

Exhibit No. _____ (DOD-1T)
Docket Nos. UE-011570 & UG-011571
Witness: Danielle Dixon

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Washington Utilities and
Transportation Commission,

Complainant,

v.

Puget Sound Energy, Inc.,

Respondent

DOCKET NOS. UE-011570 and
UG-011571 (Consolidated)

TESTIMONY OF

DANIELLE DIXON

FOR JOINT INTERVENOR

NW ENERGY COALITION AND NATURAL RESOURCES DEFENSE COUNCIL

IN SUPPORT OF SETTLEMENT STIPULATION

June 7, 2002

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

2 A. My name is Danielle Dixon. My business address is 219 1st Ave South, Suite 100, Seattle, WA
3 98104. I am a Policy Associate with the NW Energy Coalition (NWECC). In this proceeding, I
4 am representing both NWECC and the Natural Resources Defense Council (NRDC).

5 **Q. Please briefly describe your educational and relevant professional background.**

6 A. I have a B.A. in biology with a Concentration in Environmental Studies from Williams College,
7 and a M.S. in Natural Resources Policy and Management with a Minor in Conservation and
8 Sustainable Development from Cornell University. I have been a Policy Associate with the NW
9 Energy Coalition since October 1998. My responsibilities include researching and analyzing
10 energy policy issues, participating on Washington utility advisory boards, and representing the
11 Coalition before the Washington Legislature, the Utilities and Transportation Commission, and
12 the Energy Facility Site Evaluation Council.

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

14 A. The purpose of my testimony is to provide support from Joint Intervenor NW Energy Coalition
15 and Natural Resources Defense Council for the settlement terms reached in the Conservation,
16 Low Income, and Line Extension collaboratives, in which I participated. I also participated in
17 the collaboratives focused on rate design and time-of-use rates, and will be available to answer
18 questions from the Commission concerning those agreements.

19

1 **CONSERVATION**

2 **Q. Please describe the benefits experienced by customers and shareholders as a result of**
3 **investor-owned utility (IOU) investment in energy efficiency.**

4 A. Customers benefit directly and/or indirectly through the Company's investments in energy
5 conservation. Direct benefits accrue to those customers who participate in the programs
6 offered by PSE, leading to lower energy bills, increased comfort, productivity and in some cases
7 safety. All customers also benefit indirectly from these investments by the Company acquiring
8 the cheapest energy available, delaying the need to build additional generation and reducing
9 potential harm to the environment from increased generation.

10 Shareholders also benefit from these programs through reduced regulatory assets
11 leading to better Wall Street ratings. Further, as a result of implementing the tariff rider,
12 shareholders benefit from reduced competition for scarce capital budgeting dollars.

13 **Q. Executing Parties to the Conservation Stipulation agreed to the development of**
14 **programs, starting September 1, 2002, to achieve at least 15 aMW of cost-effective**
15 **electricity savings through energy efficiency programs funded by PSE's conservation**
16 **tariff rider. Please briefly describe the basis for this savings target from your**
17 **perspective.**

18 A. When negotiating on an appropriate first year savings target, NWEC/NRDC considered data
19 from several sources, including PSE's 2000-2001 Gas and Electric Least Cost Plan, actual
20 savings achieved by PSE's conservation programs in 1999-2001, recently updated assessments
21 of conservation resource potential in neighboring utility service territories (Seattle City Light,
22 Snohomish PUD, Tacoma Power), PSE's share of the Northwest Power Planning Council's

1 three-year conservation power plant, and the preliminary results of a Pacific Northwest
2 conservation resource potential analysis conducted by the Tellus Institute. Data from these
3 sources provided a range of potential savings targets. NWECC/NRDC then considered the
4 feasibility of the Company meeting these targets in the coming year, taking into account such
5 factors as PSE's level of conservation achievement in 2001 (12.25 aMW) and its ability to
6 ramp up its efforts, PSE's conservation achievements over the preceding decade (from a low of
7 0.5 aMW in 1997 to a high of 29.7 aMW in 1993), as well as continued public awareness of
8 energy issues.

9 Parties agreed to develop programs to achieve at least 15 aMW over a 12-month
10 period beginning September 1, 2002. That savings target was then prorated to a 16-month
11 period to enable establishment of future savings targets on a calendar-year basis beginning in
12 January 2004.

13 **Q. In your understanding, how does this savings target compare with those of Avista,**
14 **PacifiCorp and PSE's neighboring utilities?**

15 According to 2001 data, Avista met just under 2% of its total Washington-based electric load
16 with energy efficiency program savings, while PSE and PacifiCorp met approximately 0.5% of
17 their total Washington-based electric loads with energy efficiency. PSE's efficiency target of 15
18 aMW for September 2002-August 2003, meeting approximately 0.6% of its total load,
19 exceeds Tacoma's 2001 achievement but is less than the savings captured that year by Seattle
20 City Light or Snohomish PUD. PSE's new savings target is comparable to Avista's electric
21 conservation achievement in 2000. The electric savings target is well within the range of electric
22 IOU conservation achievements in 2001 and PSE's achievements over the past decade.

1 **Q. Executing Parties to the Conservation Stipulation agreed to the development of**
2 **programs, starting September 1, 2002, to achieve at least 2.1 million therms of cost-**
3 **effective natural gas savings through energy efficiency programs funded by PSE's gas**
4 **tracker. Please briefly describe the basis for this savings target from your**
5 **perspective.**

6 A. When negotiating on this target, NWEC/NRDC considered PSE's gas conservation
7 achievements in 1999-2001. PSE saved 2.4 million therms in 2001 and 2.7 million therms in
8 1999-2000 combined. We did not have regional data or data from neighboring utilities
9 concerning conservation savings potential in the gas sector.

10 Parties agreed to develop programs to achieve a first year savings target of at least 2.1
11 million therms, which was prorated to a 16-month period to enable establishment of future
12 savings targets on a calendar-year basis beginning in January 2004.

13 **Q. In your understanding, how does this savings target compare with other Washington**
14 **investor-owned utility gas conservation programs?**

15 A. Cascade Natural Gas Company currently does not provide energy efficiency programs to its
16 Washington customers. Effective February 8, 2001, Avista collects 0.5% on average revenue
17 per therm to fund its gas conservation programs (Docket No. UG-010029). Effective October
18 15, 2001, Northwest Natural Gas Company (NNG) began providing a residential high
19 efficiency furnace program and weatherization services programs for residential and commercial
20 customers at an expected cost of \$356,600, or approximately 0.9% of its annual Washington
21 revenue (Docket Nos. UG-011230 & UG-011231). NNG expected to save about 162,324
22 therms annually. PSE anticipates spending approximately \$2 million over an initial 12-month

1 period to acquire 2.1 million therms, which represents approximately 0.3% of PSE's retail gas
2 revenues. PSE's spending target therefore is within the range of recent gas IOU conservation
3 budgets.

4 Preliminary data from Avista reflecting the period from February 2001 through May
5 2002 indicate that the utility has acquired 558,964 therms of savings from commercial and
6 industrial customers at a utility (incentive) cost of \$1,087,480. In addition, from February 2001
7 through April 2002, Avista saved 70,446 therms at a utility cost of \$125,793 through measures
8 aimed at the residential sector. In 2000, PSE's gas sales to its residential, commercial and
9 industrial customers were almost 5 times greater than Avista's comparable gas sales. An initial
10 12-month target of 2.1 million therms of savings is reasonable when taking this comparison into
11 account as well as achieved gas savings in PSE's service territory in recent years.

12 **Q. Do you consider these savings targets reasonable and appropriate?**

13 A. Yes. We took into account multiple factors in negotiating these targets, including relevant
14 conservation potential assessments as well as feasibility of achievement. It is also important to
15 note that PSE will file by August 1, 2002, a set of programs designed to achieve these savings
16 targets as well as specific budgets tied to each program. The Commission will have the
17 opportunity to review the programs and budget in detail at that time. The programs will be
18 developed so that they are cost-effective as a whole and reduce the life cycle costs of energy
19 services provided to PSE's customers compared with the alternatives. In addition, PSE will
20 develop with the Advisory Committee its post-2003 electric and gas savings targets based on
21 the results of a comprehensive conservation resource potential assessment to be conducted in its
22 service territory. I strongly support that upcoming effort.

1 **Q. Are there any additional points you would like to make about the conservation**
2 **stipulation?**

3 A. Yes. In his testimony, Mr. Pohndorf has described the roles and responsibilities of the Advisory
4 Committee created by this stipulation. I believe that formalizing the advisory committee will
5 ensure stakeholders a more active role in development and review of PSE's energy efficiency
6 programs. The NW Energy Coalition and Natural Resources Defense Council plan to actively
7 participate as members of that Committee.

8 **Q. Do you believe this stipulation is in the public interest?**

9 A. Yes. As described in my testimony and in the testimony of other Parties, utility investment in
10 energy efficiency programs provides many benefits. I believe this stipulation represents a
11 positive step forward for PSE in terms of reinvigorating its electric and gas efficiency programs.

12 **LOW-INCOME**

13

14 **Q. In your opinion, what are the benefits generally of a utility low-income energy**
15 **assistance program?**

16 A. The Legislature has found that it is in the state's interest to preserve affordable natural gas and
17 electric services to the residents of the state (RCW 80.28.074). A consistent, stable low-
18 income energy assistance program can help address that interest by providing PSE's most
19 vulnerable customers with direct assistance in reducing or paying their energy bills and
20 maintaining their utility service. This program will help more of PSE's low-income customers
21 access service for their energy needs at a more affordable rate.

1 **Q. Has the Commission approved low-income energy assistance programs for**
2 **other investor-owned utilities (IOU)?**

3 A. Yes. In 1999, Governor Locke signed into law a provision clarifying the authority of the
4 Commission to approve IOU low-income energy assistance programs funded by ratepayers.

5 RCW 80.28.068 reads:

6 Upon request by an electrical or gas company, the commission may approve rates,
7 charges, services, and/or physical facilities at a discount for low-income senior
8 customers and low-income customers. Expenses and lost revenues as a result of these
9 discounts shall be included in the company's cost of service and recovered in rates to
10 other customers.
11

12 Following passage of that law, both Avista and PacifiCorp requested approval from the
13 Commission to offer low-income energy assistance pilot programs. In Docket No. UE-
14 002063, the Commission approved PacifiCorp's proposal to commence its electric program
15 effective February 1, 2001. In Docket Nos. UE-010436 & UG-010437, the Commission
16 approved Avista's proposal to implement an electric and gas low-income energy assistance
17 program, effective May 2, 2001. Both utility programs are currently in effect.

18 **Q. In your understanding, how does the stipulated low-income assistance program for PSE**
19 **generally compare with programs currently offered by Avista and PacifiCorp?**

20 A. From a monetary perspective, PSE's annual funding level of \$8.6 million or approximately
21 0.45% of retail revenues is within the range of IOU program budgets approved by the
22 Commission. Avista's program is funded at a level of 0.79% of retail revenues for electric and
23 gas, which yielded a first year budget of approximately \$3 million total. PacifiCorp's budget of
24 approximately \$550,000 represents about 0.3% of its Washington retail revenue.

1 The programs differ in specific design elements, but all three programs utilize the
2 expertise of local community action agencies to determine eligibility of applicants and deliver
3 benefits to qualifying recipients, and include provisions for reporting to the Commission
4 regarding program outcomes.

5 **Q. Do you believe this stipulation is in the public interest?**

6 A. Yes. I believe this stipulation represents a positive step forward in providing a consistent, stable
7 source of funding to help PSE customers who are struggling to pay their energy bills. Along with
8 the funding for low-income energy efficiency programs agreed to in the Conservation
9 Stipulation, this begins to address the critical need for low-income energy services in PSE's
10 service territory. Finally, the program design is reasonable and appropriate.

11 **LINE EXTENSION**

12 **Q. What would you add to Public Counsel witness Jim Lazar's conclusions with respect to**
13 **the fairness of the line extension stipulation?**

14 A. I agree with Mr. Lazar's characterization of the Stipulation. For the reasons that he identifies, I
15 believe that the Stipulation improves substantially on the company's initial proposal in terms of
16 incentives for builders to install highly cost-effective energy efficiency improvements. Indeed, to
17 my knowledge, the Commission will set an important and overdue regional (and national)
18 precedent by making the calculation of allowance payments independent of the design
19 efficiencies of the buildings that receive them. This means that designers and builders will not be
20 penalized through lower allowances if they install measures and systems that reduce the
21 electricity needs of their buildings. I also think that the initial proposal would unintentionally have
22 provided inappropriate customer-financed subsidies for the construction of new buildings in

1 remote areas lacking access to electric and gas infrastructure. All-electric buildings would have
2 received substantially higher allowance payments from the Company if they lacked access to
3 gas service, compared to otherwise identical buildings sited in areas with full infrastructure
4 development. These subsidies have been removed in the stipulation.

5 **Q. Does that conclude your testimony?**

6 A. Yes.