers less fluent in digital channels or that less “digitally**
12 **fluent” customers will be left behind with GTZ is false**

13 **Q. What are Ms. Baldwin’s concerns relating to the digital fluency of**
14 **customers?**

15 A. Ms. Baldwin’s primary concern with GTZ appears to be her belief that some of
16 PSE’s customers are not or will not be “digitally proficient to adequately utilize
17 GTZ.”⁷ She misinterprets a marketing document provided by PSE in discovery to
18 conclude that about one-third of PSE’s customers are “digitally fluent” and will
19 be able to benefit from GTZ, and that the remaining two-thirds of PSE’s customer
20 base will not utilize or benefit from GTZ and “will be left behind.”⁸

⁶ *Id.* at 25:17-26:6.

⁷ *Id.* at 9:6-10.

⁸ *Id.* at 9:6-10, Figure 1; 25:6-8; 26:4-6; 35:7-8; 45:10-11.

1 **Q. Is Ms. Baldwin’s assertion that only one-third of PSE’s customers are**
2 **“digitally fluent” and benefitting from GTZ accurate?**

3 A. No. Ms. Baldwin’s repeated assertion that only one-third of PSE customers are
4 “digitally fluent” and thereby capable of benefitting from GTZ is derived through
5 her misinterpretation of data provided in PSE’s Response to Public Counsel Data
6 Request No. 108.⁹ In that data request, PSE provided a marketing plan document
7 where PSE grouped customers into three areas: 1) digitally active; 2) digitally
8 inactive; and 3) no digital account at all. These categories are based solely on PSE
9 customers who have established an online account with PSE and those who have
10 not. The data shows that one-third of PSE customers have an online account and
11 have signed in recently (active), one-third of PSE customers have an online
12 account but have not signed in recently (inactive), and one-third do not have an
13 online account. PSE defines “recent” as six months or less.

14 There are two fundamental problems with Ms. Baldwin’s use of this information,
15 which she relies on as the underlying basis for her disallowance argument. First,
16 the information in the marketing plan document is not an indicator for “digital
17 fluency” and Ms. Baldwin misuses the information. Second, that information does
18 not demonstrate the extent to which an individual customer will utilize or benefit
19 from GTZ. GTZ reaches customers in a host of different ways, irrespective of
20 whether they have logged onto or even created an online PSE account, or are

⁹ Baldwin, Exh. SMB-9.

1 “digitally fluent.” GTZ does far more than impact or benefit customers who log
2 onto their online account.

3 **Q. Is “digitally fluent” defined in Ms. Baldwin’s testimony?**

4 A. No. I do not know what Ms. Baldwin means by “digitally fluent.” Based on her
5 testimony, however, it appears to be her assessment or belief as to whether a
6 customer is capable or willing to utilize digital technologies.

7 **Q. Is the marketing plan document Ms. Baldwin relies on a reliable indicator of**
8 **“digital fluency”?**

9 A. No. The marketing plan document Ms. Baldwin cites simply shows the number of
10 customers that signed into their online account in the last six months. It was never
11 intended to be an indicator of a customer’s likelihood, propensity or ability to use
12 digital tools. The marketing plan document does not provide data demonstrating
13 customer interest or propensity to use digital channels now and in the future
14 because it does not provide information on customer engagement with all of
15 PSE’s digital product offerings, including those that may not require an account
16 log in. Table 1 below demonstrates a number of ways in which customers are
17 engaging with PSE digitally which do not require a customer to engage with PSE
18 by logging onto their account, or “online authentication.”

Table 1
PSE Customer Digital Engagement Statistics

Digital Engagement Description	PSE Customer Digital Engagement Statistics	Percent of Customers Engaged
Number of eBills delivered to PSE customers in 2019 requires no ongoing authentication	6,270,330	N/A
Number of customer payments via PSE's online guest payment experience which requires no authentication in 2019	3,039,012	N/A
Number of unique PSE.com outage map page views from launch of new website through 12/2019 which requires no online authentication	3,527,361	N/A
Number of unplanned power outages reported through PSE.com from launch of new website (10/2018) through 12/2019 which requires no online authentication	243,464	N/A
Number of unplanned power outages reported in the PSE IVR from launch of new IVR (8/2018) through 12/2019 which requires no online authentication	219,855	N/A
Number of payment arrangements made in the new IVR (8/2018) through 11/2019 which requires no online authentication	27,084	N/A
Number of current customers enrolled in outage notifications texts which requires no ongoing online authentication	615,092	43%
Number of current customers enrolled in outage notifications emails which requires no ongoing online authentication	933,896	65%
Number of current customers enrolled in outage notification phone calls which requires no ongoing online authentication	298,240	21%
Number of current customers enrolled in any type of outage notification which requires no ongoing online authentication	1,104,218	77%
Number of current customers enrolled in paperless billing which requires no ongoing online authentication	508,042	36%
Number of current customers who pay digitally	969,283	68%
Number of customers who have provided email address	1,057,080	74%
Total percentage of PSE customers engaged with some type of PSE digital product offering		91%

1

1 **Q. Does the marking plan document demonstrate that only one-third of PSE**
2 **customers are “digitally fluent” as Ms. Baldwin suggests?**

3 A. No and Ms. Baldwin misuses the data in the marketing document. A customer not
4 logging into their PSE account for six months does not demonstrate they are not
5 digitally fluent. Customers set up online digital accounts for various reasons that
6 require varying degrees of log in frequency and activity. For example, customers
7 may set up an online account to facilitate signing up for automated payments or to
8 establish service at a new physical location and their inactivity for a period of
9 time might mean no changes on their account are currently needed (digital or
10 otherwise). This fact is expressly stated in the marketing document, which Ms.
11 Baldwin ignores, as it states that the inactive digital account users are the
12 “[h]ighest percentage of autopay customers.”¹⁰ Thus, the marketing document
13 actually demonstrates that two-thirds of PSE’s customers have engaged digitally
14 with PSE by creating and using their online account. Just because a customer has
15 not signed into their online account recently does not mean they are not
16 benefitting from PSE’s digital products offerings or are not willing or capable of
17 engaging with PSE digitally. To say inactive online digital accounts are customers
18 who are less digitally fluent and not benefitting from GTZ is not supported by the
19 marketing document relied on by Ms. Baldwin.

¹⁰ Baldwin, Exh. SMB-9 at 14.

1 **Q. What does PSE’s data show about “digital fluency” and customer interest in**
2 **digital options?**

3 A. Ms. Baldwin’s opinion is not only unsupported by the marketing document she
4 cites but is inconsistent with consumer digital behavior. Consumer migration to
5 digital channels of engagement in all industries and sectors is occurring rapidly
6 and has been increasing for years. Nationally, Pew Research found that 90 percent
7 of American adults now use the internet and even the 65+ age group has 73
8 percent internet adoption.¹¹ PSE’s data tells a similar story. As shown in Table 1
9 above, 91 percent of PSE customers are currently digitally engaged with PSE in
10 some way, including 68 percent who pay their bills digitally, 36 percent who
11 receive paperless bills, 74 percent who have shared an email address with us, and
12 77 percent who receive at least one form of digital outage notification. Ms.
13 Baldwin acknowledges much of this in her testimony.¹² Based on data provided
14 by PSE, she admits that “most customers use the web site to view and pay their
15 bill, with 60 percent of the web site traffic corresponding with customers using
16 the ‘View and/or Pay My Bill’ service.”¹³ She also notes that “49.2 percent of
17 self-service options occur on desktop computers, 46 percent on mobile phones,
18 and the rest of tablets.”¹⁴ Ms. Baldwin’s own testimony contradicts her suggestion
19 that two-thirds of PSE’s customers are not engaging with PSE digitally.

¹¹ <https://www.pewresearch.org/internet/fact-sheet/internet-broadband/>

¹² Baldwin, Exh. SMB-1CT, at 17:16-18:3.

¹³ *Id.* at 11:5-7.

¹⁴ *Id.* at 11:7-9.

1 PSE's efforts to improve its digital channels and product offerings are a direct
2 response to concerns that as an industry, utilities across the country were failing to
3 meet the digital needs of its customers. J.D. Power found that "utilities are among
4 the lowest-performing industry groups when it comes to delivering distinct digital
5 customer experiences."¹⁵ J.D. Power surveys consistently find that digital
6 customer service experiences drive higher satisfaction with their utilities. In a
7 2019 Utilities Outlook publication, J.D. Power stated: "One of the biggest
8 challenges confronting utilities when it comes to customer satisfaction is meeting
9 current customer demand for user-friendly tech that is in line with what they've
10 come to expect from their banking and credit card digital apps and other
11 mainstream consumer technologies."¹⁶ GTZ addresses this issue by providing
12 PSE customers more user-friendly technologies for interacting with PSE.

13 **Q. How does GTZ benefit customers that are not engaging with PSE digitally?**

14 A. There are many GTZ products that are directly benefiting customers that do not
15 require the customer to engage with PSE digitally. A few examples include:

- 16 • GTZ improved PSE's Integrated Voice Response ("IVR") system which
17 assists all customers who choose to call PSE for assistance.

¹⁵ <https://www.jdpower.com/business/press-releases/jd-power-2018-utility-digital-experience-study>

¹⁶ Jacobs, Exh. JJJ-12, J.D. Power 2019 Utilities Industry Outlook.

- 1 • GTZ improved the resources available to PSE’s customer service
2 representatives (“CSR”), such as “3-Click,” to make the process for
3 customers that wish to speak with a CSR faster and more efficient.
- 4 • GTZ delivered projects associated with automating PSE’s field force
5 through Integrated Work Management (“IWM”) which not only makes
6 PSE more efficient through automation but produces greater transparency
7 between technology platforms and allows PSE to provide customers with
8 real-time information regarding activities in the field that might be
9 germane to their service with PSE.
- 10 • Several GTZ projects improve PSE’s behind-the-scenes technology
11 architecture (such as Microservices) which improves PSE’s customer
12 facing systems on multiple levels.
- 13 • GTZ made various investments in improving customers’ billing
14 experience in order to make billing charges clearer, ensure bills are
15 timelier, provide greater optionality for customers to pay and for those
16 payments to post to customer accounts in real-time across all PSE
17 channels. This ensures PSE is now able to represent accurate information
18 to customers regardless of how they engage with PSE all hours of the day
19 or night through all PSE channels.

20 In sum, a significant portion of GTZ benefits customers even if they do not
21 engage with PSE digitally. Rather, GTZ changes and improves upon how PSE

1 serves and engages with its customers on all levels regardless of a customer's
2 "digital fluency."

3 **Q. How do you respond to Ms. Baldwin's concern or "risk" that GTZ will result**
4 **in lower service quality for customers less fluent in digital channels or that**
5 **less "digitally fluent" customers will be left behind with GTZ?**

6 A. There is no basis for Ms. Baldwin's concern. No customers are being left behind.
7 As I explain in my prefiled direct testimony, while one of the purposes of GTZ is
8 to certainly utilize, enhance and improve PSE's digital offerings, it is not to
9 shoehorn customers into a one size fits all method of communicating with PSE.
10 GTZ provides customers with the option of communicating with PSE in a manner
11 that best suits their needs and preferences. For example, if a customer desires to
12 engage with PSE using traditional methods, such as speaking directly with a CSR
13 or paying their bills using paper form, they may do so. PSE is not recommending
14 a change to SQI No. 5 or SQI No. 6. These SQIs will continue to ensure PSE
15 maintains proper staffing levels and meets customer satisfaction metrics for those
16 customers calling PSE's Customer Care Center. For these reasons, the risks Ms.
17 Baldwin identifies simply are not risks at all. GTZ is an investment to improve
18 customer service on all levels.

1 **Q. How do you respond to Ms. Baldwin’s conclusions regarding PSE’s call**
2 **reduction targets?**

3 A. Ms. Baldwin’s conclusions are misleading. Ms. Baldwin asserts that the “crux of
4 PSE’s GTZ is minimizing call volume”¹⁷ when as explained in my prefiled direct
5 testimony and above, the purpose of the GTZ initiative is to update aging
6 technology and to improve overall customer satisfaction which was lagging
7 behind utility peers.¹⁸ The GTZ initiative does not aim to eliminate all calls to the
8 Company. As I explain above, GTZ improves the customer call experience
9 through IVR and added resources for CSRs and does not in any way diminish the
10 quality of customer service for those customers who elect to call PSE.

11 That said, call reduction is a measure PSE is tracking as a means to identify
12 customer problems and issues PSE should address to remove points of friction or
13 frustration in the customer experience. PSE’s current call reduction forecast aligns
14 closely to a 50 percent call reduction by 2023 which supports PSE’s projected
15 benefit targets in this space. PSE’s diligence on leveraging call deflection as tied
16 to the GTZ investments show PSE is prudently stewarding the investments on
17 behalf of all PSE customers to both improve experiences for customers and keep
18 operational costs in check.

¹⁷ Baldwin, Exh. SMB-1CT at 15:14-15.

¹⁸ Jacobs, Exh. JJJ-1T at 6:14-7:2.

1 **Q. Will PSE be providing information, training or education to customers who**
2 **would like assistance in utilizing PSE’s digital resources?**

3 A. Yes. One of GTZ’s primary goals is to make the digital resources PSE provides
4 intuitive and self-explanatory. Part of PSE’s vision of the GTZ initiative is to
5 continually monitor the usability of our digital channels to understand more
6 clearly where our digital offerings are working and where refinements are needed
7 in order to make them easier to use and meet the needs of our customers. That is
8 the purpose behind PSE’s data analytics platform that just went into service in
9 December 2019. To further support this, PSE has invested annually in educational
10 campaigns to help increase awareness of PSE’s new digital resources that will
11 make managing their service easier to maneuver. And lastly, for certain projects
12 that have recently been delivered, such as the Meter Upgrade Enhancement
13 project or the Energy Assistance project, education efforts are underway. For the
14 Meter Upgrade Enhancement project, which will enable remote disconnect and
15 reconnect of customers for nonpayment, PSE will include materials with a
16 customer’s disconnection notice to help them understand the changes to PSE
17 disconnection process, the ways in which they can pay to avoid disconnection,
18 and the automated ways in which they can get their service restored. For the
19 Energy Assistance project, where PSE has delivered an online portal for
20 customers to navigate the energy assistance process more efficiently, PSE is
21 partnering with the Community Action Partnership (“CAP”) agencies to help
22 educate customers on what is available to them via PSE’s new digital offering.

1 Exh. JJJ-13 is an example of materials provided to the CAP agencies to help
2 educate customers with regards to PSE’s new online energy assistance offering.

3 **2. Ms. Baldwin’s financial concerns or “risks” with GTZ are unfounded**
4 **and not a basis to justify a disallowance**

5 **Q. What are Ms. Baldwin’s financial concerns or “risks” of GTZ?**

6 A. Ms. Baldwin believes GTZ is “risky” because “[t]he net present value estimates
7 show GTZ’s high financial stakes and uncertain financial benefits.”¹⁹ She is
8 concerned “PSE does not achieve the savings in operational expenses that it
9 predicts and that PSE’s costs are greater than forecast, causing upward pressure
10 on residential rates.”²⁰ Because of this, “the Commission may want to consider
11 disallowing half of test-year GTZ cost recovery.”²¹

12 **Q. Do you agree with Ms. Baldwin’s assessment of the costs and benefits of**
13 **GTZ?**

14 A. No, I do not. Her analysis of the costs and benefits of GTZ is completely
15 backwards and inconsistent. As Ms. Baldwin admits in her testimony, the
16 underlying purpose of GTZ was never to achieve net financial benefits as PSE has
17 stated repeatedly.²² Despite this, Ms. Baldwin recommends that the Commission
18 disallow PSE’s investments in GTZ based on the hypothetical concern that GTZ
19 may not achieve a positive net present value benefit that was never the objective

¹⁹ Baldwin, Exh. SMB-1CT at 23:2-3.

²⁰ *Id.* at 25:18-20.

²¹ *Id.* at 23:9-10.

²² *Id.* at 23:13-14.

1 of the initiative in the first place. In other words, Ms. Baldwin is holding GTZ to a
2 standard it was never designed to meet. GTZ does not have “high financial
3 stakes” or “uncertain financial benefits” because a specific financial return was
4 never a motivation for or the underlying purpose of the initiative.

5 At the same time, Ms. Baldwin disregards the non-financial benefits GTZ
6 provides even though they were the primary objective of GTZ. She states, oddly,
7 that “[t]heoretical benefits ascribed to technological advancements should not be
8 included as real tangible benefits.”²³ And while she concedes that GTZ will
9 provide benefits to customers (including non-financial benefits), and that some of
10 these benefits “are difficult to monetize,”²⁴ she conditions consideration of those
11 benefits “if and to the extent that PSE commits to educating all of its customers,
12 regardless of income (and educating those agencies and institutions who provide
13 services to its customers), who are not now digitally engaged on how to take
14 advantage of these benefits.”²⁵ As explained above, Ms. Baldwin’s assessment of
15 the “digital fluency” of PSE’s customers is completely wrong. Most of PSE’s
16 customers are already utilizing PSE’s digital tools and PSE is providing resources
17 for customers that need further assistance with this. Additionally, as I explain
18 above, GTZ benefits customers in multiple ways that do not require the customer
19 to affirmatively engage with PSE, digitally or otherwise.

²³ *Id.* at 25:14-15.

²⁴ *Id.* at 4:15.

²⁵ *Id.* at 25:10-14.

1 **Q. Is it common for projects PSE invests in to not provide net financial benefits?**

2 A. Yes. Numerous PSE projects never promise and may never deliver net present
3 financial benefits to customers. Indeed, many different types of investments are
4 required as part of operating PSE that do not yield a positive financial return yet
5 are necessary to meet the needs of customers. For example, PSE routinely invests
6 in safety programs, low income programs, reliability programs and compliance
7 programs that may not yield a positive financial return but are still prudent and
8 necessary to serve customers responsibly. Such is the case with GTZ. While these
9 projects might not yield a positive net present benefit, they are necessary to
10 replace aging technology needed to serve customers and to ultimately drive
11 improvements in customer satisfaction where PSE had lagged for years behind
12 utility peers. Ms. Baldwin misses the mark by suggesting the Commission
13 establish a positive net present value threshold for the recovery of the GTZ
14 projects. That has never been the standard for recovery of utility investments, nor
15 should such a standard be adopted by the Commission now.

16 **Q. If the purpose of GTZ is to primarily achieve non-financial benefits, what**
17 **benefits is GTZ providing to customers which are not able to be monetized?**

18 A. GTZ is a program with many projects that tie together to address technology
19 obsolescence, and which aim to improve the overall customer satisfaction. Some
20 of these benefits include:

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- Addressed obsolescence risk for key operational systems and technology that are necessary to provide accurate and up-to-date account management information to customers 24 hours a day;
- Improved various aspect of the customer billing experience including bill clarity, timeliness of bills, consistency of bills across all business units, and improved the customer security deposit experience;
- Introduced proactive communications for customers through many channels to assist with billing, outage communication, energy usage, general account matters and delivered a preference center where customers can control how we communicate with them;
- Improved the payment experience for customers offering greater options for customers across all customer-facing channels;
- Improved the experience for customers when they call PSE via both IVR and agent-handled phone calls;
- Delivered new IT security enhancements to protect customer information and improved the governance of customer and asset data;
- Introduced new mobile device capabilities for customers which were not possible with previous technology platforms; and
- Increased operational efficiency in the field through automation allowing PSE to accomplish more work, defer hiring incremental resources and to improve our ability to schedule appointments with customers.

1 Due in part to the GTZ initiative, PSE customer satisfaction scores as measured
2 by J.D. Powers moved from the 4th to the 1st quartile from 2016 to 2019.

3 **Q. Is PSE on track to meet financial targets for GTZ?**

4 A. Yes. Contrary to Ms. Baldwin’s suggestion, PSE is on track to meet financial
5 benefit targets as re-baselined in 2017 for the overall GTZ program and in fact,
6 GTZ is currently exceeding those targets. GTZ delivered an actual gross benefit in
7 2018 of \$4.8 million against a target of \$1 million and in 2019, GTZ delivered an
8 actual gross benefit of \$12.4 million against a target of \$7.8 million. Offsetting
9 these gross benefits are project-related and ongoing operational expenses
10 necessary to support the technology enhancements put into service through the
11 GTZ initiative. In essence, the benefits are helping pay for the costs of GTZ.
12 Thus, Ms. Baldwin’s concerns about the financial “risks” of GTZ are not only
13 unsupported by any actual evidence but they were never the fundamental
14 objective of GTZ in the first place and her concerns should be disregarded.

15 **3. GTZ was not a risky investment but rather a necessary initiative,**
16 **prudently incurred to benefit customers and improve PSE’s**
17 **operations**

18 **Q. Was GTZ a risky investment that “shifts the risk of PSE’s multi-faceted**
19 **endeavor to customers,” as Ms. Baldwin suggests?**

20 A. No. As I discussed above, the projects that comprise GTZ provide significant
21 customer benefits.

1 **Q. Were the GTZ investments described in your prefiled direct testimony**
2 **prudently incurred and are they in service now?**

3 A. Yes. All of the GTZ projects described in my prefiled direct testimony went
4 through a documented, detailed review and evaluation process and are now in
5 service, benefiting customers. My prefiled direct testimony described why each of
6 the GTZ investments were necessary and prudent for customers and how the
7 projects are in service, improving PSE's operations and benefiting customers.

8 **Q. Did Ms. Baldwin identify any GTZ investment that was not prudently**
9 **incurred, unnecessary for customers, was not subject to the appropriate level**
10 **of scrutiny before investing, or was insufficiently documented?**

11 A. No. Ms. Baldwin does not identify any specific GTZ investment that should be
12 disallowed. Her testimony is based entirely on assumptions and generalities about
13 GTZ, using her generic concerns that PSE customers are not technologically-
14 savvy enough to utilize the technologies or that PSE might not achieve the
15 financial benefits it anticipates. As explained above Ms. Baldwin's concerns on
16 these issues are unfounded and unsupported by the evidence Ms. Baldwin cites.

1 **B. Public Counsel’s Recommendation to Not Allow Recovery of the 2019**
2 **Pro Forma GTZ Costs Is Baseless and Should Also Be Disregarded**

3 **Q. What is your response to Ms. Baldwin’s suggestion that the 2019 pro forma**
4 **GTZ costs not be allowed for recovery and the decision to allow their**
5 **recovery delayed to a future rate case?**

6 A. The 2019 GTZ pro forma projects are completed, they have been put into service
7 and the costs for these projects are known and measurable. Therefore, the costs of
8 these projects should be evaluated in this rate proceeding and not delayed to a
9 later date.

10 Moreover, like the GTZ test year projects, Ms. Baldwin takes no issue with the
11 prudence of any specific projects identified in the pro forma period. Indeed, not
12 one specific project is even mentioned by Ms. Baldwin. The only basis she
13 provides for her recommendation are her generic and as explained above, false
14 concerns regarding “digital fluency” and financial risk. Therefore, the
15 Commission should disregard Ms. Baldwin’s recommendation.

16 **Q. How does delaying recovery of the costs and benefits for the 2019 GTZ pro**
17 **forma projects increase accountability from PSE to the Commission as Ms.**
18 **Baldwin asserts?**

19 A. It does not. Delaying recovery would not change PSE’s accountability. PSE is
20 already accountable to the Commission including in this current case. As
21 explained above, these investments are already in service and benefiting
22 customers now. Given that these investments are known and measurable, the

1 accountability process for utility investments is already provided via this general
2 rate case process and they should be addressed in this proceeding.

3 **Q. How would delaying recovery of the costs and benefits for 2019 GTZ projects**
4 **as Ms. Baldwin recommends impact PSE?**

5 A. The harm to PSE would be significant. The investment of \$32.5 million has an
6 average book life of six years. Every year that recovery is delayed has an impact
7 of depreciating assets by 17 percent per year, or \$5.4 million. Any further delay in
8 recovery for technology that has been put into service and is currently used and
9 useful to our customers would be unreasonable. Given that these investments are
10 in service and known and measurable, they should be allowed into rates.

11 **Q. Are the figures in Exh. JJJ-6 for the period of time between January 2019**
12 **and June 2019 still accurate?**

13 A. No, there are a few minor updates. Please see Exh. JJJ-14 for an update on costs
14 related to the GTZ projects that were put into service during the pro forma period.

15 **III. RESPONSE TO THE ENERGY PROJECT'S GTZ**
16 **RECOMMENDATIONS**

17 **Q. Mr. Collins references the Field Payment Strategy project in his testimony**
18 **using the description of the project from Exh. JJJ-6. Is that description**
19 **accurate?**

20 A. Not entirely. The purpose of the field payment project was to ensure that PSE
21 could safely accept payments from customers in the field, meeting all compliance

1 requirements for taking credit card payments. However, this project goes beyond
2 just collection for non-payment in the field by PSE customer field representatives.
3 There are several departments within PSE that take payments in the field. Two
4 primary examples are Customer Construction Services and Gas First Response.
5 The project was necessary to support all PSE departments that take debit or credit
6 card payments in the field and will be expanded to these other departments in the
7 future, with customer field representatives being the first to receive the capability.

8 **Q. What is your response to Mr. Collins’ testimony that disconnection issues**
9 **tiered to remotely disconnecting and reconnecting customers should be**
10 **addressed in this case?**

11 A. PSE and various interested parties throughout the state have been participating in
12 the Advanced Metering Infrastructure (“AMI”) rulemaking process throughout all
13 of 2019. The issues and concerns Mr. Collins (and others) make in this general
14 rate case should be discussed and addressed by the Commission in Docket U-
15 180525 where the AMI rulemaking resides.

16 **IV. ONGOING ACTUAL AND PROJECTED EXPENDITURES**
17 **FROM JULY 1, 2019 THROUGH JUNE 1, 2020**

18 **Q. Will PSE incur additional GTZ initiative expenditures into the rate year?**

19 A. Yes. As I explain in my Prefiled Direct Testimony, GTZ-related investments will
20 continue into the rate year. As discussed in the Prefiled Rebuttal Testimony of
21 Margaret F. Hopkins, Exh. MFH-7T, PSE agrees with Commission Staff’s
22 acknowledgement regarding the unique problems that arise with IT investments,

1 such as GTZ, and the increasing need for utilities to make these investments. PSE
2 also agrees with Commission Staff's assessment that regulatory lag could force a
3 utility such as PSE to absorb a large portion of those asset's costs and that the
4 traditional ratemaking paradigm needs to be adjusted to address this problem.
5 However, PSE disagrees with the proposals suggested by Commission Staff and
6 other parties for how to address this problem, as also explained in Ms. Hopkins'
7 rebuttal testimony.

8 **Q. Have you quantified the additional GTZ investments that PSE has put in**
9 **service after June 30, 2019, and would be excluded from recovery under the**
10 **proposals of Commission Staff, Public Counsel and AWEC?**

11 A. Yes. I describe these investments below, dividing the investments into known
12 expenditures from July 1 through November 30, 2019, and anticipated
13 expenditures from December 1, 2019 through June 1, 2020.

14 **A. GTZ Investments Placed in Service from July 1 Through November**
15 **30, 2019**

16 **Q. Has PSE invested in projects relating to GTZ after June 30, 2019?**

17 A. Yes. PSE has invested in projects relating to GTZ after June 30, 2019. From July
18 1 through November 30, 2019, PSE invested \$17.5 million in GTZ expenditures
19 that have already been implemented and placed in service.

1 **Q. Please describe the expenditures.**

2 A. PSE has incurred costs associated with the following projects which have been
3 placed in service as of November 30, 2019:

4 1) Energy Assistance – The project launched the EnergyHelp portal, a new
5 tool that empowers PSE’s low-income customers to more easily access
6 help through energy assistance funds. The EnergyHelp portal is designed
7 to improve self-service options for low-income customers and is the result
8 of an ongoing partnership between PSE, 11 community action agencies,
9 and the Washington State Department of Commerce. Customers can now
10 start the application process for bill payment assistance at PSE.com,
11 including taking a prescreen questionnaire to determine eligibility and
12 upload necessary documentation.

13 2) Meter Upgrade Enhancements – The project enabled connect and
14 disconnect commands to be sent remotely to AMI meters. The first release
15 delivered functionality for customer move in/move outs, Unauthorized
16 Energy Usage (“UEU”), and customer requested disconnects and
17 reconnects. The capability means faster and more streamlined service for
18 our customers. This project also introduced billing alerts to customers to
19 help them manage energy costs through receiving text or email alerts
20 when anticipated energy charges for their active billing period are
21 forecasted to exceed a customer established threshold.

1 **Q. Are PSE's already placed in service expenditures related to GTZ necessary**
2 **and reasonable?**

3 A. Yes. The spending related to the above projects was needed and reasonable in
4 order to serve PSE's customers. The Energy Assistance project was necessary to
5 ensure a more streamlined experience for low-income customers to ensure they
6 get the assistance they need. The Meter Upgrade Enhancement project was
7 necessary so that customers can be alerted to high bills and have the ability to
8 seamlessly connect and reconnect their meter during times of movement and to
9 ensure compliance in meeting UEU disconnection requirements.

10 **B. Anticipated GTZ Expenditures from December 1, 2019 Through June**
11 **1, 2020**

12 **Q. Does PSE anticipate ongoing investments in projects relating to GTZ up until**
13 **the start of the rate year?**

14 A. Yes. PSE continues to invest in GTZ projects which are largely a continuation of
15 investments described above and as described in my prefiled direct testimony.
16 Overall, PSE estimates an investment of an additional \$45.5 million from
17 December 1, 2019 through June 1, 2020.

18 **Q. Please describe the expenditures.**

19 A. The expenditures PSE will incur after December 1, 2019, are, as noted above,
20 largely a continuation of expenditures incurred by PSE during the test year and
21 pro forma periods in this case. PSE expects to incur costs associated with the
22 following projects which are expected to be placed in service as of June 1, 2020:

- 1) Meter Upgrade Enhancements –The second release will enable connect and disconnect commands to be sent remotely to AMI meters for electric disconnections associated with nonpayment.
- 2) Customer Onboarding – The project deployed a new Robotics Process Automation tool for Customer Construction Services to automate the process of transferring forms from our email management system to SharePoint, speeding up the processing time for new construction forms and improving our new construction customer experience.
- 3) Data Analytics – The project launched the Platform of Insights (“POI”), a data visualization platform that connects data sources from across the company and two specific data models: the Customer Analytics Record (“CAR”) and the Multi-Channel Analytics (“MCA”). The CAR aggregates customer account and demographic information from the POI to provide a 360-degree view of our customers. The MCA enables PSE to look at trends in how customers engage through digital channels. This project will allow PSE the ability to track more effectively how customers are engaging with PSE to better serve their needs and the ability to evaluate the performance of our customer facing channels to maximize continuous improvement in the customer experience.
- 4) Web, Mobile, IVR 2.0 – The project improved system stability and performance, enhanced customer data security, and made usability improvements to PSE’s digital channels.

