

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

v.

PUGET SOUND ENERGY

DOCKET UE-161123

SETTLEMENT TESTIMONY OF CARLA A. COLAMONICI

ON BEHALF OF

PUBLIC COUNSEL

MARCH 11, 2017

SETTLEMENT TESTIMONY OF CARLA A. COLAMONICI (CAC-1T)
DOCKET UE-161123

WITNESS'S EXHIBIT LIST

PC Exhibit No. CAC-2	Puget Sound Energy Response to WUTC Staff Data Request No. 9, without Confidential Attachments A-D
PC Exhibit No. CAC-3	Puget Sound Energy Response to Public Counsel Data Request No. 51

1 **I. INTRODUCTION**

2 **Q: Please state your name, position, and on whose behalf you testify.**

3 A: My name is Carla Colamonici and my business address is 800 Fifth Avenue,
4 Suite 2000, Seattle, Washington, 98104. I am employed as a Regulatory Analyst
5 with the Public Counsel Unit of the Washington State Attorney General's Office
6 (Public Counsel). I am testifying on behalf of Public Counsel in support of the
7 Settlement Stipulation filed by the Parties on April 11, 2017. My testimony
8 expresses Public Counsel's perspective on the manner in which the Settlement
9 Stipulation satisfies both our interests and the public interest. Further, my
10 testimony is not intended to alter or modify the Settlement.

11 **Q: Please state your qualifications and experience.**

12 A: I have a B.A. in Philosophy and a B.S. in Psychology from Loyola University
13 Chicago, as well as a Master of Public Policy also from Loyola University
14 Chicago. Prior to joining Public Counsel, I was employed at Citizens Utility
15 Board (CUB) in Chicago, Illinois as a Consumer Rights Counselor and a Policy
16 Intern. In my duties as a Consumer Rights Counselor, I assisted ratepayers in
17 understanding their rights under the Public Utilities Act, filed informal cases with
18 investor-owned utilities, and conducted billing analysis. As a Policy Intern, I
19 represented CUB at Stakeholder Advisory Group monthly energy efficiency
20 meetings and in negotiations on their Energy Efficiency Portfolio Standard Plans.
21 Additionally, I worked on issues and cases related to Smart Grid deployment,
22 distributed generation, and consumer protections related to electricity
23 deregulation. Since joining Public Counsel in August 2016, I have worked on a

1 range of energy issues and cases, including the review and analysis of utility
2 conservation programs, low-income assistance programs, and various issues in an
3 electric and natural gas general rate case (Avista, Dockets UE-160228 and
4 UG-160229). I testified on behalf of Public Counsel in support of the settlement
5 reached regarding Puget Sound Energy's (PSE) proposal to build a liquefied
6 natural gas facility in the Port of Tacoma (Docket UG- 151663).

7 **Q: Please describe generally why Public Counsel believes the Settlement**
8 **Stipulation is in the public interest.**

9 A: The Settlement Stipulation became possible only after the parties engaged in a
10 multitude of conferences and discussions to deliberate the details of PSE's
11 proposed tariff, the parties' interests and concerns, and several alternatives to
12 resolve the matter. This Settlement represents the result of the negotiations
13 between all parties involved in the proceeding, and as such, represents a
14 compromise among the parties.

15 Public Counsel is satisfied that the Settlement Stipulation meets the public
16 interest standard. First, we believe the implementation of a Special Contract in
17 place of PSE's proposed Schedule 451 tariff is the most appropriate method for
18 accomplishing Microsoft's stated goals in requesting access to purchasing its own
19 power from the open market, as well as allowing Microsoft to achieve its
20 corporate sustainability goals.¹ Second, we believe the agreed-upon transition fee
21 of \$23,685,000 will hold PSE's remaining customers harmless regarding the
22 stranded power costs associated with the near-term burden of Microsoft's load

¹ Prefiled Direct Testimony of Irene Plenefisch, Exhibit No. IP-1T at 4-5.

1 leaving PSE's system. Third, the Special Contract's requirements for further
2 commitments to renewable energy acquisition and low-income assistance funding
3 advance the status quo beyond what is currently required. Fourth, the Special
4 Contract does not diminish the existing standard for conservation and maintains
5 the status quo. Finally, while costs associated with the decommissioning,
6 remediation, and possible accelerated depreciation of the Colstrip facilities are not
7 directly addressed in this proceeding, the Special Contract notably does not
8 include or preclude Microsoft's responsibility relating to those costs. Each
9 Parties' ability to address those costs in future proceedings is preserved. As a
10 result, the Settlement Stipulation meets the public interest standard from Public
11 Counsel's perspective.

12 II. SCOPE

13 **Q: What is the scope of this proceeding?**

14 A: PSE proposed a new tariff in this proceeding, Schedule 451, which would allow
15 unbundled Schedule 40 customers meeting specific eligibility requirements, such
16 as maintaining an aggregated load of 10 aMW, to transfer service to Schedule
17 451. Under proposed Schedule 451, customers can purchase energy directly from
18 the open market or through agreements with third party suppliers, in addition to
19 subscribing to PSE's wheeling service to transport the purchased energy to the
20 customer's facility.² Parties learned through discovery and discussions that, as of

² Prefiled Supplemental Direct Testimony of Jon A. Piliaris, Exhibit No. JAP-6T at 2-10.

1 the time of the proceeding, Microsoft is the only PSE customer currently eligible
2 for service under proposed Schedule 451.³

3 Additionally, the proposed tariff presented issues relating to statewide
4 open access policies and whether such policies could be developed at an agency
5 without legislative action or input from other statewide stakeholders, who are not
6 parties to this proceeding. Public Counsel believes that a Special Contract for
7 Microsoft is an appropriate alternative proposal that provides a narrowly tailored
8 solution for holding remaining ratepayers harmless and satisfying the public
9 interest.⁴ The Special Contract allows Microsoft to move forward with its
10 corporate sustainability goals and permits state policies to be supported and
11 advanced. Furthermore, the Special Contract avoids creating a
12 generally-applicable tariff, thus avoiding the question of whether legislative
13 action is necessary before state-wide open access can be established.

14 **Q: Does the Special Contract allow state-wide open access or allow open access**
15 **for customers of a specific rate schedule?**

16 A: No, the Settlement Stipulation and Special Contract do not allow state-wide open
17 access. It also does not allow any customers subscribing to any particular
18 schedule, such as commercial or industrial rate schedules, the ability to procure
19 energy from the open market. The scope of the Settlement Stipulation is limited
20 to the Special Contract for one PSE customer, Microsoft. Of course, if other
21 similarly situated customers request a special contract under like terms, PSE may

³ WUTC Staff Data Request No. 009.

⁴ Settlement Stipulation ¶ 6.

1 provide such a contract, after negotiation and upon Commission approval.⁵

2 Limiting the resolution of this proceeding to a special contract instead of a
3 generally-applicable tariff avoids the issue of whether legislative guidance is
4 needed before broader agency action on open access can or should take place.

5 **III. GENERIC PROCEEDING**

6 **Q: Does Public Counsel support Staff's request that the Commission commence**
7 **a proceeding to conduct a broader discussion on retail wheeling for**
8 **industrial and certain commercial customers of investor-owned utilities in**
9 **Washington State?**

10 **A:** Public Counsel believes the purpose of the broader discussion is important in
11 determining whether such a discussion should take place. Public Counsel
12 believes that legislative action may be necessary before a broader, statewide open
13 access policy can be implemented; thus, we believe the scope of such a discussion
14 may be limited. Washington, unlike other jurisdictions with open access, does not
15 have statutory direction for addressing policy issues regarding how competitive
16 markets function. Examples of states with legislation in place before open access
17 tariffs were developed include Oregon, Nevada, and California. In Oregon,
18 partial open access for larger customers was allowed after statutory guidance was
19 passed by the Oregon legislature.⁶ In Nevada, AB 661 was passed in 2001 to
20 allow customers with consumption greater than 1 MW to participate in retail

⁵ WAC 480-80-143 (special contracts); RCW 80.28.090 (unreasonable preference prohibited);
RCW 80.28.100 (rate discrimination prohibited).

⁶ ORS 757.600; OAR 860-038-0001; OAR 860-038-0640.

1 wheeling.⁷ And, in California, after open access was suspended following the
2 energy crisis of the early 2000s, the California legislature passed SB 659 in 2009
3 to allow limited reopening of direct access for non-residential customers.⁸

4 Washington utilities and ratepayers do not have the benefit of similar
5 legislative guidance, and it's arguable whether the legislature has provided
6 authority to the Commission to set up statewide open access markets. As a result,
7 Public Counsel is not one of the Parties in this proceeding that is expressly
8 supporting Staff's request to open a proceeding to conduct a broader discussion.
9 However, if the Commission directs Staff to open such a generic proceeding,
10 Public Counsel will participate in the proceeding and associated discussions.

11 IV. TRANSITION PAYMENT

12 **Q: What is the transition fee?**

13 A: Several terms have been used in this proceeding to describe the amount to be paid
14 by Microsoft to PSE in exchange for the ability to purchase its power from the
15 open market. PSE witness Jon Piliaris refers to the payment as the "stranded cost
16 charge."⁹ Microsoft witnesses Irene Plenefisch and Gary Saleba refer to the
17 amount as an "exit fee."¹⁰ The Settlement Stipulation refers to the payment as a

⁷ NRS Chapter 704B.080.

⁸ *Rulemaking Regarding Whether, or Subject to What Conditions, the Suspension of Direct Access May be Lifted Consistent with Assembly Bill 1X Decision 01-09-060*, Docket No. 07-05-025 (CA. Pub. Utils. Comm'n 2007); P.U.C. § 365.1(b).

⁹ Piliaris, Exhibit No. JAP- 1T at 2-15.

¹⁰ Plenefisch, Exhibit No. IP-1T at 8-10; Prefiled Direct Testimony of Gary S. Saleba, Exhibit No. GSS-1T at 2-4.

1 “transition fee,”¹¹ and the Joint Memorandum refers to the payment as simply a
2 “payment.”¹²

3 It is my understanding that all of these terms refer to the same item – the
4 amount to be paid by Microsoft to PSE in this case. Under the Settlement
5 Stipulation, the Parties have agreed to the \$23,685,000 transition fee negotiated
6 by PSE and Microsoft and presented in Mr. Piliaris’s testimony, which is to be
7 returned to PSE’s remaining customers over a 12-month period.¹³ Microsoft has
8 agreed to pay this fee to hold remaining ratepayers harmless from its decision to
9 leave PSE’s system.¹⁴ Holding ratepayers harmless is consistent with a guiding
10 principle identified by the Commission in its 1995 Policy Statement, which stated
11 that remaining customers should benefit, or at least not be harmed, by choices
12 made by customers with competitive options.¹⁵

13 **Q: What does the transition fee encompass?**

14 A: From Public Counsel’s perspective, the transition fee only covers stranded power
15 costs associated with stranded power expenses created by Microsoft’s transfer
16 from PSE’s system. This payment does not cover distribution and transmission
17 costs, which Microsoft will continue to pay under the Special Contract.
18 Additionally, this payment does not cover any of Microsoft’s “newly acquired
19 facilities” that may transfer service to the Special Contract.¹⁶ Furthermore, from
20 Public Counsel’s perspective, it does not cover costs related with the

¹¹ Settlement Stipulation ¶ 10.

¹² Joint Memorandum ¶ 4.

¹³ Prefiled Direct Testimony (Confidential) of Jon A. Piliaris, Exhibit No. JAP-ICT at 3-15.

¹⁴ Plenefisch, Exhibit No. IP-1T at 9:14-18.

1 decommissioning, remediation, and/or accelerated depreciation costs of Colstrip
2 units 1, 2, 3, and 4. Rather, this proceeding does not alter Microsoft's potential
3 liability for those costs, as those costs are beyond the scope of this proceeding,
4 due in part to the costs being unknown, coupled with Microsoft enjoying the
5 benefit of Colstrip. Thus, recovery of costs associated with Colstrip will be
6 determined in future proceeding(s).

7 **Q: Does Public Counsel believe the transition payment fee is in the public**
8 **interest?**

9 A: Yes, Public Counsel believes the transition fee is intended to hold ratepayers
10 harmless from the stranded costs associated with Microsoft's transition from
11 PSE's system; and thus, is in the public interest. The stranded cost analysis
12 conducted by PSE shows that in the first four years after Microsoft's transition
13 from PSE's system, remaining ratepayers will experience "costs" or burden. The
14 transition fee offsets this burden to ratepayers. Additionally, for settlement
15 purposes Public Counsel has no objection to the methodology under which the
16 transition fee will be distributed to ratepayers.

17 **V. COLSTRIP**

18 **Q: Please explain how the Settlement Stipulation addresses costs associated with**
19 **the closing of Colstrip?**

20 A: The Settlement Stipulation expressly states that it does not address Microsoft's
21 liability for Colstrip decommissioning, remediation, and/or accelerated

¹⁵ *In re: Commission's Notice of Inquiry: Examining Regulation of Electric Utilities in the Face of Change in the Electric Industry*, Docket UE-940932, Policy Statement at 1 (Dec. 13, 1995).

¹⁶ Public Counsel Data Request No. 51.

1 depreciation costs. Customer contribution and costs relating to Colstrip units 1, 2,
2 3, and 4 are to be decided in future proceeding(s).

3 **Q: Why is this in the public interest?**

4 A: With the ability to access the open market independently, Microsoft is not
5 receiving an advantage over other ratepayers with respect to Colstrip. Microsoft
6 is not able to shed itself of liability for contribution for Colstrip decommissioning,
7 remediation, and/or accelerated depreciation costs simply by removing itself as a
8 core customer. These costs are not included in the stranded cost calculation
9 because they are currently unknown, but they will be determined later. Customer
10 contribution to these costs will also be established at a later proceeding(s), and it
11 is appropriate to defer determination of Microsoft's contribution until the issues
12 are before the Commission. Doing so prevents unnecessary and improper cost
13 shifting to PSE's remaining ratepayers.

14 **VI. RENEWABLE ENERGY**

15 **Q: Please explain how the Special Contract addresses procurement of renewable**
16 **energy?**

17 A: Under the Special Contract, Microsoft has agreed to purchase at least 25 percent
18 of its energy supply from RCW 19.280.040(2) eligible resources through 2020
19 and at least 40 percent eligible renewable resources beginning in 2021 and
20 continuing for the length of the contract. Microsoft may also use renewable
21 energy credits (RECs) to meet this requirement, as defined in the Energy
22 Independence Act. If these conditions are not met, Microsoft will be subject to

1 administrative penalties similar to those provided in RCW 19.285.060 and
2 WAC 480-109-070.

3 **Q: Please explain how the Special Contract addresses energy procurement for**
4 **the remainder of Microsoft's energy supply?**

5 A: Microsoft has committed to procure its remaining energy supply from carbon-free
6 resources, or energy generated from facilities which are not powered by fossil
7 fuels.¹⁷ These carbon-free generating sources must also be identified by supplier
8 to ensure their compliance under the Special Contract.

9 **Q: How will Microsoft be held accountable for maintaining its commitments to**
10 **procure renewable energy and carbon free resources?**

11 A: Under the Special Contract, Microsoft will be required to provide a renewable
12 portfolio standard report to PSE by March 31 annually. The report will include
13 information regarding Microsoft's annual load under the Special Contract for the
14 prior two years, total number of mega-watt hours from renewable resources
15 and/or RECs, and the amount of renewable resources and/or RECs used, as well
16 as the identification of all of Microsoft's energy suppliers with the amount of
17 energy procured by each entity. PSE will then file this report with the
18 Commission and provide a copy to Commission Staff, Public Counsel, and any
19 other interested party who requests a copy.¹⁸ If upon review of the report, the
20 Commission finds that Microsoft did not meet its requirements, Microsoft will be
21 subject to the same administrative penalties as provided under RCW 19.285.060

¹⁷ Settlement Stipulation ¶ 19; Special Contract § 4.9.

¹⁸ Settlement Stipulation ¶ 18.

1 and WAC 480-109-070. The penalty shall be paid to the Commission for deposit
2 in the Energy Independence Act Special Account.

3 **Q: Please describe why Public Counsel believes the terms regarding the**
4 **renewable energy procurement and carbon-free resource commitments are**
5 **in the public interest.**

6 A: The terms regarding the purchase of renewable energy and carbon-free resources
7 are in the public interest because they set standards exceeding the current
8 renewable energy standard (RPS) required under RCW 19.285.040. Currently,
9 qualifying utilities are required to meet an RPS of nine percent until 2020, which
10 will then increase to 15 percent for all subsequent years. Under the Special
11 Contract, Microsoft will procure at least 25 percent of its energy supply from
12 renewable resources or RECs through 2020, then Microsoft will procure at least
13 40 percent from renewable resources or RECs. Additionally, if RCW 19.285.040
14 or its successor is amended to require a higher RPS standard, the Special Contract
15 requires that Microsoft will comply with the higher standard.¹⁹ Microsoft's
16 corporate sustainability goals align with and advance Washington's energy policy.
17 As a result of Microsoft's request to leave PSE's system for sustainability goals, it
18 was important to Public Counsel that the terms of the Special Contract clearly
19 reflect those goals in a meaningful and measurable manner that advances state
20 energy policy.

¹⁹ Settlement Stipulation ¶13.

1 **VII. CONSERVATION**

2 **Q: Please explain how the Special Contract addresses Microsoft's contribution**
3 **to PSE's conservation programs under Schedule 120?**

4 A: Under the Special Contract, Microsoft will continue to pay into Schedule 120,
5 even though it will no longer purchase energy supply from PSE. Microsoft's rate
6 of contribution to conservation will remain at its current level, as though
7 Microsoft were continuing service under Schedule 40, and will be based on power
8 delivered.²⁰

9 **Q: Does Public Counsel agree with this methodology for calculating Microsoft's**
10 **continued contribution to conservation?**

11 A: Yes, Public Counsel believes that Microsoft should continue supporting
12 conservation under Schedule 120 at its current rate. Many other jurisdictions,
13 such as Montana, Massachusetts, and Oregon, calculate its conservation rate
14 based on a non-bypassable charge, treating the rate as non-avoidable.²¹ The
15 methodology agreed to by the Parties in this case is consistent with the type of
16 charge that is made in jurisdictions with full and partial electric deregulation.

17 **Q: Why is the Special Contract's requirement for conservation in the public**
18 **interest.**

19 A: Public Counsel believes that the commitment to conservation funding is in the
20 public interest, as it maintains the status quo and does not deplete the Energy
21 Independence Act's (EIA) standard on conservation goals. Moreover, the

²⁰ Settlement Stipulation ¶ 15.

1 continued application of energy efficiency programs provides transmission and
2 distribution benefits for all ratepayers, not only those directly participating in the
3 program. Microsoft's commitment under the Special Contract ensures that it will
4 continue to participate in PSE's conservation program and will continue to
5 achieve conservation savings.

6 VIII. LOW INCOME

7 **Q: Please explain how the Special Contract addresses Microsoft's contribution**
8 **to low-income funding under Schedule 129?**

9 A: Under the Special Contract, Microsoft will make payments to Schedule 129, or
10 PSE's HELP program, at the fixed rate of \$0.000614 per kWh delivered under the
11 Special Contract. Additionally, Microsoft has agreed to make a supplementary
12 monthly payment of \$0.000307 per kWh delivered.²² This supplementary
13 payment will be submitted into a separate fund for distribution by the
14 Low-Income Weatherization Manager for projects, such as necessary home
15 repairs that are required before energy efficiency upgrades can be implemented,
16 advanced energy efficiency equipment, and distributed energy resources.

17 **Q: Does Public Counsel believe this is in the public interest?**

18 A: Yes, we believe Microsoft's continued payment into PSE's existing low-income
19 assistance program is important to maintain the status quo and prevent cost
20 shifting to remaining ratepayers. Additionally, Microsoft's commitment will
21 allow for greater access and participation in energy efficiency, which will

²¹ Montana: <https://energy.gov/savings/universal-system-benefits-program>; Massachusetts: <https://energy.gov/savings/energy-efficiency-fund>; Oregon: <https://www.oregon.gov/energy/energy-oregon/Pages/Public-Purpose-Charge.aspx>.

1 positively impact conservation, and assist in increased direct benefits to
2 low-income customers.

3 The public interest is also advanced by providing access to distributed
4 energy measures that would not have otherwise been available to low-income
5 customers. As a general matter, Public Counsel is supportive of environmental
6 policy. Concern may arise when evaluating the practical implementation of a
7 proposal, with one common concern consisting of the ability of all customers to
8 access direct benefits of the programs. Microsoft's commitment advances the
9 ability of low-income customers to participate in distributed energy measures,
10 thus enabling those customers to access benefits that are often elusive despite
11 bearing the cost.

12 **IX. PUBLIC COUNSEL RECOMMENDATION**

13 **Q: What is Public Counsel's recommendation to the Commission with respect to**
14 **the Settlement Stipulation and Special Contract filed in this docket?**

15 A: Public Counsel has joined the Settlement Stipulation and believes it fairly and
16 completely resolves the issues presented in this docket. Public Counsel
17 respectfully recommends that the Commission approve the Settlement Stipulation
18 without condition or modification and further approve the Special Contract
19 between PSE and Microsoft without condition or modification. Public Counsel
20 believes both to be in the public interest.

21 **Q: Does this conclude your testimony?**

22 A: Yes.

²² Settlement Stipulation ¶¶ 16-17.