

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKETS UE-190529 and  
UG-190530

REPLY OF THE ENERGY PROJECT  
TO RESPONSES TO BENCH  
REQUEST NO. 15

1           The Energy Project (TEP) respectfully files this Reply to the Responses to Bench  
Request No. 15 pursuant to the Notice served by the Commission on April 22, 2020.

2           The responses to Bench Request 15 have recommended two general types of options for  
avoiding implementation of a rate increase for Puget Sound Energy (PSE) customers. The first,  
as proposed by Staff for example, is by extending amortizations, accelerating tax benefits, and  
updating power costs.<sup>1</sup> These appear to be reasonable recommendations, although TEP concurs  
with the Staff cautionary comment about the “whiplash” effect of a sudden return to higher rate  
levels after a mitigation measure expires.

3           The second option, in the event that the Commission determines that a revenue increase  
is warranted, is for the Commission to delay implementation of the change. Public Counsel,  
Nucor Steel Seattle (Nucor Steel) and TEP have all recommended consideration of this option.  
Rate changes have been delayed in a number of jurisdictions around the country, either by  
regulators or by voluntary utility action.<sup>2</sup> The Commission has greater flexibility to adopt this

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<sup>1</sup> Puget Sound Energy has made a similar proposal, employing an “EDIT matching” mechanism which may have possibilities. Without a revenue requirement expert TEP is not able to comment on the merits of this proposal.

<sup>2</sup> See, e.g., <https://www.euci.com/utilities-and-state-regulators-delay-rate-increases-disconnections-to-deal-with-covid-19/> The New Hampshire PUC, for example, is cited as having the ability under the Governor’s emergency declaration to suspend new rate schedules and block the collection of approved rate increases.

approach because the Governor’s Proclamation 20-23.3 has suspended RCW 80.04.130(1) which sets a statutory deadline for Commission action.

4 Even absent the flexibility afforded by Proclamation 20-23.3, the Commission could phase in any approved rate increase gradually in a structured multi-year approach. As with the Staff recommendation, this approach would also need to be structured to avoid rate shock as delayed revenues are phased in. The two approaches could be coordinated. For example, if the Staff set of mitigation tools is sufficient to fully offset any rate increase for a significant period, no delayed implementation would be necessary. If offsets are not sufficient, however, then in addition to adopting the offsets, the Commission could delay the effective date of the remaining rate increase.

5 The length of the delay depends on a number of factors. Current predictions are for an extended economic downturn with related high-levels of unemployment and consumer hardship, even though some reopening of the economy is beginning. Seasonal factors are also relevant. Rate increases during the heating season are undesirable. Puget Sound Energy’s voluntarily delay of the effective date helpful because it places an increase in the summer when bills are typically lower. On the other hand, residential and low-income customers will certainly still be facing severe economic challenges this summer. These considerations argue for postponing any rate increase for approximately one year, until spring 2021. Nucor Steel, citing “challenging business conditions” for industry, similarly recommends an implementation delay until no sooner than mid-2021 followed by a gradual phase-in of any rate increase.<sup>3</sup>

6 Utility financial stability is also a factor that the Commission must consider in rate setting. The impacts of the economic downturn on utilities is uncertain. A recent article published by the Regulatory Assistance Project recommends that regulators identify and quantify

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<sup>3</sup> Response of Nucor Steel Seattle to Bench Request No. 15 at 2.

the broad range of offsetting impacts in increases and decreases costs and sales. Impacts discussed include lower commercial sales, higher residential sales, lower fuel and purchased power costs, disconnection moratoria, improved load shapes, a sharp drop in cost of capital, changes in labor costs, increases in accounts receivables, adjustments to capital investment plans, and possible acceleration of Automated Meter Infrastructure deployment.<sup>4</sup>

7           The Energy Project also supports the Public Counsel recommendations to extend the disconnection moratorium and fee waiver, adopt additional consumer protections, encourage communication with customers, and gather relevant data. Indeed, given that these issues are relevant for all Washington investor-owned utilities as the economic downturn intensifies, The Energy Project believes it would desirable to address these issues for all regulated companies in a Commission rulemaking docket.

8           The Energy Project thanks the Commission for requesting input from the parties on this important question.

9           RESPECTFULLY SUBMITTED,

10          Dated this 8<sup>th</sup> day of May, 2020.

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*/s/ Simon J. ffitch, WSBA No. 25977*  
For The Energy Project

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<sup>4</sup> Lazar, J., Synchronizing The Electric Regulatory Response to COVID-19, Regulatory Assistance Project, May 5, 2022. <https://www.raonline.org/blog/synchronizing-the-electric-regulatory-response-to-covid-19/>