

**EXH. CLW-3
DOCKETS UE-240004/UG-240005
2024 PSE GENERAL RATE CASE
WITNESS: CAROL L. WALLACE**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**Docket UE-240004
Docket UG-240005**

**SECOND EXHIBIT (NONCONFIDENTIAL) TO
THE PREFILED DIRECT TESTIMONY OF**

CAROL L. WALLACE

ON BEHALF OF PUGET SOUND ENERGY

FEBRUARY 15, 2024

**EXH. CLW-13T
DOCKETS UE-220066/UG-220067 et al.
2022 PSE GENERAL RATE CASE
WITNESS: CAROL L. WALLACE**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**Docket UE-220066
Docket UG-220067**

In the Matter of the Petition of

PUGET SOUND ENERGY

**For an Order Authorizing Deferred
Accounting Treatment for Puget Sound
Energy's Share of Costs Associated
with the Tacoma LNG Facility**

Docket UG-210918

PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF

CAROL L. WALLACE

**IN SUPPORT OF PETITION TO AMEND FINAL ORDER
ON BEHALF OF PUGET SOUND ENERGY**

NOVEMBER 17, 2023

PUGET SOUND ENERGY
PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
CAROL L. WALLACE
IN SUPPORT OF PETITION TO AMEND FINAL ORDER

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PUGET SOUND ENERGY

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
CAROL L. WALLACE**

LIST OF EXHIBITS

- Exh. CLW-14 – Arrearage data (2018-2023 YTD)
- Exh. CLW-15 – CACAP-1 Report
- Exh. CLW-16 – CACAP-2 Report
- Exh. CLW-17 – CACAP-3 Report
- Exh. CLW-18 – Commerce COVID-19 Funding report
- Exh. CLW-19 – Arrearage Projections
- Exh. CLW-20 – Payment Arrangement Sign Ups and Energy Assistance Locks
- Exh. CLW-21 – Payment Arrangement Default Rate Exhibit
- Exh. CLW-22 – Estimated Rate Impacts from Arrearages
- Exh. CLW-23 – PSE Energy Assistance Disbursements (2016-2023 YTD)
- Exh. CLW-24 – Bill Discount Rate Report
- Exh. CLW-25 – Bill Discount Rate Outreach Presentation
- Exh. CLW-26 – Presentation to LIAC about Phased Approach (May 2021)
- Exh. CLW-27 – Email from Parties Changes to PSE’s Credit and Collection Practices (Nov. 10, 2022)
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PUGET SOUND ENERGY

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
CAROL L. WALLACE**

I. INTRODUCTION

1
2 **Q. Please state your name, business address, and position with Puget Sound**
3 **Energy.**

4 A. My name is Carol L. Wallace, and my business address is Puget Sound Energy,
5 355 110th Avenue NE, Bellevue, Washington 98004. I am employed by Puget
6 Sound Energy (“PSE” or the “Company”) as Director, Customer Solutions.

7 **Q. Are you the same Carol L. Wallace who submitted prefiled direct testimony**
8 **previously in this proceeding?**

9 A. Yes, I am. I submitted prefiled direct testimony, Exh. CLW-1T and Exhibits
10 CLW-2 through CLW-12 in this proceeding on behalf of PSE.

11 **Q. What is the purpose of this prefiled direct testimony?**

12 A. This prefiled direct testimony is submitted to address and resolve one issue that
13 has developed since the Commission approved with conditions three settlement
14 agreements resolving all issues in this consolidated proceeding. In its Final Order
15 24 the Commission approved the Settlement Stipulation and Agreement on
16 Revenue Requirement and All Other Issues Except Tacoma LNG and PSE’s
17 Green Direct Program (“Settlement”), which included provisions regarding low-

1 income customer programs and PSE's credit and collection processes.

2 Specifically, the Settlement contained the provision,

3 Credit/Collection. PSE agrees to continue its existing credit and
4 collection processes until the conclusion of the proceeding currently
5 being conducted in Docket U-210800.¹

6 The rulemaking proceeding styled as Docket U-210800 is currently pending and
7 has involved several delays. Multiple workshops have had to be rescheduled due
8 to parties' workload and scheduling conflicts. The workload and scheduling
9 conflicts in the rulemaking proceeding were unforeseen and the related delays
10 have extended the rulemaking several months beyond what was anticipated when
11 the Settling Parties executed the Revenue Requirement Settlement and the
12 Commission issued Final Order 24. Although more than two years have passed
13 since Docket U-210800 was opened, the rulemaking continues with no indication
14 of when it will conclude. PSE does not expect the docket to conclude soon.

15 While the rulemaking docket lingers, PSE faces staggering and growing arrearage
16 balances. PSE's arrearages have continued to grow due to restrictions on changes
17 to the dunning process pursuant to paragraph 40 of the Settlement. PSE eventually
18 filed a Petition to Amend Final Order 24 ("Petition") to remove PSE's obligation
19 to continue its existing credit and collection processes until the conclusion of the
20 proceeding currently being conducted in Docket U-210800. Documents from
21 Docket U-210800 supporting PSE's Petition were attached as exhibits to the

¹ Settlement at ¶ 40.

1 Petition. PSE requests that the Commission amend Final Order 24 to add a
2 condition to paragraph 268 as follows:

3 We accept the Settlement's terms regarding low-income customer
4 programs with the exception of paragraph 40 of the Settlement.
5 PSE is not required to continue its existing credit and collection
6 processes until the conclusion of the proceedings currently being
7 conducted in Docket U-210800.

8 The Commission issued a Notice of Intent to Amend Final Order on September
9 15, 2023.

10 This testimony explains how PSE would modify its current credit and collections
11 processes to address the growing arrearages by incentivizing customers to take
12 action on their past-due accounts, such as signing up for energy assistance
13 programs, extended payment arrangements, or providing information about
14 applicable medical exemptions, while protecting PSE's most vulnerable
15 customers.

16 **II. MODIFICATION OF PSE'S CREDIT AND COLLECTION PRACTICES**

17 **A. PSE's Credit and Collection Practices Must be Modified**

18 **Q. What are PSE's current credit and collection practices?**

19 A. The disconnection moratorium, which began in April 2020 due to the COVID-19
20 pandemic, was lifted in Washington State on September 1, 2021. The
21 Commission extended the disconnection moratorium through September 30,
22 2021, and certain consumer protections through March 29, 2022.

1 PSE initiated a phased return to field collection operations in May 2022 with a
2 small subset of customers in arrears. The phased return includes only customers
3 with an arrearage of \$1,000 or more and excludes all known and estimated low-
4 income customers. Known and estimated low-income customers were, at that
5 time, 14.3 percent of the residential population with arrears of \$1,000 or more.
6 Exhibit CLW-14 provides arrearage data from 2018 to date. PSE is still operating
7 under these parameters.

8 In addition, PSE makes a field visit to all customers that reach disconnection,
9 which is not required for AMI meters except for Known Low-Income and medical
10 emergency. PSE also continues to offer many programs that are designed to help
11 customers prevent or reduce arrearages, including: energy assistance, extended
12 payment plans, budget payment plans and energy efficiency programs. PSE also
13 continues significant customer outreach to increase customer engagement and
14 awareness of the Company's current and future financial assistance programs.

15 **Q. What is the status of PSE's arrearages?**

16 A. As of October 31, 2023, PSE has 262,518 customers who are past due on their
17 energy bills, totaling \$140,410,727 in arrears (as seen in Figure 1 below and
18 Exhibit CLW-14. This figure has increased 157 percent since December 31, 2019
19 (pre-COVID-19 pandemic), as seen in Figure 1 below

20 This figure would have been much higher – at least \$228 million – without over
21 \$88 million in emergency assistance provided to customers over April 2020

1 through June 2023. The emergency assistance exceeded the annual assistance
2 programs regularly available to assist with arrearages (HELP), Federal LIHEAP,
3 and PSE’s donation-based Warm Home Fund):²

- 4 • CACAP-1:³ \$9,186,537 distributed to 15,851 customers from April 2020–
5 September 2020. This program was initiated by PSE to help customers
6 who had recently become unemployed or underemployed due to the
7 pandemic shutdown and was funded through previously unspent HELP
8 funds. (See Exh. CLW-15)
- 9 • CACAP-2:⁴ \$22,622,547 distributed to 33,237 accounts from April 2021 –
10 March 2022. This program was a requirement pursuant to Order 01 in
11 Docket U-200281 to provide additional bill payment assistance to
12 customers who are impacted by the on-going COVID-19 pandemic. (See
13 Exh. CLW-16)

² PSE’s Home Energy Lifeline Program (“HELP”) provides assistance for residential customers to help pay electric or natural gas bills, including arrearages. Eligibility is based on household’s net monthly income (income after any deductions or taxes), number of people in the household and county of residence. To qualify, household income must be 80 percent of Area Median Income (“AMI”) (or 200 percent of Federal Poverty Level (“FPL”), whichever is greater) or less, in the county the customer resides. The minimum PSE HELP grant is \$250, the maximum is \$1,000. PSE HELP is administered through Community Action Agencies (“CAA”).

Federal Low Income Home Energy Assistance Program (“LIHEAP”) provides financial assistance so eligible households can maintain affordable, dependable utility services and avoid disconnection. Federal LIHEAP is also administered through CCAs. The income limits are set at 150 percent FPL.

PSE’s Work Home Fund (“WHF”) is administered by the Salvation Army and funded by voluntary contributions from PSE customers, employees, and investors. PSE’s WHF program provides short-term, emergency bill payment assistance (including for arrearages if an income-eligible customer received disconnection notice) to PSE customers facing financial difficulties. All assistance is limited up to \$600.00 maximum per household.

³ PSE proposed Crisis Affected Customer Assistance Programs (“CACAP”) to mitigate the economic impact of the COVID-19 pandemic on PSE’s customers. See Dockets UE-200331 and UG-200332 for more information.

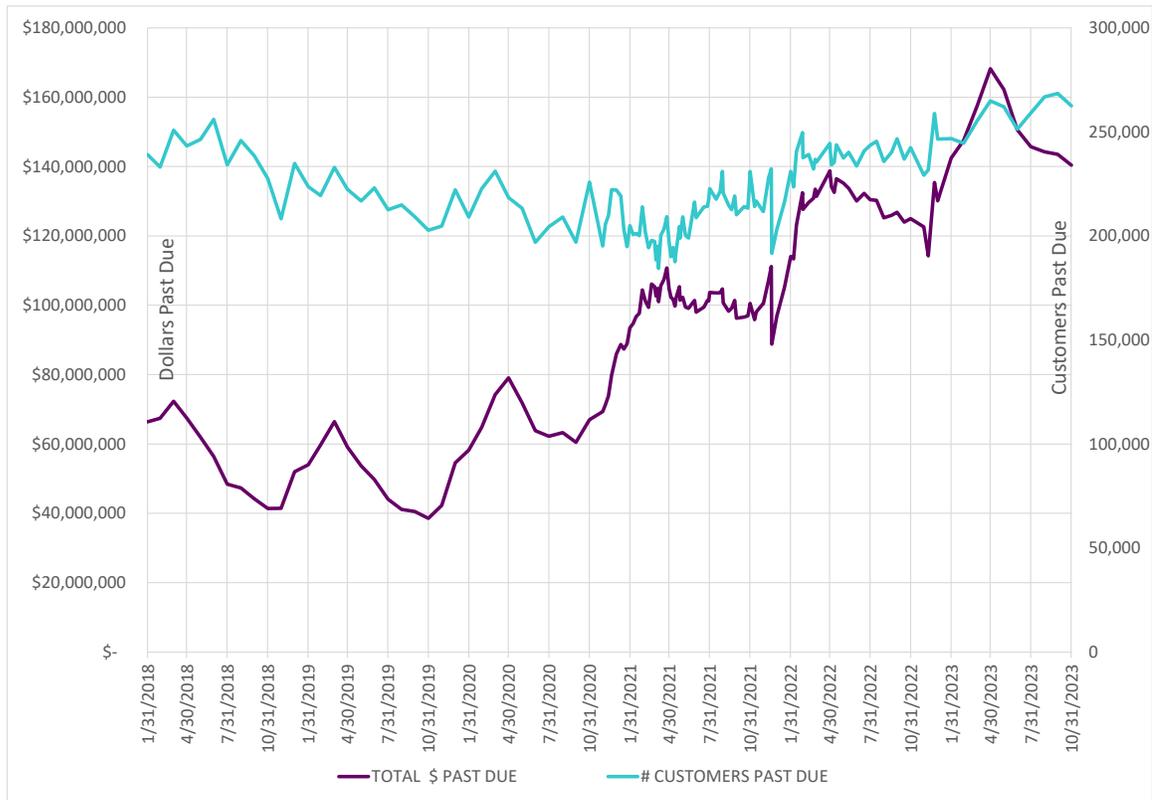
⁴ Dockets UE-210137 and UG-210138.

- 1 • CACAP-3 (also known as Supplemental CACAP):⁵ \$27,720,617 to 47,499
2 accounts in December 2021. This program was designed to assist
3 customers who were still carrying past due balances when the moratorium
4 on disconnects was lifted in Washington state on September 30, 2021.
5 (See Exh.CLW-17)
- 6 • Washington Commerce Emergency COVID Funds: \$29,429,171 to 73,949
7 customers in arrears in December 2022 and June of 2023. (See Exh. CLW-
8 18)

9 These emergency assistance programs in total distributed over \$88 million to
10 customers in need during the pandemic. However, PSE is continuing to
11 experience an unprecedented increase in customer arrearages year over year. As
12 of December 31, 2019 (prior to the pandemic), arrearages were at \$54,569,123
13 (See Exh. CLW-14 and **Figure 1**). At the end of each subsequent year, arrearages
14 continued to grow at an accelerated rate, despite the emergency assistance
15 provided by the CACAP 1-3 and Commerce funds mentioned above.

⁵ Dockets UE-210792 and UG-210793.

Figure 1:
Number of Customers with Past-Due Balances and Arrearage Amounts



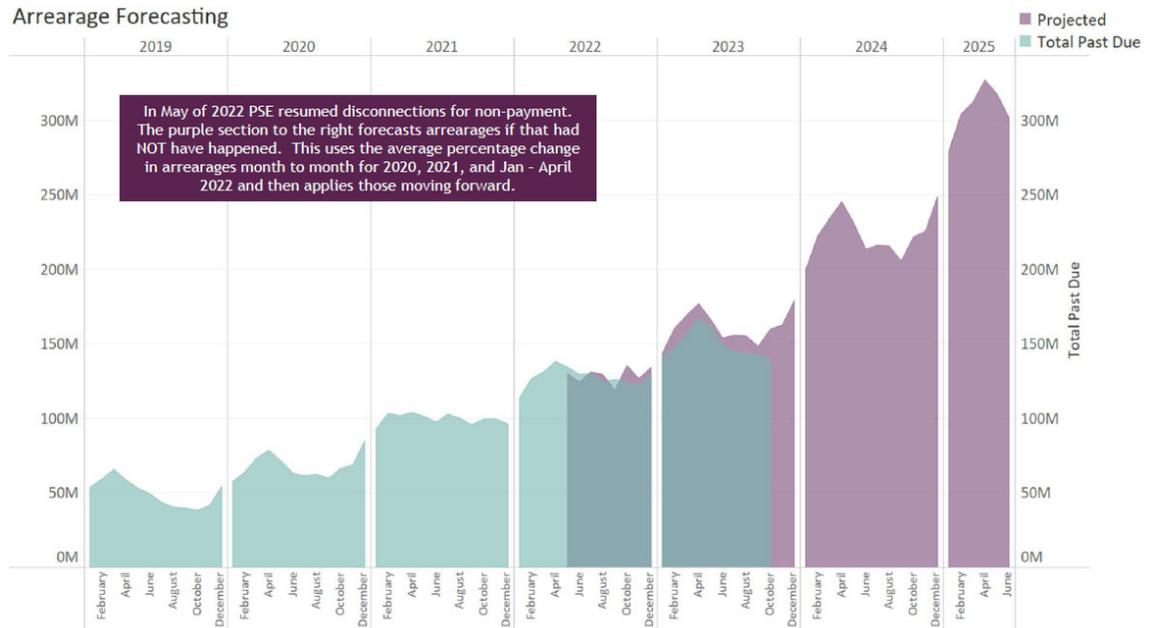
PAST-DUE BALANCES AS OF DECEMBER OF	2018	2019	2020	2021	2022	2023 YTD (END OF OCTOBER)
ARREARAGES, (CUM.) (\$MILLION)	\$52M	\$55M	\$86M	\$97M	\$130M	\$140M
ANNUAL % INCREASE		5%	57%	13%	34%	8%
EMERGENCY ARREARAGE ASSISTANCE (CUM.)			\$9M	\$32M	\$84M	\$88M
WITHOUT EMERGENCY ASSISTANCE ARREARAGE AMOUNTS WOULD BE AT:			\$95M	\$129M	\$214M	\$228M

1 **Q. Why must PSE modify its credit and collections process now?**

2 A. As explained above, the unprecedented growth in past due amounts is staggering
 3 and is increasing quickly. The growth represents an overall increase in arrearages
 4 from 2019 to 2023 of 157 percent. If the current growth rate in arrearages

1 continues, PSE projects total arrearage as of \$179 million by the end of 2023 and
2 reaching over \$245 million by April of 2024, as seen Figure 2 (Exh. CLW-19).

**Figure 2:
Projected Arrearage Amounts**



3 In comparison to the 157 percent increase illustrated in Figure 1, from December
4 31, 2019, through October 31, 2023, the number of customers with past due
5 balances increased by only 18 percent (See Exh. CLW-14). The average per
6 customer arrearage amount increased from \$241 in December 2019 to \$535 in
7 October 2023, which is a 122 percentage increase (See Exh. CLW-14).

8 Given the current number of customers in arrears, PSE estimates that it will take
9 between 12 and 24 months to reduce the backlog of arrearages to pre-pandemic
10 levels, which was approximately \$50 million.⁶ It should be noted that, while PSE

⁶ The average amount, averaged over each month, in 2019.

1 is trying to decrease the backlog of customers' arrears, those customers whose
2 accounts are not yet in dunning (whose arrearage balances are currently below
3 \$1,000) will see their balances continue to grow, amplifying the need to modify
4 the current credit and collections practices as soon as possible.

5 **Q. What impact will growing arrears have on the customers whose accounts are**
6 **past due?**

7 A. Because customers with past due balances are not in the dunning process until
8 those balances reach \$1,000, these customers are not receiving urgent, targeted,
9 and direct outreach through the dunning process about their past-due status, past-
10 due amounts, and options available and actions they could take to address the
11 past-due amounts. The higher a customer's past-due balance gets, the less likely
12 the customer can pay off the balance immediately, and the less likely the customer
13 can pay off the balance even through a payment plan. For customers whose
14 growing arrears exceeded \$1,000, PSE found that payment plans are generally
15 ineffective at helping customers get back on track (Figure 4, Exh. CLW-20).
16 Between 2018 and May 2023, payment plans established for a balances over
17 \$1,000 defaulted at a rate of 90 percent (see Exh. CLW-21). In addition, fewer
18 customers sought out payment arrangements during the disconnection
19 moratorium. From 2019 to 2021, PSE saw a 55 percent decrease in the number of
20 payment arrangements initiated by customers (see Figure 3 below, see Exh.
21 CLW-20).

1 For income-qualified customers, the higher a customer's past-due balance, the
2 higher the likelihood that there might not be sufficient energy assistance amounts
3 to cover the whole arrearage balance. The more HELP grant funds that are
4 directed at arrearages, the less are available for future or ongoing bill assistance,
5 increasing the likelihood of that customer becoming past-due again in the future.
6 PSE found that emergency energy assistance funds, such as those distributed as
7 part of its CACAP-3 program, as well as Washington Commerce Emergency
8 COVID Funds, only decreased total arrearages during the month of disbursement.
9 Therefore, these emergency funds were not sufficient to change customers'
10 behavior to begin paying bills on time in subsequent months.

11 Customers with past-due balances will benefit from receiving urgent, targeted and
12 direct outreach through the dunning process about their responsibility for these
13 balances, about their current status and growing past-due balances, about the
14 expanded energy assistance options that PSE now has, and the actions the
15 customers can and need to take to avoid potential consequences of non-payment.
16 The dunning process is designed to motivate customers to take action on their bill.
17 Only a small portion of customers who enter the dunning process are
18 disconnected, and most of those disconnected are reconnected to service within
19 the same day (60 percent) or the next day (Exh. CLW-30).

1 **Q. How will the arrearages affect rates if PSE is not able to modify the current**
2 **dunning and collections process?**

3 A. In the Company's June 2023 comments in Docket U-210800, PSE estimated rate
4 impacts if disconnects were prohibited for all customers. PSE conducted a similar
5 analysis for this proceeding, estimating rate impacts assuming all current
6 arrearages became bad debt and were written off. Using the estimated forecasted
7 revenue at rates effective November 1, 2023, if the estimated approximately \$110
8 million electric and approximately \$30 million gas (as of October 31, 2023) were
9 written-off, that would result in an approximate one-time rate increase of 4.2
10 percent for electric customers and 3.0 percent for gas customers. These estimated
11 rate increases would be once for a 12-month period. (Exh. CLW-22)

12 PSE also calculated estimated rate impacts if arrearages from PSE customers who
13 are currently estimated as low-income were assumed to be written off fully (e.g.,
14 as energy assistance in Schedule 129). Again, assuming estimated forecasted
15 revenue at rates effective November 1, 2023, arrearages of customers currently
16 estimated as low income amount to \$55 million for electric and gas, as of October
17 31, 2023 (approximately 66 percent of PSE total arrearages). These would
18 translate into one-time estimated rate increases of approximately 2.0 percent for
19 electric and approximately 1.1 percent for gas customers. (Exh. CLW-22)

20 Finally, PSE also calculated estimated rate impacts if arrearages from PSE
21 customers who have received energy assistance in the past 24 months ("Known
22 Low-Income") were assumed to be written off fully (e.g., as energy assistance in

1 Schedule 129). Again, assuming estimated forecasted revenue at rates effective
 2 November 1, 2023, arrearages of Known Low-Income customers amount to
 3 approximately \$8 million for electric and gas, as of October 31, 2023
 4 (approximately 7 percent of PSE total arrearages). These would translate into
 5 estimated one-time rate impacts of approximately 0.3 percent for electric and
 6 approximately 0.1 percent for gas. Table 1 below illustrates these rate impact
 7 scenarios. See Exhibit CLW-22 provides supporting details for the various
 8 estimates.

Table 1:

Assumption for Scenarios' Rate Impacts:				
*Based on Total Forecasted Revenue at rates effective November 1, 2023		\$ 2,619,078,301		\$ 978,743,878
Arrearage data (as of October 31, 2023)	Electric		Gas	
Category of Scenaria:	Arrearages (\$)	Estimated rate impact* (%)	Arrearages (\$)	Estimated rate impact* (%)
All Customers with Arrearages	\$ 109,317,732	4.2%	\$ 29,665,418	3.0%
Estimated Low-Income Customers with Arrearages	\$ 53,673,121	2.0%	\$ 11,162,004	1.1%
Known Low-Income Customers with Arrearages	\$ 7,987,067	0.3%	\$ 1,399,190	0.1%

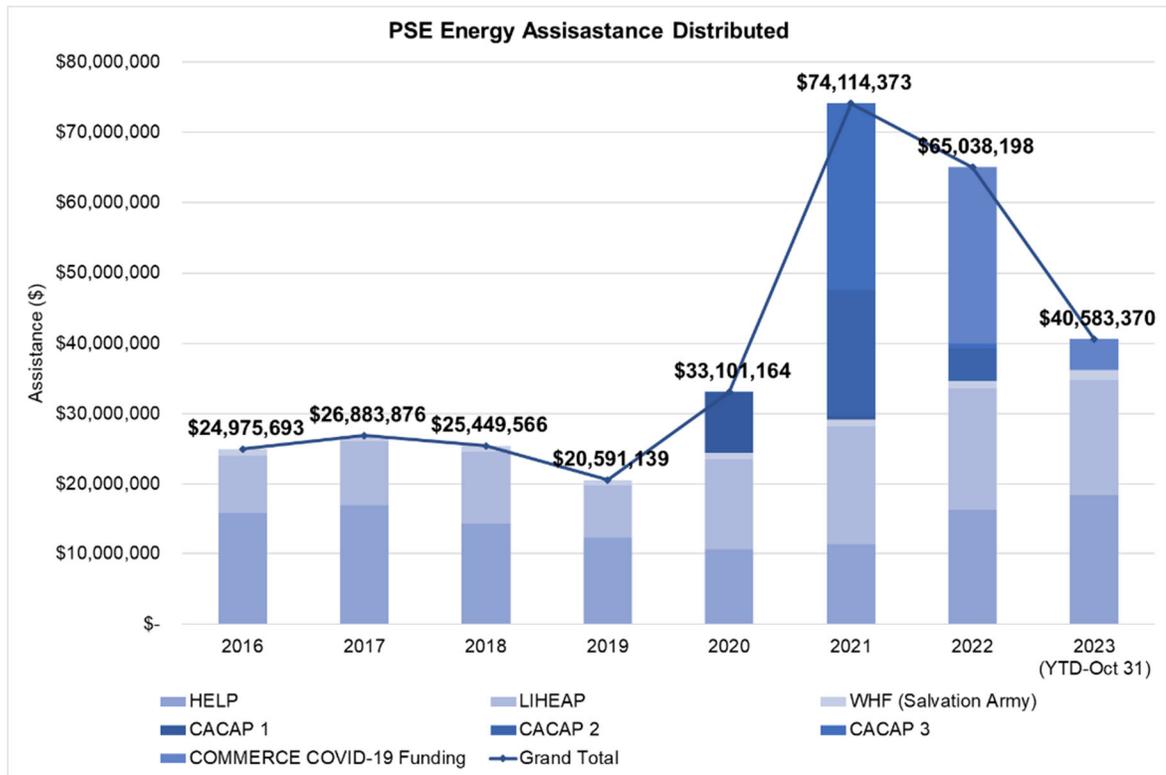
9 **Q. What has PSE done to date to attempt to address the arrearage issue?**

10 A. PSE has distributed emergency energy assistance to reduce balances for
 11 customers in arrears (\$88 million from March 2020 through June 2023).

1 PSE has also introduced new programs and reduced barriers to receiving
2 assistance. PSE's new Bill Discount Rate ("BDR") program launched on October
3 1, 2023, and both the BDR and HELP programs switched to a much more
4 simplified self-declaration process for customers for income eligibility and
5 number of members in household. PSE also has a new temporary Arrearage
6 Management Plan ("AMP"), which provides additional \$500 towards arrearages
7 for customers, until the permanent AMP program starts on October 1, 2024.

8 PSE is continuing to perform outreach to educate and inform customers about
9 how they can reduce their bills, get assistance and manage their energy usage. For
10 example, customers with past due balances but whose accounts are not in dunning
11 receive their regular bill indicating they have a previous charge due, but they do
12 not receive urgent or final notices.

**Figure 3:
Energy Assistance Distributed**



Please note that these values may differ based on the time pulled, as they represent a snapshot in time and can change due to reversals and additional amounts given out. (Exh. CLW-23)

1 **Q. How has PSE’s Bill Discount Rate been effective in reaching customers to**
2 **reduce energy burden and make bills more affordable?**

3 A. PSE’s Bill Discount Rate that went live on October 1, 2023, has been effective in
4 reaching customers. As of November 10, 2023, almost 12,000 PSE customers
5 have been approved and are now receiving the discount. See Exhibit CLW-24 for
6 PSE’s BDR rate report and see Exhibit CLW-25 for information on BDR
7 outreach.

1 **Q. Why does PSE need to implement this phased approach to resuming dunning**
2 **if the assistance programs are effective?**

3 A. The aforementioned efforts have had a marginal impact that has not led to any
4 material improvements in lowering arrearage balances. PSE still has an
5 exceptionally high number of customers in arrears, and this has remained mostly
6 stagnant despite PSE's outreach efforts. Exhibit CLW-25 is a BDR presentation
7 that is an example of such outreach. The status quo is not working to address the
8 unprecedented arrearages. Restarting the urgent, targeted, and direct outreach
9 through the dunning process is critical for educating customers about their
10 responsibility to pay for balances, making them aware of the current and growing
11 past-due balances, and for motivating customers to take actions to address their
12 past-due balances.

13 While the assistance programs have been effective in reaching customers so far in
14 the new program year, it is not enough to resolve the arrearage issue. There are
15 customers that qualify for assistance but do not pursue applying, as well as
16 customers that are in arrears but do not qualify to receive energy assistance due to
17 being over income. For these reasons PSE is proposing to move forward with a
18 phased approach.

1 **B. PSE is Proposing to Move Forward with a Phased Approach to Resuming**
2 **Dunning**

3 **Q. How is PSE proposing to address the arrearage issue going forward?**

4 A. PSE proposes to move forward with a phased approach to resuming dunning.
5 PSE proposes to gradually introduce more customers into dunning when they
6 reach certain monetary thresholds.

7 **Q. Please describe PSE's current dunning process and all the customer**
8 **communication and outreach which is part of the dunning process.**

9 A. When a customer enters the dunning process, a series of communication events
10 occur including phone outreach, mailed outreach, and door to door interactions.
11 PSE makes several phone outreach attempts, and if unsuccessful at reaching the
12 customer, PSE mails an urgent notice, and then a final notice. If the customer
13 does not take positive action on their account, they may reach the disconnection
14 queue and a disconnect notice is sent.

15 PSE's current process for resumed field collections (post-Disconnect Moratorium)
16 is to make a field collection visit to all customers, where PSE attempts to collect
17 and promote options available for the customer, to prevent a disconnection. If the
18 customer does not act, the service may be disconnected.

19 If disconnected, the customer is required to contact PSE for restoration of service,
20 and a new account is created. Their existing account and arrearages become a
21 prior obligation. If they have a remote connect/disconnect capable meter, they

1 will be connected within four hours. If the meter must be manually reconnected,
2 PSE makes every attempt to connect them on the same day, or within 24 hours if
3 the same day is not possible. Customers with a remote capable meter are not
4 assessed a reconnection fee, and until the conclusion of Docket U-210800, a
5 security deposit is not assessed.

6 PSE utilizes an internal Collections team that conducts phone outreach for
7 customers with past-due balances, both active and closed accounts, and if a final
8 bill on a closed account is unpaid the account may be written off.

9 **Q. Please describe the original phased approach PSE developed in 2022 with the**
10 **Low Income Advisory Committee (“LIAC”)?**

11 A. As stated above, the original phased dunning approach was discussed with PSE’s
12 LIAC prior to the August 2022 Settlement (Exh. CLW-26). As part of the
13 dunning process’s first phase, Phase I, PSE resumed disconnects in May 2022
14 with a small subset of customers in arrears. The first phase included customers
15 with an arrearage of \$1,000 or more and excluded all known and estimated low-
16 income customers. In subsequent phases, PSE planned to gradually decrease the
17 arrearage dollar threshold and to add back in low-income customers over several
18 months to give customers the opportunity to apply for assistance and/or make
19 long-term payment plans. PSE originally intended to go forward with this phased
20 approach but was surprised when parties asserted that moving to subsequent
21 phases would be in violation of the Settlement. See Exh. CLW-27 for an email
22 correspondence regarding the phased approach. Since the phased approach was

1 developed in collaboration with LIAC prior to the Settlement, PSE had assumed
2 “existing credit and collection processes” as stated in the Settlement included
3 moving to the phased approach.

4 **Q. Please describe the phased approach PSE is recommending now.**

5 A. Table 2 below represents the same phased approach that was developed with the
6 LIAC in 2021 but revises the estimated timing of the phases and updates the
7 arrearage data. Table 2 shows, for each of the Company’s phases in its proposed
8 dunning approach, the associated dollar threshold, income threshold, estimated
9 new customers entering dunning, the amount past due, estimated number of new
10 customers reaching the disconnect queue and estimated new customer disconnects
11 for non-payment. Dates associated with Phases are suggested time periods for
12 enacting each phase. The Dollar Threshold field indicates the level of past due
13 amount that the phase includes. The Income Threshold field indicates whether
14 customers estimated to be above 200 percent FPL for a one-time special dunning
15 procedure to be withheld from the current phase. Arrearage data is valid as of
16 September 30, 2023.

Table 2:
PSE's Proposed Phased Approach to Resume Dunning for All Customers

Phase	Dollar Threshold	Income Threshold	Est. New Customers in Dunning	Amount Past Due	Est. New Customers Reaching Disconnect Queue	Est. New Customer Disconnects for Non-Payment
1 (Current)	> \$1000	Above 200% FPL	17,359	\$43,451,691	7,291	437
2 (Nov 2023 – Jan 2024)	\$750-\$999	Above and below 200% FPL	16,857	\$14,684,334	7,080	425
3 (Jan – May 2024)	\$500-\$749	Above and below 200% FPL	21,262	\$13,125,974	8,930	536
4 (May – Jun 2024)	> \$250	Above and below 200% FPL	35,754	\$12,827,517	15,017	901
5 (Jun 2024 onward)	> \$150	Above and below 200% FPL	27,815	\$5,411,227	11,682	701

1 **Q. How will PSE's proposed phased in approach resolve the arrearage**
2 **problem?**

3 A. The proposed approach is not intended to disconnect customers; disconnection is
4 a last resort. It is intended to use the dunning process, as designed, to get
5 customers to act on their accounts, where previous outreach efforts have failed to
6 generate customer action. Current experience indicates that the dunning process
7 works to get customers to act on their accounts. Dunning is an effective way to
8 persuade customers to take action to reduce their arrearages. As illustrated in
9 Exhibit CLW-28, PSE has found:

- 10 • Of customers who enter dunning, 54 percent act on their account and exit
- 11 dunning;
- 12 • Of customers who hit the disconnect queue, 66 percent act on their
- 13 account and are not disconnected.

- Of those who hit the disconnect queue in the past six months, only 12 percent were disconnected and, of those, 71 percent had remote reconnect capabilities. As stated above, those are completed in four hours or less after receiving a request from the customer.

These numbers show that most customers who enter the dunning process act to address their bill.

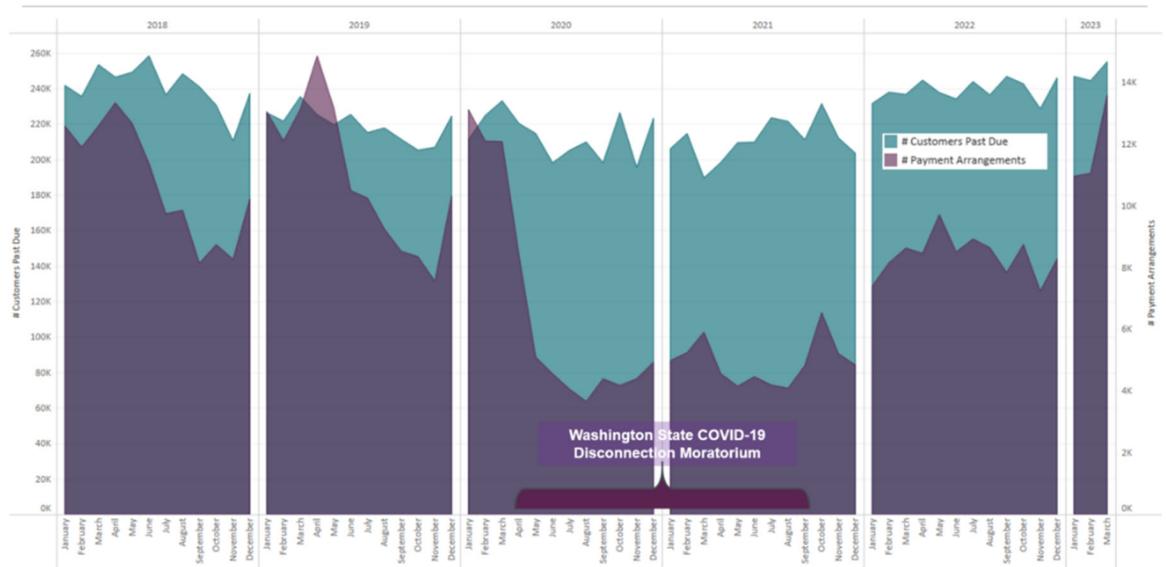
Q. Why does PSE propose to resume dunning for all customers?

A. Where a customer is consistently failing to make payments on time or at all, the Company should be allowed to consider options to encourage payment. Doing so is to the benefit of the defaulting customer, regardless of if they are income qualified or not, as well as other electric and gas customers on the system. The higher a customer's past-due balance, the higher the likelihood that they completely default on their arrears or that there might not be sufficient energy assistance amounts available to cover their whole arrearage balance, warranting perpetual and larger financial rescue in the case for income qualified customers, as well as cost shifting to other customers. When this occurs, more of the HELP grant goes to address arrearages, and less is available for future or ongoing bill assistance. This furthers the perpetual need for financial rescue. Therefore, it is in the interest of income-qualified customers to have them receive urgent and targeted dunning communication outreach, which would include information about the customers' past-due balances and related consequences of non-payment. Once the customer contacts PSE, they can sign up for assistance, including reduced rates and bills through the new BDR program, if required.

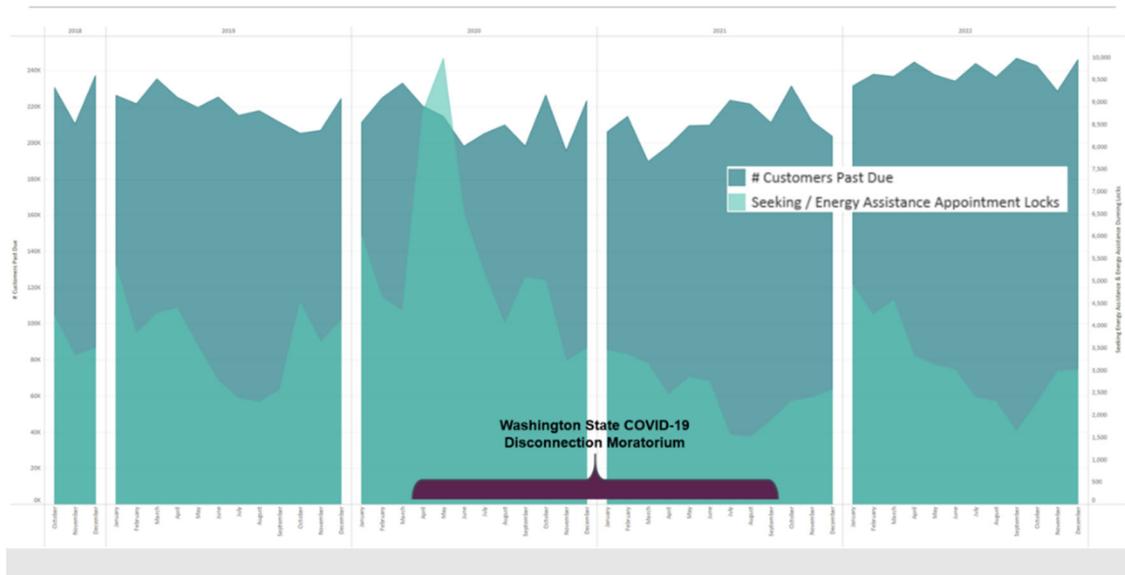
1 Energy assistance data shows that during the disconnection moratorium, even
2 though past-due balances increased, enrollment in payment arrangements and
3 energy assistance locks decreased, down 55 percent from 2019 to 2021 (see
4 Figure 4 below) and down 14 percent from 2019 to 2021 (see Figure 5 below),
5 respectively. Since PSE re-started dunning at Phase 1 in 2022, Figure 4 below
6 shows the clear increase in the number of payment arrangements.

Figure 4:

Payment arrangements decreased during disconnect moratorium



**Figure 5:
Energy assistance locks decreased during disconnect moratorium**



1 **C. PSE’s Proposal will Protect Vulnerable Customers and Address other**
2 **Unintended Consequences**

3 **Q. How will PSE avoid unintended consequences of resuming dunning and**
4 **collections, such as inequitable impacts, health, and safety of residential**
5 **customers?**

6 **A. PSE offers arrearage assistance and arrearage prevention assistance programs to**
7 **all customers, including known and estimated income-qualified customers. The**
8 **following is a list of all the protections and assistance opportunities currently in**
9 **place for customers:**

10 **1. Arrearage Assistance**

- 11 a) Extended 18-month payment arrangements
12 b) Budget payment plans for preventing future arrearages
13 c) Energy efficiency programs for preventing future arrearages

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2. Existing Assistance Programs

- a) PSE HELP: up to \$1,000 in bill and arrearages assistance
- b) LIHEAP: up to \$1,000 in bill and arrearages assistance
- c) Salvation Army Warm Home Fund: up to \$600 to cover an arrearage (2023YTD the program has collected \$1.4 million, in 2022, \$1.07 million collected; Exh. CLW-23)
- d) Low-income Weatherization Assistance: funding for energy efficiency upgrades that decrease future bills and prevent/decrease future arrearages
- e) Income-Qualified Community Solar Program: reduced rate community solar subscriptions decrease future bills and prevent/decrease future arrearages

3. New and Upcoming Assistance Programs

- a) Bill Discount Rate: discounts on customer bills to prevent/decrease future arrearages, started on October 1, 2023.
- b) Emergency Arrearage Management up to \$500 during program year 2023-2024 until the Arrearage Management Program goes into service 10/1/2024.

4. Disconnection Protections

- a) WAC 480-100-128, 480-90-128 Disconnection of Service
- b) WAC 480-100-143, 480-90-143 Winter Low-income payment plan
- c) WAC 480-100-123, 480-90-143 Refusal of service (Prior Obligations)
- d) Extended COVID-19 Docket U-200281 protections:
 - i. No late fees
 - ii. No disconnection fees
 - iii. No reconnection fees
 - iv. No deposits at reconnection
- e) WAC 480-100-128, 480-90-128 Disconnection of Service including Medical Conditions or Emergencies.
- f) Inclement Weather Moratorium: Cease disconnection for non-payment in areas with inclement weather events, which are days characterized by extreme cold or excessive heat and the average daily temperature is forecasted to be at or below 32 degrees Fahrenheit, or at or above 90 degrees Fahrenheit. The Company uses the prior day's forecast as received from the National Weather Service.
- g) Winter Moratorium: Depending on income a customer may qualify for payment assistance and disconnect protection during the winter months, from November 15 to March 15.

1 h) Per Docket U-180525 for Remote Disconnection:

- 2 a. Disable remote disconnection functionality for medical facilities and
3 critical infrastructure as identified in or pursuant to the Washington
4 state military department's Washington state infrastructure protection
5 plan; and limit the number of remote disconnections in a twenty-four-
6 hour period or take other reasonable measures to prevent unauthorized
7 disconnections;
- 8 b. Perform all remote disconnections for nonpayment between the hours
9 of 8:00 a.m. and 12:00 p.m. and remotely disconnect service only if
10 the utility provides customers with a reasonable opportunity to submit
11 payment and have the utility reestablish service on the same day;
- 12 c. Prior to involuntarily disconnecting a customer who has a medical
13 certificate in accordance with subsection (8) of this section, visit the
14 customer's premises and provide the customer with an opportunity to
15 pay via appropriate methods including providing payment to the
16 dispatched utility representative;
- 17 d. Prior to disconnecting a customer for nonpayment who the utility is
18 aware has received low-income assistance in the prior two years, visit
19 the customer's premises and provide the customer with an opportunity
20 to pay via appropriate methods including providing payment to the
21 dispatched utility representative;
- 22 e. If a site visit is not required to disconnect the service, the utility may
23 not charge any fees for the disconnection.

24 **Q. Is PSE proposing any other protections than those listed above? Why or why**
25 **not?**

26 A. PSE considered other protections, but the Company is not able to propose or
27 implement them now. PSE has systems in place, as described below, to monitor
28 results and equity-related impacts, and the Company intends to use these tools to
29 consider or propose any future additional changes needed to improve the process
30 and assist customers. Putting additional protections in place requires technological
31 development work to ensure customers are properly identified in PSE's Customer
32 Information System. Due to the time it takes to identify a new protection and

1 implement that process, and especially considering the rulemaking in Docket U-
2 210800, which may change anything PSE implements now, PSE made the
3 decision to wait before exploring any other new options beyond the phased
4 dunning approach.

5 **Q. How does PSE's proposal address energy justice and energy equity?**

6 A. PSE is addressing energy justice and energy equity through considering the
7 following:

8 **Procedural justice**⁷ – PSE is taking deliberate actions to target marginalized and
9 Vulnerable Populations in the programs PSE offers and through PSE's outreach
10 efforts.

- 11 • PSE's phased approach was developed with the LIAC and was
12 designed to provide more time for customers to seek assistance.
- 13 • PSE created a comprehensive outreach program to educate and inform
14 customers of their options which was a part of this effort.
15

16 **Restorative justice**⁸ – PSE is taking deliberate steps to ensure PSE is distributing
17 benefits equitably and reducing burdens to Highly Impacted Communities and
18 Vulnerable Populations. This prevents further inequities from occurring:

- 19 • PSE is making efforts to target Highly Impacted Communities and
20 Vulnerable Populations in the programs PSE offers and through PSE's
21 improved and expanded outreach efforts.
- 22 • PSE has been out within these communities promoting PSE's
23 programs and has been highly successful in enrolling customers into
24 PSE's new BDR.
 - 25 ○ In October, PSE has held 58 events in all nine counties, including
26 train the trainer sessions for caseworkers,

⁷ Definition of procedural justice: Focuses on inclusive decision-making processes and seeks to ensure that proceedings are fair, equitable, and inclusive for participants, recognizing that marginalized and vulnerable populations have been excluded from decision-making processes historically.

⁸ Definition of Restorative justice: Uses regulation or other interventions to disrupt and address distributional, recognitional, or procedural injustices, and to correct them through laws, rules, policies, orders, and practices.

- 1 ○ 6,731 collaterals shared to organizations
- 2 ○ 9,005 Newsletter/Email Shares
- 3 ○ 12 Senior focused events
- 4 ○ 14 Spanish focused events
- 5 ○ Languages engaged
 - 6 ■ Mam
 - 7 ■ Mixteco
 - 8 ■ Spanish
 - 9 ■ Vietnamese
 - 10 ■ English
 - 11 ■ Cantonese
 - 12 ■ Mandarin
- 13 ○ PSE conducted 19 pre-launch sessions engaging 472 community
- 14 members
- 15 ○ PSE distributed collateral to 33 community agencies including
- 16 senior centers, churches, libraries, foodbanks, etc.
- 17 ○ As a result of these expanded outreach efforts, from October 1,
- 18 2023 to November 10, 2023, PSE has enrolled 11,960 electric and
- 19 gas customers into BDR (Exh. CLW-24).
- 20

21 **Distributional justice**⁹ – The following is a list of processes where PSE has
22 incorporated equity; energy assistance programs offered, reduction in barriers for
23 program participation:

- 24 • PSE is tracking the success of outreach efforts and uptake in Highly
- 25 Impacted Communities and Vulnerable Populations, troubleshooting if
- 26 inequities are discovered in the distribution of programs.
- 27 • PSE has reduced barriers for customers to get access to assistance
- 28 programs, providing for self-attestation in the new BDR and multiple
- 29 ways to apply on-line, at community events, through Community
- 30 Action Partners and at local community partners (food banks,
- 31 churches, senior centers, etc.)

⁹ Definition of distributional justice: Refers to the distribution of benefits and burdens across populations. This objective aims to ensure that marginalized and vulnerable populations do not receive an inordinate share of the burdens or are denied access to benefits.

- PSE and federal assistance programs are reaching customers and providing real benefits, as seen in Figure 3 (Exh. CLW-23).

Recognition justice¹⁰ – through extensive Clean Energy Implementation Plan work, PSE has made progress in defining Vulnerable Populations, working with advisory groups (including PSE’s Equity Advisory Group) to define Vulnerable Population factors. PSE has gathered data and is using this data to understand the distribution and proportion of arrearages in these communities, to target efforts to assist customers and monitor progress.

- For customers in arrears, PSE estimates that 33 percent are in a Highly Impacted Community, 47 percent are defined as High-Vulnerable Population, and 19 percent are estimated energy-burdened,¹¹ and 8.5 percent fit the definition of Deepest Need¹² (Exh. CLW-29).
- These learnings helped PSE to collaborate with the LIAC to design programs that reduce barriers and increase participation.

III. CONCLUSION

Q. Please summarize your testimony.

A. PSE is committed to continuing to provide assistance and solutions for managing arrearages for customers. The phased approach to dunning allows for outreach and connecting customers to assistance. PSE’s goal is and has always been to minimize service interruptions as much as possible. PSE believes that its communications and engagement efforts as outlined in this testimony will allow us to reach as many customers as can to keep them informed about what actions they can take to manage their past due balances. While disconnections are always

¹⁰ Definition of recognition justice: Requires an understanding of historic and ongoing inequalities and inequities and prescribes efforts that seek to reconcile these inequalities and inequities.

¹¹ Customers with energy burden greater than 6 percent. Energy burden is the percentage of annual income that a customer spends on total energy costs over the year.

¹² “Deepest need” is defined by the methodology that PSE developed with its EAG, LIAC, and Conservation Resource Advisory Group in response to Condition 20 of Order 08 in Docket UE-210795.

1 a last resort, the growing amount of arrearages makes it imperative that PSE acts
2 now.

3 **Q. Does that conclude your prefiled direct testimony?**

4 A. Yes, it does.