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November 9, 2015

SENT VIA UTC WEB PORTAL

Mr. Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
P.O. Box 47250
Olympia, WA 98504-7250

Re: Dockets UE-151871 & UG-151872, Puget Sound Energy proposed electric and natural gas energy equipment lease tariff filing

Public Counsel respectfully files these comments in advance of the Commission's November, 13, 2015, Open Meeting. Our understanding is that Commission Staff will recommend that the Commission issue a Complaint and Order suspending Puget Sound Energy's (PSE) tariff filing and set the matter for prehearing conference. Public Counsel supports the Staff recommendation given the many complexities and questions raised by the filing.

Public Counsel Recommendation

Public Counsel supports the Staff recommendation that the Commission issue a Complaint and Order suspending PSE's tariff filing and set the matter for prehearing conference. The filing raises many complex issues and questions that warrant further review.

Background

PSE has an existing leasing program that was created over 50 years ago by Washington Natural Gas, PSE's predecessor. Our understanding from PSE is that the program has about 35,000 customers, most of whom have natural gas hot water heater rentals. In 1993, the program was limited to efficient water heater rentals and rental rates were raised because the program was not cost-effective.¹ In 2000, the leasing program was closed to new customers as a result of unfair cross-subsidy concerns.²

¹ Docket UG-920840, *WUTC v. Washington Natural Gas Company*, Fourth Supplemental Order Rejecting Tariff Filing; Authorizing Refiling, September 27, 1993, at 16-17.

² Docket UG-000763, Advice No. 200-09, Natural Gas Filing Water Heater Rental Service, May 18, 2000.

ATTORNEY GENERAL OF WASHINGTON

To: Steven V. King
Re: PSE proposed electric and natural gas energy equipment lease tariff filing,
Dockets UE-151871 & UG-151872
Date: November 9, 2015
Page 2 of 3

Should a leasing program be offered as a regulated service?

One of the fundamental questions raised by this filing is whether such an energy equipment leasing program should be offered as a regulated service by the utility. PSE's cover letter states, in part, that expansion of the leasing program will "fill an unmet customer need" and will provide customers with another option to facilitate access to energy equipment.³ The program may be somewhat unique due to the equipment maintenance component and payment through the utility bill. However, it appears that several credit unions and banks are now offering a variety of financing options, including loans for energy efficient equipment and upgrades, often at rates lower than PSE's weighted average cost of capital. For example, Puget Sound Cooperative Credit Union offers "energy smart loans" for energy efficiency upgrades.⁴ Retailers also offer a range of financing options to customers.

Does the leasing program provide a public benefit?

The company states that the program will promote greater penetration of energy efficient equipment and will reduce overall energy demand and customer energy bills.⁵ Public Counsel has not seen compelling evidence to support this claim. Some of the measures included in the original leasing tariff filing are not included in PSE's recently filed Biennial Conservation Plan, for example.⁶ The Company has also stated that customers would benefit by having rates established and approved by the Commission, and customers would benefit from the Commission's consumer protection oversight.⁷ Because PSE is seeking a two-step approval process, without providing specific rate information at this time, it is not possible for stakeholders to fully evaluate the potential cost-effectiveness of the program and related important consumer protection issues, as discussed further below.

What consumer protection issues are raised by this filing?

Public Counsel shares Staff's concern that several consumer protection issues are raised by this filing. One major concern is whether customers would clearly understand that the full price of the lease includes ten different cost components, as set forth in the proposed tariff.⁸ The

³ Dockets UE-151871 & UG-151872, September 18, 2015 Advice Letter, at 2.

⁴ See, Puget Sound Cooperative Credit Union, Energy-Smart Loans, with current APR of 4.49 percent - 7.99 percent, <https://www.pscu.org/Borrow/Energy-Smart-Loans.aspx>.

⁵ Dockets UE-151871 & UG-151872, September 18, 2015 Advice Letter, at 2.

⁶ Residential natural gas tank-style hot water heaters and commercial electric tank-style hot water heaters were included as leasing measures in the September 18, 2015 PSE tariff filing, but are not included in PSE's 2016-2017 Biennial Conservation Plan, in part because new federal standards have taken effect, UE-152058 & UG-152075, October 29, 2015.

⁷ PSE Response to Public Counsel informal discovery, e-mail sent October 16, 2015.

⁸ The ten different cost components include upfront equipment and installation costs, upfront operations and maintenance, ongoing operations and maintenance, depreciation, rate of return at PSE's weighted average cost of

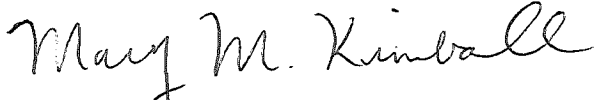
ATTORNEY GENERAL OF WASHINGTON

To: Steven V. King
Re: PSE proposed electric and natural gas energy equipment lease tariff filing,
Dockets UE-151871 & UG-151872
Date: November 9, 2015
Page 3 of 3

proposed lease tariff includes a range of terms and conditions that may significantly impact customers, including a requirement to change their furnace air filter four times per year, and obligations to inform PSE not later than 30 days prior to the sale of their home in order to transfer or purchase the leased equipment.⁹ Customers would face potential late fees,¹⁰ and may face potential service disconnection for non-payment of monthly leasing charges.

For the reasons discussed herein, Public Counsel supports the Staff recommendation to issue a Complaint and Order suspending PSE's proposed leasing program tariffs. A representative from Public Counsel will attend the Commission's November 13, 2015, Open Meeting and will be available for any questions regarding these comments.

Sincerely,



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Sr. Policy Analyst, Public Counsel

CC: Brad Cebulko, UTC (e-mail)
Jason Ball, UTC (e-mail)
Roger Kouchi, UTC (e-mail)
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Eric Englert, PSE (e-mail)

capital, cost of bad debt, unit failure rates, property taxes, and state and federal taxes. Attachment B to Electric and Natural Gas Schedules 75, at 2.

⁹ Proposed Schedule 75, Original Sheet 75-S, Electric Tariff, and Schedule 175, Original Sheet 175-S, Natural Gas tariff, September 18, 2015.

¹⁰ Proposed Schedule 75, Original Sheet 75-F, Electric Tariff, and Original Sheet 175-F, Natural Gas tariff, September 18, 2015.