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April 10, 2020

Via Electronic Filing Only

Mark L. Johnson
Executive Director
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
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Attn: Filing Center

Re: Puget Sound Energy General Rate Case – Post-Hearing Reply Brief
Docket Nos. UE-190529, UG-190530, UE-190274, UG-190275, UE-190991, UG190992,
UE-171225, and UG-171226 (*Consolidated*)

Dear Mr. Johnson:

Enclosed for filing in the above-captioned docket, please find the Post-Hearing Reply Brief of NW Energy Coalition. No hard copies will be sent at this time but can be provided upon request.

Thank you for your assistance. Please do not hesitate to contact me with any questions.

Sincerely,



Irion A. Sanger

Enclosure

cc. ALJ Rayne Pearson via email
Master Service List via email

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UTIL. AND TRANSP.
COMMISSION

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant, v.

PUGET SOUND ENERGY,

Respondent.

DOCKET NOS. UE-190529, UG-
190530, UE-190274, UG-190275, UE-
190991, UG-190992, UE-171225, and
UG-171226 (*Consolidated*)

**POST-HEARING REPLY BRIEF OF
NW ENERGY COALITION**

April 10, 2020

TABLE OF CONTENTS

I. INTRODUCTION..... 1

II. DISCUSSION 2

A. No Party Explained Why PSE’s Proposed Attrition Mechanism Should Be Approved Without Broader PBR Reforms 2

B. The Commission Should Direct PSE to Use its Previous Line Extension Methodology Because it is Consistent with State Policy and Lowest Risk 3

C. An On-Bill Repayment Program Is Even More Important in Light of the Expected Economic Downturn and Financial Hardships that Are and Will Likely Continue due to the COVID-19 Pandemic 6

D. NWEA Supports Staff’s Recommendations on Colstrip D&R..... 7

E. TEP’s Low-Income Recommendations Are Particularly Important in Light of COVID-19 8

F. Staff’s Recommendations for Rate Design Pilots Should be Implemented Collaboratively 9

III. CONCLUSION 9

TABLE OF AUTHORITIES

Statutes

RCW 19.405.0102

Regulations

WAC 480-07-495.....7

Legislative Material

Clean Energy Transformation Act, S.B. 5116, 66th Leg., 2019 Reg. Sess. (Wash. 2019),
2019 Wash. Sess. Laws 1608.....2

I. INTRODUCTION

1. The NW Energy Coalition (“NWECC”) hereby respectfully submits this Post-Hearing Reply Brief in reply to the parties’ initial briefs submitted on March 17, 2020 and to aid the Washington Utilities and Transportation Commission (“UTC” or “Commission”) in its decision regarding whether Puget Sound Energy’s (“PSE”) General Rate Case and consolidated dockets will result in rates and services that are fair to both PSE and its ratepayers.
2. As explained below and further detailed in NWECC’s testimony and Initial Post-Hearing Brief (“Initial Brief”), the Commission should: 1) not approve PSE’s proposed attrition mechanism (or one like it) unless it is accompanied by broader performance-based ratemaking (“PBR”) consistent with the public interest and recently adopted policy in Washington; 2) require that PSE engage in a collaborative effort to design and implement an on-bill repayment program; and 3) require that PSE revert to its previous natural gas line extension methodology and open a new docket to address line extension policy more generally.
3. Additionally, in light of the recent COVID-19 crisis facing Washington State and the rest of the world, the concerns for low-income ratepayers become particularly salient. The Commission should take notice of these recent current events, recognize that they will change utility circumstances for the foreseeable future, and act now to provide maximum assistance to PSE’s most vulnerable populations. Specifically, the Commission should adopt the recommendations from The Energy Project (“TEP”) for maximum increases to the Home Energy Lifeline Program, an annual report on disconnections, a disconnection prevention plan, and to continue the “last knock” policy at least until the prevention plan is in place.

4. Finally, NWEAC reiterates its recommendations that the Commission: 1) allow recovery of estimated coal plant decommissioning and remediation costs before those costs are incurred with a tracking and true-up mechanism; and 2) direct PSE to implement Staff’s recommendations for rate design pilots, and to consult with its stakeholders and advisory committees early and often in developing and implementing these pilots.

II. DISCUSSION

A. No Party Explained Why PSE’s Proposed Attrition Mechanism Should Be Approved Without Broader PBR Reforms

5. As fully articulated in NWEAC’s Initial Brief, PSE’s proposed attrition mechanism is only appropriate in conjunction with broader PBR reforms.¹ The goal of the Clean Energy Transformation Act (“CETA”) is first and foremost to transition Washington to a clean energy economy in a manner that considers broad public interests in equity; public health, environmental, and economic benefits; and energy security and resiliency.² PSE recognizes that, in this context, CETA gave the Commission authority to allow “performance and incentive-based regulation, multiyear rate plans, and other flexible regulatory mechanisms, where appropriate to achieve fair, just, reasonable, and sufficient rates and its public interest objectives.”³ And while PSE asserts that its proposed attrition mechanism is consistent with CETA and complies with CETA’s broadened “used and useful” standard, PSE does not articulate why its use of this flexible mechanism should be approved without a broader performance-based rate plan that considers the Commission’s new statutory directive to

¹ See NWEAC Initial Post-Hearing Brief at 3-7.

² *Id.* at 3-4.

³ Initial Brief of PSE at 3 (quoting Clean Energy Transformation Act, S.B. 5116, 66th Leg., Reg. Sess. (Wash. 2019), 2019 Wash. Sess. Laws 1608 at §1(5) (codified at RCW 19.405.010(5))).

consider broader public interest objectives.⁴ These public interest objectives are central to CETA and inform the overall intent of the law. NWECC recognizes that regulatory lag is an important consideration in utility ratemaking, but regulatory lag alone and without broader PBR reforms is not sufficient to justify PSE's proposed attrition mechanism.

6. Rather, PSE should engage a diverse group of interested stakeholders to develop a PBR approach and the Commission should provide guidance to PSE regarding: 1) the appropriate types of ratemaking mechanisms to include in a comprehensive PBR approach; 2) the timeframe for a successful multi-year rate plan; 3) criteria for evaluating the public interest; 4) minimum requirements for an acceptable process; and 5) any specific studies that need to accompany a PBR proposal.

7. Further, no other party supports the attrition mechanism. The Alliance for Western Energy Consumers ("AWEC") raises a concerning issue that PSE failed to capture cost reductions associated with Advanced Metering Infrastructure ("AMI"), but rather only looks at AMI costs.⁵ NWECC agrees with this criticism and it is further evidence that PSE's proposed attrition mechanism should not be approved at this time.

B. The Commission Should Direct PSE to Use its Previous Line Extension Methodology Because it is Consistent with State Policy and Lowest Risk

8. NWECC's Initial Brief explains that the Commission should direct PSE to use its previous line extension policy, which was more cautious on the expected revenue from customers and reduced the risk of existing natural gas customers subsidizing new gas

⁴ *Id.* at 3-7.

⁵ Initial Brief of AWEC at 6.

customers.⁶ The current line extension policy was not thoroughly considered when initially adopted, does not further Washington policies related to reducing carbon intensity and greenhouse gas emissions, and unnecessarily increases risk for customers.⁷

9. PSE does not address these points in its initial brief and Staff asserts that the current policy is desirable because it is simpler and more equitable. First, Staff does not cite to any evidence in the record in this case that supports its assertion that the current line extension policy is “more equitable,” but only refers to Witness Ball for the conclusory assertion that the current line extension policy is “more equitable.”⁸ However, Witness Ball’s testimony does not support this statement or explain why the line extension policy is equitable. Witness Ball states that the previous methodology “treats customers inequitably based on highly variable numbers;” however, Witness Ball neither describes what highly variable numbers he refers to nor how using those numbers results in inequities.⁹ Further, Witness Ball does not articulate whether the current methodology remedied what is perceived as an inequity and neither stated that the new methodology is “more equitable,” nor provided any evidence comparing the two methods from an equity standpoint.¹⁰ There is simply no way to understand from this record how the current methodology is “more equitable,” as Staff asserts.

10. In contrast, Witness Wheelless explains that PSE’s previous line extension methodology was more cautious on the expected revenue from customers and reduced the

⁶ NWECA Initial Post-Hearing Brief at 9-12.

⁷ *Id.*

⁸ Commission Staff’s Initial Brief at 52.

⁹ Ball, Exh. JLB-28T at 3:11-12.

¹⁰ *Id.* at 3:11-14.

risk of existing natural gas customers subsidizing new gas customers.¹¹ The previous methodology provided an allowance based on estimated customer revenue.¹² The current perpetual net present value methodology is based on economic assumptions that have an increasing degree of risk associated with them for both existing and new customers, including a recovery period that approaches infinity at a time when the long-term viability of natural gas is called into question by increasingly stringent decarbonization goals.¹³ Therefore, the only evidence in the record shows that PSE’s previous methodology reduced the risk of existing natural gas customers subsidizing new gas customers.¹⁴ Even if the Commission finds some merit to Witness Ball’s unsupported statement that the prior methodology resulted in inequities in the manner in which it was calculated, Witness Ball simply does not raise sufficient evidence to rebut the substantial and supported evidence presented by Witness Wheelless that the prior methodology represents the lowest risk option and is consistent with state policy.

11. Next, Witness Ball notes that the particular way in which the prior methodology was calculated involved a “complex, assumption driven calculation that treats customers inequitably based on highly variable numbers,” and then simply asserts that “Staff continues to support the [current] method and recommends that the Commission continue to allow PSE to use it.”¹⁵ The fact that PSE’s current methodology is simpler hardly seems like a good reason to use it, absent other compelling reasons. While simplicity may be one factor in

¹¹ Wheelless, AEW-1T at 20:12-15.

¹² *Id.* at 5:15-6:5.

¹³ *Id.* at 19:3-20:9.

¹⁴ *Id.* at 20:12-15.

¹⁵ Ball, Exh. JLB-28T at 3:11-14.

determining which methodology to use, a simple methodology should not be used if it does not serve the public interest. When PSE first proposed its current methodology, Staff noted that it “*encourages more widespread adoption of natural gas throughout PSE’s service territory,*”¹⁶ which is inconsistent with and does not further Washington policies related to reducing carbon intensity and greenhouse gas emissions.¹⁷ Therefore, while it may be simpler, PSE’s current line extension methodology is not the best methodology in light of current policy. As articulated in NWEC’s Initial Brief, the Commission should direct PSE to revert back to its previous methodology.

C. An On-Bill Repayment Program Is Even More Important in Light of the Expected Economic Downturn and Financial Hardships that Are and Will Likely Continue due to the COVID-19 Pandemic

12. An on-bill repayment program, as described in NWEC’s Initial Brief, is designed to help ratepayers overcome the upfront costs of efficiency or distributed generation upgrades and can help mitigate the impacts of rate increases for customers.¹⁸ PSE does not oppose the program, but raises concerns about its benefits.¹⁹ Further, Commission Staff suggests that PSE’s advisory committee review the cost-effectiveness of such a program and report back in three months.²⁰ NWEC agrees that advisory committee involvement is essential in developing such a program, but urges the Commission to simply direct PSE to implement such a program rather than delaying its implementation with a review of its cost-effectiveness.

¹⁶ Ball, Exh. JLB-29 at 2 (emphasis added).

¹⁷ NWEC Initial Post-Hearing Brief at 11-12.

¹⁸ *Id.* at 7-9.

¹⁹ Initial Brief of PSE at 63-64.

²⁰ Commission Staff’s Initial Brief at 64.

13. The program should at a minimum be implemented before the end of the year, and possibly even sooner in light of the economic harm resulting from the recent global health crisis involving the coronavirus (COVID-19) global pandemic, including the unprecedented number of Washingtonians who have lost their jobs in recent weeks.²¹ If household incomes are hurting after the immediate crisis ends, a low-cost, long-term financing option could be a great option to reduce immediate utility expenses. Additionally, not only would such a program reduce utility expenses, but the more people who take advantage of the program, the more workers get put back to work. Therefore, an on-bill repayment program could be one of the tools to bring relief to PSE customers and should not be delayed.

D. NWEAC Supports Staff's Recommendations on Colstrip D&R

14. Staff appropriately recommends that the Commission approve PSE's proposal to collect decommissioning and remediation ("D&R") costs for Colstrip Units 3 and 4 through accelerated depreciation to 2025.²² NWEAC continues to believe that Staff is overcomplicating the issue, as articulated in NWEAC's Initial Brief,²³ however, NWEAC supports the basic conclusion and recommendation that Staff finally presents. Staff further asks how CETA's statutory language changes the Commission's standard practices regarding the collection of D&R costs and recommends that the Commission order PSE to file a plan to address the collection of D&R costs of Colstrip Units 3 and 4 in its next general rate case so

²¹ Paul Roberts, *Washington State Nears Half a Million Unemployed from Coronavirus, with 'Tsunami' of More Claims Expected*, Seattle Times, Apr. 9, 2020, available at <https://www.seattletimes.com/business/economy/washington-state-sees-nearly-177000-new-jobless-claims-amid-coronavirus-pandemic/>. The Commission should take official notice of the unprecedented impacts the pandemic is causing for Washingtonians, WAC 480-07-495(2)(a)(iv).

²² Commission Staff's Initial Brief at 56.

²³ NWEAC Initial Post-Hearing Brief at 13-16.

that parties can address this issue, including how Microsoft will contribute to these costs under its special contract.²⁴ NWECC supports this recommendation as well.

E. TEP's Low-Income Recommendations Are Particularly Important in Light of COVID-19

15. The Commission should support TEP's recommendations for increases to the Home Energy Lifeline Program and all three of TEP's disconnection recommendations. These recommendations take on a new light in response to the current events around COVID-19. The global pandemic is going to change a lot of utility circumstances for the foreseeable future, and the Commission should get out ahead of some of those concerns now. There will be a need for increases in bill assistance funding and a plan to avoid disconnections and large arrears balances after the emergency ends.

16. This case cannot do everything that is needed, but it can take a step in the right direction. First, the Commission should approve TEP's recommendation for maximum increases to the Home Energy Lifeline Program.²⁵ Second, the Commission should approve all three of TEP's disconnection recommendations and require that PSE:

- Prepare an annual report on disconnections²⁶;
- Develop a disconnection reduction plan²⁷; and
- Continue the "last knock" policy at least until the reduction plan is in place.²⁸

In addition, we support TEP's recommendation to require that PSE file an annual report on disconnections.²⁹

²⁴ Commission Staff's Initial Brief at 56, 61.

²⁵ Initial Post-Hearing Brief of TEP at 2-6.

²⁶ *Id.* at 12-13.

²⁷ *Id.* at 14-15.

²⁸ *Id.* at 16-23.

²⁹ Collins, Exh. SMC-1T at 22:9-23:7.

F. Staff's Recommendations for Rate Design Pilots Should be Implemented Collaboratively

NWEC reiterates its support for Staff's recommendations for rate design pricing pilots,³⁰ but emphasizes that the pilots be developed in a collaborative manner with stakeholders. Stakeholder participation early and often in the process is critically important to ensure effective, fair and equitable future rate designs. Therefore, the Commission should direct PSE to explore these pilots, but only along with robust stakeholder participation.

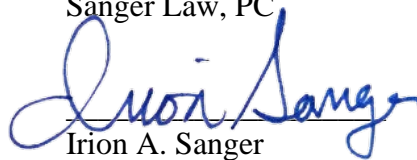
III. CONCLUSION

17. As articulated herein and in NWEC's Initial Brief, the Commission should: 1) not approve PSE's proposed attrition mechanism; 2) require that PSE implement an on-bill repayment program; 3) require that PSE revert to its previous natural gas line extension methodology; 4) adopt The Energy Project's recommendations; 5) open a distribution planning proceeding; and 6) adopt Staff's rate design pilots.

Dated this 10th day of April 2020.

Respectfully submitted,

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³⁰ See Commission Staff's Initial Brief at 66-68.