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Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

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State Of WASH.
UTIL. AND TRANSP.
COMMISSION

Re: **Docket UE-190652: Comments of Puget Sound Energy in Response to Notice of Proposed Rulemaking (CR-102)**

Dear Mr. Johnson:

Puget Sound Energy (“PSE”) appreciates the opportunity to respond to the Notice of Proposed Rulemaking (CR-102) to implement revisions to the rules under the Energy Independence Act. On balance, PSE is comfortable with the direction of this rulemaking and appreciates all the opportunities to provide comment in this proceeding over the past several months through written comments as well as workshops.

PSE respectfully requests modification or clarification in two main areas of the proposed rules: (1) the definition of “low-income” under proposed WAC 480-100-060; and (2) certain provisions concerning low-income conservation measures in proposed WAC 480-109-100(10). PSE’s suggested revisions or clarifications are provided in the section below.

PSE’s Suggested Revisions or Clarification to the proposed rules

1. Proposed WAC 480-109-060

PSE acknowledges that creating one unified definition of “low-income” for all three investor-owned utilities in the state can be challenging, as utilities approach energy assistance differently and, even within one utility, the eligibility criteria for low-income programs can differ. For example, PSE’s bill assistance programs generally use a Federal Poverty Level (FPL) based definition, while PSE’s low-income weatherization programs currently use 200% FPL or 60% state median income (SMI), whichever is greater. While moving towards a 200% FPL-only definition of low income as proposed could be simpler theoretically and thus might result in some reduced administrative burden, this approach is fundamentally inconsistent with how the

Department of Commerce currently administers the State Weatherization Assistance Program, which defines low-income as 200% FPL or 60% SMI, whichever is higher. PSE is concerned that if low-income energy assistance only can be provided to customers that qualify under a 200% FPL threshold, agencies will lose the ability to leverage utility funds for those applicants that qualify at 60% SMI. For households of up to six people, applying a 60% SMI threshold is higher than 200% FPL, and the majority of households served by the Weatherization Assistance Program are households of up to six people.¹ PSE's preference is that, in rule, "low-income" be defined as broadly and flexibly as CETA allows, to allow utilities the flexibility to customize their eligibility to best suit the needs of their customers, which could include eligibility higher than 200% FPL in certain areas where it make sense to do so.

This approach better supports one of the underlying goals of CETA, which is to expand the number of customers served through energy assistance. PSE's main concern with a 200% FPL definition of low-income is that it may have the unintended consequence of limiting the number of customers that a program can serve.

For these reasons, PSE suggests that the definition of "low-income" in proposed WAC 480-109-060 should mirror the language provided in CETA:

"(22) "Low-income" means household incomes that **do not exceed** two hundred percent of federal poverty level **or eighty percent of area median household income**, adjusted for household size.

2. Proposed WAC 480-109-100(10)

a) Funding of Weatherization Measures and Repairs

PSE supports the requirement that utilities fully fund low-income conservation measures that are determined to be cost-effective consistent with the Department of Commerce's Weatherization Manual, or when it is otherwise cost-effective to do so, provided that some language is added to clarify that the obligation to "fully fund" measures is in conjunction with other available funding sources across a given project. PSE remains concerned with the breadth of the proposed changes to WAC 480-109-100(10(a), which require utilities to "fully fund" repairs, administrative costs, and health and safety improvements. As noted in our previous comments, PSE has consistently worked with its low income weatherization stakeholders (such as The Energy Project, low-income agencies, Department of Commerce) to provide administrative as well as health and safety repairs funding, according to the needs and requests. PSE is supportive of making reasonable health and safety repairs associated with conservation measure. PSE is not supportive, however, of using ratepayer funds to pay for extensive health and safety repairs when

¹ It is only for households between 7 and 10 people that 200% FPL is higher than 60% SMI.

those repairs vastly exceed (by orders of magnitude) the cost of the conservation measure itself. PSE remains concerned that revising the language in this subsection to say utilities “must fully fund” repairs and administrative costs indicates that PSE ratepayers are expected to pay 100 percent of these costs. This is a significant departure from current practice. In addition, as PSE indicated in its previous comments, this requirement could potentially impact the cost-effectiveness of the Low-Income Weatherization program to the point where it may become untenable.

To address these concerns, PSE has worked collaboratively with The Energy Project (TEP) and Northwest Energy Coalition (NWECC) to seek alignment on some proposed revisions to WAC 480-109-100(10)(a). PSE, NWECC and TEP were able to reach agreement on suggested revisions to the third sentence of subsection (a):

(a) ...

In addition, ~~when alternate funding sources are unavailable~~, a utility ~~may~~ ~~must~~ fully fund repairs, administrative costs, and health and safety improvements associated with cost-effective low-income conservation measures.

Additionally, PSE recommends a second sentence be added to subsection (a) to clarify that the requirement to fully fund conservation measures still allows the utility or implementing agency to leverage other funding sources to pay for the conservation project.² This additional sentence is shown in underlined text below:

(a) A utility ((~~may~~)) **must** fully fund low-income conservation measures that are determined by the implementing agency to be cost-effective consistent with the *Weatherization Manual* maintained by the department or when it is cost-effective to do so using utility-specific avoided costs. For purposes of this subsection, “fully fund” may include the agency leveraging other funding sources, in combination with utility funds, to fund low-income conservation projects.

b) Prioritization of Energy Burden

The draft requirement in subsection (10)(b) does not seem to take into account how PSE’s low-income projects have consistently been implemented through the state agencies, which manage the intake process. It would be administratively very difficult for the Low Income Weatherization program to become involved in every weatherization application. Even if there were sufficient staffing to do so (which would cause the program to become cost-ineffective), it would not be in the highest service of the customer for utilities to become directly involved in

² This added sentence was proposed to NWECC and TEP by PSE; however, NWECC and TEP did not agree to this language.

the intake process. Therefore, as weatherization programs are currently implemented today, energy burden is best taken into consideration at a local level where program implementation and the intake process occurs.

Additionally, the Weatherization Manual already requires agencies to prioritize customers with high energy burden, as set forth below:³

“Prioritizing Clients:

Local Agencies must give priority for weatherization services to:

- a. Elderly (60 years of age or older).
- b. Persons with disabilities.
- c. Children nineteen years of age, or under.
- d. High Residential Energy Users
- e. **Households with High Energy Burden**
- f. Native American, with particular emphasis on households residing on reservations.”

That said, PSE understands this prioritization language comes directly from CETA and recognizes that the manner in which energy assistance programs are implemented may change over time as more programmatic emphasis is placed on serving customers with a higher energy burden. In an attempt to balance the requirement in CETA with the practical realities of how weatherization programs are administered through agencies today, PSE suggests the following revisions to subsection (10)(b):

“(b) The utility's biennial conservation plan must include low-income conservation programs and mechanisms identified pursuant to RCW 19.405.120 with advice and review provided by its Advisory Group. To the extent practicable, a utility must include a description of how the plan prioritizes energy assistance to low-income households with the highest energy burden, in conjunction with low-income agencies, and future actions under consideration to improve this prioritization. ~~prioritize energy assistance to low-income households with a higher energy burden.~~

c) Non-energy impacts

PSE is unsure of the Commission’s intent for the calculation and aggregation of the cost and benefit accrual, and how that information is intended to be applied to the Low Income

³ Weatherization Manual, July 1st, 2019 Edition, Policies and Procedures—Table of Contents, Policy 1.2.1 Prioritizing Eligible Weatherization Clients, p.19.

Weatherization program or other PSE low-income services. Furthermore, the concept of determining non-energy impacts is highly subjective, and one that is has not yet been clearly defined. PSE proposes that it work with its Advisory Group and Commission Staff to develop a clear set of guidelines. PSE's suggested rule language reflects this proposal:

(c) A utility (~~may~~) must exclude low-income conservation from portfolio-level cost-effectiveness calculations. A utility must, in consultation with its Advisory Group, develop metrics to account for the costs and benefits, including quantifiable nonenergy impacts, which accrue over the life of each conservation measure to the extent practicable.

PSE appreciates the opportunity to provide comments in response to the Commission's Notice of Proposed Rulemaking (CR-102). Please contact Kara Durbin at 425-456-2377 for additional information about these comments. If you have any other questions please contact me at (425) 456-2142.

Sincerely,

/s/ Jon Piliaris

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