

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	DOCKETS UE-151871
TRANSPORTATION)	and UG-151872
COMMISSION,)	
)	
Complainant,)	ORDER 01
)	
v.)	
)	
PUGET SOUND ENERGY,)	COMPLAINT AND ORDER
)	SUSPENDING TARIFF REVISIONS
Respondent.)	
.....)	

BACKGROUND

1 On September 18, 2015, Puget Sound Energy, (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to currently effective tariffs WN U-60 schedule 75 and WN U-2 schedule 175 to offer electric and natural gas equipment lease service to its customers. The proposed effective date is November 17, 2015. The stated purpose of the filings is to “stimulate the installation of additional energy efficient equipment, provide customers with simple and comprehensive turn-key solutions, provide broader more affordable access to services, and expand existing market activity.”¹

2 The Company proposes to install and maintain the equipment as part of a fixed monthly price over the lifetime of the lease. The Company believes that a leasing and maintenance service will serve a currently unmet need. The initial list of appliances available for leasing include:

- Residential and commercial gas and electric tank-style water heaters,
- Residential gas furnaces, and
- Residential electric air source heat pumps.

¹ Dockets UE-151871 & UG-151872 Advice Letter.

3 PSE's filing does not include rates for the appliances. Instead, the Company is only seeking approval to move forward with the new leasing program. The Company plans to sign contracts with vendors and contractors and file rates for Commission approval at a later date. The Company also intends to expand the equipment leasing service to products such as ductless heat pumps, solar, storage and batteries, and electric vehicle equipment. This filing requests approval to expand the leasing service through this tariff at a later date.

4 PSE's previous natural gas appliance rental program was discontinued for new customers in 2000 because PSE was unable to cost-effectively provide these services to new residential and commercial customers under the existing program and rate structure.²

5 As discussed above, the Company did not file rates in its proposed revisions. PSE did, however, provide Staff with confidential work papers that included projections related to the number of customers and the cost of service per appliance. Without actual rates, Staff is unable to determine whether the program will be cost-effective or whether the Company's customer count projections are accurate. Staff has also identified several other assumptions that need further clarification and analysis, including the Company's expected percentage of bad debt.

6 Staff has concerns about the Company entering a competitive market as a regulated entity instead of offering the program through a third-party unregulated entity. For example, Northwest Natural Gas Company partnered with Craft3 in 2014 to offer on-bill repayments for Craft3's low-cost financing for energy efficiency appliances. Craft3 offers customers fixed interest rates of less than 5 percent.³ Staff also noted that there are a variety of financing options available to customers. The Company has not presented any compelling reason why it must offer this program through its regulated entity rather than partnering with an unregulated entity.

7 In addition, Staff does not believe that the Company has demonstrated that, at a minimum, the proposed program has a clear and substantial public benefit compared to other relevant options. Although PSE claims that the program would deliver energy efficient appliances to a greater number of customers, the Company already has a

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

³ Docket UG-143895 Northwest Natural 2015 Energy Efficiency Annual Plan, page 13.

convenient and less expensive method for achieving conservation savings, as required by the Energy Independence Act,⁴ through its existing conservation rebate program. Moreover, not all of the appliances offered through the leasing program are even eligible for energy efficiency rebates.

8 Finally, Staff found that the program raises numerous consumer protection issues. First, Staff is concerned that customers will not understand the total cost of the leasing program as compared to alternatives. After discussions with the Company, PSE agreed to disclose the total payment over the life of the lease on the equipment lease agreement. Staff is also concerned that the language in the tariff requires the customer to change the air filter four times per year, at their own expense, or risk voiding the warranty of the appliance. After raising these concerns, the Company responded that service fulfillment partnerships will not be established until after this filing is approved. Staff is concerned that the Company is asking for program approval prior to providing specific program requirements. Finally, PSE's leasing program would allow the Company to disconnect a customer's service if they fell behind on appliance payments.

9 The Washington Chapter of the Air Conditioning Contractors of America, Utility Conservation Services, LLC, and the Northwest Energy Efficiency Council each filed comments expressing concern that the Company's entrance into the market could result in unfair market competition.

10 Public Counsel filed comments recommending the Commission issue a Complaint and Order suspending the filing because it raises many complex issues and questions that warrant further review. The Energy Project filed comments expressing concerns about the proposed program's impact on low-income consumers. Finally, Sunrun, Inc. filed comments opposing the filing as anti-competitive and not in the public interest.

11 For each of the reasons discussed above, Staff recommends the Commission issue a complaint and order suspending the tariff revisions.

DISCUSSION

12 We agree with Staff that PSE has not yet demonstrated that the proposed program has a clear and substantial public benefit compared to other relevant and available options. Given the level of uncertainty surrounding this filing, the various consumer protection

⁴ RCW 19.285.040(1).

concerns, and stakeholder comments, it would not be in the public interest to approve the tariff revisions at this juncture. The Commission, therefore, suspends the tariff filings, and will investigate the tariff filings and hold hearings, if necessary, to determine whether the proposed program is in the public interest.

FINDINGS AND CONCLUSIONS

- 13 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, regulations, and practices of public service companies, including electric and natural gas companies.
- 14 (2) PSE is an electric and natural gas company and a public service company subject to Commission jurisdiction.
- 15 (3) This matter came before the Commission at its regularly scheduled meeting on November 13, 2015.
- 16 (4) The tariff revisions PSE filed on September 18, 2015, would create an electric and natural gas equipment lease service program.
- 17 (5) PSE has not yet demonstrated that the tariff revisions are in the public interest.
- 18 (6) The Commission should investigate the tariff filings to determine whether the tariff revisions are in the public interest.
- 19 (7) PSE bears the burden of proof to show that the tariff revisions are in the public interest.

ORDER

THE COMMISSION ORDERS:

- 20 (1) The tariff revisions Puget Sound Energy filed on September 18, 2015, are suspended.

- 21 (2) The Commission will investigate the tariff revisions and hold hearings at such times and places as may be required.
- 22 (3) Puget Sound Energy must not change or alter the tariffs filed in this docket during the suspension period, unless authorized by the Commission.

DATED at Olympia, Washington, and effective November 13, 2015.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

ANN E. RENDAHL, Commissioner