

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY

Respondent.

Dockets UE-180899 and UG-180900 (Consolidated)

Exhibit CAC-1T

TESTIMONY IN SUPPORT OF SETTLEMENT

CARLA A. COLAMONICI

ON BEHALF OF PUBLIC COUNSEL

JANUARY 30, 2019

1 **Q. Please state your name and business address.**

2 A. My name is Carla Colamonici, and my business address is 800 Fifth Avenue, Suite 2000,
3 Seattle, Washington 98104.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed as a Regulatory Analyst with the Public Counsel Unit of the Washington
6 State Attorney General’s Office (“Public Counsel”). I have been with Public Counsel
7 since August 2016.

8 **Q. On whose behalf are you testifying?**

9 A. I am testifying on behalf of the Public Counsel Unit of the Washington Attorney
10 General’s Office.

11 **Q. Please describe your qualifications and experience.**

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

22 Since joining Public Counsel in August 2016, I have worked on a range of energy
23 issues and cases, including the review and analysis of utility conservation programs,

1 low-income assistance programs, and various issues in an electric and natural gas general
2 rate case (Avista's 2017 General Rate Case, Dockets UE-170485 and UG-170846 on fuel
3 conversions). I testified on behalf of Public Counsel in support of the settlements reached
4 in Dockets UG-151663 (Puget Sound Energy's Liquefied Natural Gas proposal),
5 UE-161123 (Puget Sound Energy Open Access Tariff), and UG-170929 (Cascade
6 Natural Gas's 2017 General Rate Case). Finally, I testified on behalf of Public Counsel in
7 opposition of the settlement reached in Dockets UE-170033 and UG-170034 (Puget
8 Sound Energy's 2017 General Rate Case).

9 **Q. What is the purpose of your testimony?**

10 A. My testimony expresses Public Counsel's perspective on this case and how the
11 Settlement satisfies both our interests and the public interest. PSE filed this expedited rate
12 case, as a result of the multi-party settlement in its 2017 General Rate Case. Public
13 Counsel was not a party to the settlement; in fact, we opposed the settlement. While we
14 were not a party to the 2017 General Rate Case settlement, Public Counsel was able to
15 agree to terms in this case that we feel are in the public interest.

16 My testimony is not intended to alter or modify the Settlement in this case, but
17 rather explains Public Counsel's views on the Settlement. I provide Public Counsel's
18 recommendation regarding how the Utilities and Transportation Commission (UTC)
19 should treat the Settlement.

20 **Q. What is Public Counsel's recommendation regarding the Settlement?**

21 A. Public Counsel recommends that the Commission adopt the Settlement, as it resolves all
22 issues among the Settling Parties in this matter.

23 **Q. Who are the Settling Parties?**

1 A. The Settling Parties are Public Counsel, Commission Staff, Puget Sound Energy
2 (Company or PSE), the Alliance of Western Energy Customers (AWEC), The Energy
3 Project, Nucor Steel, and the Federal Executive Agencies. The Settling Parties includes
4 all parties to this proceeding.

5 **Q. Please describe, generally, why Public Counsel believes the Settlement is in the**
6 **public interest.**

7 A. The Settlement is the result of multiple negotiations among all parties involved and
8 represents a compromise among the parties. The parties represent a diverse set of
9 interests, and the compromise reached reflects consideration of those interests.

10 In reaching a settlement, Public Counsel considered the Settlement terms in
11 relation to its own analysis of PSE's filing, the rate impact on customers, low-income
12 assistance commitments, preservation of issues for a more appropriate venue, and the
13 important commitments regarding remote disconnection. As a general matter, the terms
14 of the Settlement meet the public interest standard and fairly resolves PSE's filing.

15 **Q. Please provide an overview of the Settlement terms.**

16 A. The Settling Parties have agreed to the following terms:

17 Rate impact: Electric customers will experience no change in their billed rates,
18 net the effect of passing back to customers the protected-plus excess deferred income tax
19 (EDIT). Revenues for natural gas service will increase by \$21.5 million annually,
20 including the effect of passing back the protected-plus EDIT. The increase to certain
21 schedules will be limited to 2.90 percent rather than the larger increase provided for in
22 PSE's initial filing. The agreements on both electric and natural gas revenues are black
23 box agreements. To that extent, Public Counsel agrees to the end-result numbers, but

1 there is no agreement regarding what adjustments are included in the final numbers. The
2 Settling Parties agree that the rates from these dockets will go into effect on March 1,
3 2019.

4 Excess Deferred Income Tax (EDIT): The passing back of protected-plus EDIT
5 will occur through a separate tariff, Schedule 141X, and will be consistent with the
6 average rate assumption method (ARAM). Schedule 141X will remain unchanged until it
7 is reviewed in PSE's next general rate case.

8 The Settling Parties do not agree on the proper accounting and ratemaking
9 treatment of protected-plus EDIT reversals for the period of January 1, 2018, through
10 February 28, 2019. This issue has been preserved for adjudication in PSE's next general
11 rate case, as are the issues raised in PSE's Petition for Accounting Order in Dockets
12 UE-171225 and UG-171226, which include ratemaking treatment of the over-collection
13 of tax expense from January 1, 2018, to April 30, 2018, and ratemaking treatment of
14 EDIT related to non-plant assets (unprotected EDIT).

15 Advance Metering Infrastructure (AMI): The Settling Parties agree that the rates
16 from this case do not include recovery of or on any plant in service related to PSE's AMI
17 investment. Under the Settlement, PSE may defer depreciation of the AMI investment for
18 future consideration by the Commission. Further, PSE may defer the cost of capital at
19 PSE's authorized rate of return on AMI investments made in the ERF test year, but not
20 on AMI investments made after the ERF test year. The Settling Parties agree that there is
21 no determination of prudence for any AMI investment, and the issue of prudence and
22 recovery of all AMI deferrals are reserved for consideration in PSE's next general rate
23 case.

1 Rate Base and Prudence: The Settling Parties agree that any party may undertake
2 a prudence review of all investments made after the test year used in PSE's 2017 General
3 Rate Case, Dockets UE-170033 and UG-170034. The Settling Parties agree that the
4 Settlement does not identify the electric and natural gas rate base being recovered.

5 Natural Gas Low-Income Assistance: PSE agrees to increase the annual level of
6 natural gas low-income assistance funding through the Home Energy Lifeline Program
7 (HELP) by the corresponding overall percentage rate increase to the residential natural
8 gas class. The percentage increase is 2.66 percent, if approved by the Commission. The
9 increase to HELP funding will go into effect on October 1, 2019.

10 Remote Disconnection for Nonpayment: PSE agrees that it will not remotely
11 disconnect customers for nonpayment pending adoption by the Commission of rules
12 pertaining to remote disconnection. Such rules are being considered in Docket U-180525,
13 and once they are adopted, PSE will comply with those rules. If rules are not established
14 by January 1, 2020, PSE will notify Settling Parties 30 days prior to implementing
15 procedures for remote disconnection for nonpayment.

16 **Q. Please discuss how the Settlement terms regarding the rate impact satisfy Public**
17 **Counsel's interests and meet the public interest.**

18 A. Public Counsel considered its own analysis of PSE's rate request, along with the
19 information PSE filed in its initial case, the information received through discovery, and
20 the information shared by other parties. We believe the rate impacts provided in this
21 settlement are a reasonable compromise and in the public interest, given the Company's
22 original request of an increase of \$18.9 million (0.9 percent) for electric and

1 \$21.7 million (2.9 percent) for natural gas.¹ With respect to electric rates, the Settlement
2 substantially reduces the requested base rate increase, while natural gas base rates will
3 increase by \$21.5 million (both net the effect of passing back to customers the protected-
4 plus EDIT). While the natural gas request does not substantially decrease, Public
5 Counsel’s initial analysis of the filing indicated that an increase to natural gas rates was
6 warranted. As a result, Public Counsel believes the rate impacts are in the public interest.

7 **Q. Please discuss how the Settlement terms regarding EDIT and AMI investments**
8 **satisfy Public Counsel’s interests and meet the public interest.**

9 A. The Settlement terms relating to EDIT and AMI reserve key issues for adjudication in
10 PSE’s next general rate case. The Settling Parties do not agree on the proper accounting
11 and ratemaking treatment of protected-plus EDIT reversals for the period January 1,
12 2018, through February 28, 2019. This issue – along with the issues raised in PSE’s
13 Petition for Accounting Order in Dockets UE-171225 and UG-171226 – needs to be
14 resolved in a forum that will allow full review and analysis. Public Counsel firmly
15 believes this should be addressed in PSE’s next general rate case.

16 Customers will begin to receive the benefits of EDIT because the protected-plus
17 EDIT will begin to flow back to customers using the ARAM method under Schedule
18 141X. This treatment is similar to what has occurred in another recent case (and approved
19 by the Commission), such as in Cascade’s 2017 GRC.²

20 PSE’s AMI investment raises several issues of first impression for the
21 Commission, such as whether this investment is necessary and prudent. Public Counsel

¹ The Company’s original request imbedded the effect of EDIT.

² *WUTC v. Cascade Nat. Gas. Corp.*, Docket UG-170929, Order 06, Final Order, ¶¶ 51 and 53 (July 20, 2018).

1 strongly believes a full investigation into prudence is necessary, and conducting such an
2 investigation in an ERF poses substantial problems due to the short review period and
3 fast pace nature of an ERF. The Settlement reserves all issues regarding PSE's AMI
4 investment, including cost recovery of all deferrals allowed under the Settlement, for
5 PSE's next general rate case. All parties, including PSE, reserve all of their rights to
6 adjudicate issues relating to AMI in a future proceeding, allowing the Commission to
7 have a well-developed record to make its determinations on AMI.

8 Accordingly, both of the settlement terms relating to the deferral of the issues of
9 EDIT and AMI investments to PSE's next general rate case, as well as the treatment of
10 protected-plus EDIT in Schedule 141X, are in the public interest.

11 **Q. Please discuss how the Settlement terms regarding rate base and prudence satisfy**
12 **Public Counsel's interests and meet the public interest.**

13 A. PSE's filing presented several rate base additions. Similar to the issues regarding
14 prudence review of AMI, Public Counsel believes that a full prudence review of utility
15 investments is challenging in an ERF. The Settling Parties agree that the revenue
16 requirement provided for under the Settlement does not specify the rate base that is
17 included. Furthermore, a prudence review of all investments made after the test year in
18 PSE's 2017 General Rate Case may occur in PSE's next general rate case. Public
19 Counsel believes a robust prudence review is an essential regulatory function, and allows
20 for a comprehensive record for the Commission's consideration. Thus, this condition is in
21 the public interest.

22 **Q. Please discuss how the Settlement terms regarding low-income assistance funding**
23 **satisfy Public Counsel's interests and is in the public interest.**

1 A. Because natural gas customers will receive a rate increase if the Commission approves
2 the Settlement, it is important and in the public interest to provide additional protections
3 for low-income natural gas customers. The Settlement provides for an increase to HELP
4 funding commensurate with the percentage rate increase, which will allow PSE's
5 low-income natural gas customers seeking assistance to mitigate the impact of the rate
6 increase.

7 **Q. Please discuss how the Settlement terms regarding remote disconnection satisfy**
8 **Public Counsel's interests and meet the public interest.**

9 A. Public Counsel has long been concerned with how Washington utilities will use AMI
10 infrastructure with respect to remote disconnection for nonpayment. The moratorium on
11 remote disconnection for nonpayment provided for under the Settlement is important to
12 allow the Commission to complete its rulemaking on the topic without unnecessary
13 adverse impact on customers. Public Counsel appreciates PSE's agreement on this term
14 and believes that it provides a critical customer protection.

15 **Q. What is Public Counsel's recommendation in this matter?**

16 A. Public Counsel has joined the Settlement, making the Settlement an all-party Settlement.
17 Public Counsel believes it fairly and completely resolves the issues presented in this
18 docket. Public Counsel recommends that the Commission approve the Settlement
19 because it is in the public interest to do so.

20 **Q. Does this conclude your testimony?**

21 A. Yes, it does.