

1  
2  
3  
4  
5  
6  
7  
8

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**CASCADE NATURAL GAS  
CORPORATION**

**Respondent.**

**Docket No. UG-060256**

9  
10  
11  
12  
13

**DIRECT TESTIMONY OF  
CHARLES EBERDT**

1 **I. BACKGROUND AND QUALIFICATIONS**

2 **I. Background and Qualifications**

3 Q. PLEASE STATE YOUR NAME, ADDRESS AND EMPLOYMENT.

4 A. My name is Charles Eberdt. I am the director of The Energy Project, 1701 Ellis  
5 St., Bellingham, WA 98225.

6 Q. PLEASE OUTLINE YOUR EDUCATIONAL BACKGROUND AND  
7 PROFESSIONAL EXPERIENCE.

8 A. I have an M.A.T. from Harvard University. Since 1993, I have been working  
9 with all agencies that provide energy assistance and energy efficiency services to  
10 low-income households in Washington. Prior to that I supervised training on  
11 energy efficient construction for building code officials and builders for the  
12 Washington State Energy Office and provided other public education on energy  
13 efficiency. I am a Board member of the National Center for Appropriate  
14 Technology and A World Institute for a Sustainable Humanity (A W.I.S.H.). I  
15 have participated in several proceedings before this Commission over the last  
16 thirteen years, including recent rate cases by PSE, Avista and PacifiCorp.

17 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

18 A. I am testifying for The Energy Project, an intervener in this proceeding on behalf  
19 of the Opportunity Council and other community action agencies that provide  
20 low-income energy efficiency and bill payment assistance in the utility's service  
21 territory.

22 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

1 A. I am testifying to support Cascade Natural Gas Corporation's ("Cascade" or the  
2 "Company") proposal to provide \$800,000 funding for a low-income energy  
3 assistance program, but to object to the company's original proposal to link  
4 program participation to an amendment to the "prior obligation rule." I also  
5 object to the Company's proposed increases in the basic charge and other  
6 miscellaneous charges.

7 Q. WHAT IS YOUR EXPERIENCE WORKING WITH CASCADE TO PROVIDE  
8 PROGRAMS THAT HELP LOW-INCOME HOUSEHOLDS AFFORD THEIR  
9 ENERGY SERVICES?

10 A. I participated in the company's least cost planning advisory meetings and  
11 provided comments on their least cost plans for several years. Most recently, I  
12 worked with the company to develop the low-income energy efficiency program  
13 they filed with this Commission to begin last November.

14 Q. WHAT HAS THE COMPANY DONE THAT WOULD HELP A LOW-  
15 INCOME HOUSEHOLD AVOID ADDITIONAL COST?

16 A. Just last November Cascade initiated a low-income energy efficiency program  
17 that funds community action agencies to provide energy efficiency services to  
18 low-income households with the goal of reducing their gas consumption. While  
19 this program is only directed at low-income customers and will not reach all who  
20 are eligible, it is a good first step. The company should be encouraged to develop  
21 a more comprehensive energy efficiency program that will address the needs of  
22 all its customers.

1 Q. THE COMPANY IS RECOMMENDING RATEBASING \$800,000 FOR LOW  
2 INCOME ENERGY ASSISTANCE. WHAT ARE YOUR VIEWS ON THIS?

3 A. We are appreciative that the Company has recognized the need for low-income  
4 assistance in its Washington service area. This follows similar recognition by  
5 Cascade in the state of Oregon where it has agreed to implement a low-income  
6 assistance program. According to the Company's response to the Energy  
7 Project's sixth data request, their rates rose 72% between August 2000 and  
8 November 2005. Now they would like another 9.5%. Cascade had 148,879  
9 residential customers in the state of Washington as of the end of September 30,  
10 2005. The Company does not keep data on the number of customers that  
11 constitute "low income" in its Washington service area. We are, therefore, left to  
12 extrapolate from census data. Using a conservative 12% figure of those that are  
13 living below 125% of the federal poverty guidelines, would translate into  
14 approximately 17,865 customers of Cascade that would be eligible for federal  
15 low-income assistance. However, we know from the most recent year-end report  
16 obtained from the State of Washington Department of Community, Trade and  
17 Economic Development, the administrative entity for the federal LIHEAP  
18 Program, that agencies paid benefits of \$1,016,322 in LIHEAP funds to Cascade  
19 for bills of 2,937 households. Unfortunately, those funds ran out before others  
20 could be served. This means that only 16% of those eligible to receive assistance  
21 were able to do so (17,865 divided by 2937 = 16%).

1 Q. HOW DOES CASCADE NATURAL GAS COMPARE TO OTHER INVESTOR  
2 OWNED UTILITIES IN WASHINGTON STATE REGARDING RATEBASED  
3 LOW INCOME ENERGY ASSISTANCE PROGRAMS?

4 A. According to analysis done by staff of the WUTC for their Workshop on  
5 Providing Assistance to Low-Income Customers of Energy Utilities, Cascade  
6 Natural Gas is the only large investor owned energy utility without a rate based  
7 energy assistance program, gas or electric. In 2005, Avista budgeted \$1.2 million  
8 a year, and Puget Sound Energy budgeted \$2.9 million for their gas customers,  
9 respectively. Avista has since increased their funding as part of the last rate case  
10 settlement and we are advocating for an increase with PSE in their current rate  
11 case.

12 Q. WHAT ARE YOUR RECOMMENDATIONS REGARDING FUNDING  
13 LEVELS FOR CASCADE NATURAL GAS LOW INCOME ASSISTANCE?

14 A. We would like to see a minimum of \$800,000 for rate based direct service energy  
15 assistance. I understand from Cascade witness Kathy Barnard's testimony on  
16 page 19 (Exhibit KJB 1-T) that the Company expects to receive a \$107,000 tax  
17 credit for this contribution. Other companies, such as Avista, have added that tax  
18 credit to their low-income assistance funding, and we would certainly encourage  
19 Cascade to do so. At the very least, however, we understand the Company is  
20 willing to provide \$800,000 for low-income assistance and we heartily support  
21 that.

1 Q: THE COMPANY HAS NOT PROVIDED MUCH DETAIL IN TERMS OF  
2 HOW THE LOW INCOME ASSISTANCE FUNDING WOULD BE  
3 DISTRIBUTED AND SPENT. WHAT IS YOUR RECOMMENDATION?

4 A: I recommend that the existing network that the Washington Department of  
5 Community, Trade and Economic Development uses for the Low Income Home  
6 Energy Assistance Program (LIHEAP) be the conduit for these funds. Those  
7 agencies have over 25 years experience in administering low-income home  
8 energy assistance funds, are the conduit for the other investor-owned utility rate-  
9 based low-income assistance dollars, and can leverage other federal, state, and  
10 local funding and resources to go with it, including energy education and home  
11 weatherization.

12 When a household applies for assistance, the agency looks at the number of  
13 people in the household and the household income to see that they meet the  
14 LIHEAP income guidelines. Then they look at the household's energy  
15 consumption and energy burden and use a formula to determine what level of  
16 benefit they should receive. Cascade could use a similar matrix and distribution  
17 formula for allocating funds for this program. I say "similar" because I think the  
18 Company and stakeholders might want to use a different income level than that  
19 set by LIHEAP. LIHEAP uses a maximum income threshold of 125% of the  
20 Federal Poverty Level (FPL) for participation in the program. Given the huge  
21 increase in rates, agencies are seeing many more applicants for assistance. Many  
22 of these are just over the income threshold, but still in dire straits. Some programs  
23 use 150% of the federal poverty line. Puget Sound Energy uses 60% of area

1 median income as the cut-off. Other programs in other states qualify households  
2 at 175% or even 200% of the federal poverty level. For this reason I would  
3 recommend a threshold of 150% of the FPL. We suggest Cascade look at similar  
4 programs implemented by other utilities and already approved by the Commission  
5 for guidance. Regardless, we look forward to working with the company to  
6 develop an effective and comprehensive program.

7 Q: HOW CAN CASCADE ENSURE THAT ONLY LOW INCOME CUSTOMERS  
8 RECEIVE THIS FUNDING?

9 A: The Energy Project would design a program with the utility so that only those  
10 Cascade households that are at or below the determined poverty level (e.g., 150%  
11 FPL) will be eligible for this program. The local agencies that are sub-grantees of  
12 the Washington Department of Community, Trade and Economic Development,  
13 as stated above, will work collaboratively and in partnership with Cascade to  
14 establish protocols for the program, similar to the relationship they have with  
15 Cascade under vendor agreements for LIHEAP.

16 Q. THE COMPANY HAS PROPOSED AMENDING THE PRIOR OBLIGATION  
17 RULE AS A CONDITION PRECEDENT TO FUNDING A LOW-INCOME  
18 ASSISTANCE PROGRAM. WHAT IS YOUR UNDERSTANDING OF THE  
19 COMPANY'S RATIONALE?

20 A. Cascade has indicated that there are a relatively small number of customers who  
21 habitually abuse the prior obligation rule and that this has certain negative impacts  
22 on the Company and its employees. Though the details are unclear to me, it

1 appears that the company seeks Commission approval of some form of “waiver”  
2 to the rule to prevent such abuses.

3 Q. DO YOU AGREE WITH THE COMPANY’S PROPOSAL TO LINK  
4 PARTICIPATION IN THE LOW-INCOME PROGRAM TO A WAIVER OF  
5 THE PRIOR OBLIGATION RULE?

6 A. No, for several reasons. First, though it is more in the nature of a legal issue and I  
7 am not an attorney, I believe that the appropriate procedural mechanism for  
8 amending any rule is through a rulemaking process, and not in a general rate case.  
9 Any change to the rule would, presumably, apply to all utilities. It would make  
10 more sense, therefore, to require the Company to make a separate filing, using the  
11 appropriate procedural mechanism, and provide all stakeholders with the  
12 opportunity to have input. Regardless, by linking an amendment of the rule to  
13 funding of a low-income assistance program, there is the jeopardy that any  
14 proposed changes to the rule in this case would be considered unlawful and the  
15 company’s proposed low-income assistance program could be rejected simply  
16 through association with an unrelated rulemaking, rather than based on its own  
17 merits.

18 Q. WHAT EVIDENCE HAS THE COMPANY PROVIDED TO JUSTIFY  
19 LINKING AN AMENDMENT TO THE PRIOR OBLIGATION RULE AND  
20 APPROVAL OF A LOW-INCOME ASSISTANCE PROGRAM?

21 A. The Company has not presented any data to my knowledge. Cascade does not  
22 track low-income data and, therefore, is generally unaware of who its low-income  
23 customers are, and to what extent they avail themselves of the prior obligation rule



1 any more or less than other customers. Not only has the company failed to  
2 demonstrate that people who abuse the prior obligation rule are more likely to be  
3 low-income, it hasn't even made this allegation. In fact, the company has  
4 frequently pointed out that under the existing rule, even Bill Gates could avail  
5 himself of the rule. Thus, there is no logical nexus between amending the rule and  
6 funding low-income assistance and no reason to hold off on funding low-income  
7 assistance unless and until the rule is amended. Cascade has already funded a  
8 similar program in Oregon. It would be counterproductive and counterintuitive to  
9 hold a similar program in Washington effectively hostage until Cascade obtains an  
10 amendment to a rule that is not exclusively related to low-income customers.

11 Q. WHAT WOULD YOU RECOMMEND THEN?

12 A. I recommend that Cascade seek any changes it wishes to make to the prior  
13 obligation rule through a separate rulemaking proceeding allowing all stakeholders  
14 to weigh in and limiting the focus of such a proceeding to the problems that  
15 Cascade claims the rule creates and the best means to address those problems. In  
16 the meantime, I recommend that Cascade implement its proposed low-income  
17 assistance program in Washington. I also believe that it would be wise for the  
18 Company to learn more about the low-income population it serves by better  
19 tracking of low-income customers, and trying to identify any distinct populations  
20 within that group that they might address differently with program funds.

21 Q. HAS ANY OTHER UTILITY DONE THIS?

22 A. We have made this recommendation to PacifiCorp and that company ultimately  
23 agreed both to better tracking and to a study of its low-income customers to

1 determine whether there is a better program design to work with customers who  
2 have repeated problems paying their bills. The utility will be filing a report of its  
3 study to the Commission.

4 Q. YOU HAVE STATED THAT YOU OBJECT TO THE PROPOSED INCREASE  
5 IN THE BASIC MONTHLY CHARGE. WHY?

6 A. I object to these changes because they are essentially regressive in so far as they  
7 place additional burden on the part of the customer population who can least  
8 afford it. I believe that an inverted block rate structure recommended by Mr. Jim  
9 Lazar in his testimony would be far preferable than an increase in the basic  
10 monthly charge. Increasing the basic charge leaves a low-income household with  
11 an even greater bill to try to pay and no way to avoid that increase. Financial  
12 circumstances also force low-income households to conserve. Since they are  
13 trying to use less, it is unfair to dun them with another charge they can't avoid.  
14 Better to lay that expense at the feet of those households who consume more  
15 energy. While the inverted block rate might also raise a low-income bill, at least  
16 the customer has recourse to avoid that additional cost by conserving gas. In that  
17 way, he not only sees the benefit himself, but also benefits other customers by  
18 reducing the upward pressure on gas consumption, and, therefore, costs. In  
19 summary, allocating costs to fixed charges such as the basic monthly charge  
20 reduces risk for the utility, but sends an improper price signal to all customers in  
21 terms of energy conservation and impose a greater burden to low-income  
22 customers.

1 Q. DO YOU ALSO OBJECT TO THE COMPANY’S PROPOSED INCREASES IN  
2 ITS OTHER MISCELLANEOUS CHARGES, SUCH AS DISCONNECT,  
3 RECONNECT, ACCOUNT ACTIVATION AND LATE PAYMENT  
4 CHARGES?

5 A. Yes, for the same reason that I object to an increase in the basic monthly charge –  
6 these charges exact a relatively heavier toll on low-income households. By  
7 increasing these types of charges, the company only makes it less likely that the  
8 household will be able to pay the bill without foregoing other necessities.  
9 Disconnection from service and the imposition of penalty fees might work well as  
10 a deterrent for those who have the money to pay the bill, but if one doesn’t have  
11 the money, the bill remains unpaid and an additional charge is piled on top. It  
12 exacerbates the situation for the affected household, and might also increase the  
13 company’s debt that ultimately must be written-off and covered by other  
14 ratepayers. We think it would be better to find another way that recognizes these  
15 circumstances to address the problem. This is why we support the company’s  
16 proposal to fund an \$800,000 low-income assistance program – it’s another step  
17 in the right direction. We look forward to working with the company to develop a  
18 program that works for them and for the low-income customers as well.

19 Q. COULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?

20 A. We strongly support the Company’s proposal to create an \$800,000 low-income  
21 energy assistance program. We recommend that it be implemented through the  
22 existing network of community action agencies that already provide such service  
23 in the utility’s service territory, under the Department of Community Trade and

1 Economic Development's oversight, and are adept at making sure qualified  
2 customers, and only qualified customers, receive an appropriate level of benefit.  
3 We do not believe it is appropriate and strongly object to linking participation in  
4 this program to a waiver of the prior obligation rule. We also object to the  
5 Company's massive increases to the basic monthly charge and other  
6 miscellaneous charges. Finally, we propose that the Company agree to begin  
7 tracking low-income customer data in a manner best suited to the Cascade, but  
8 considering implementing a procedure similar to that being used by PacifiCorp.  
9 Regardless, we welcome the opportunity to work collaboratively with Cascade in  
10 this regard.

11 Q. DOES THAT COMPLETE YOUR TESTIMONY?

12 A. Yes, it does. Thank you for the opportunity to present this information.

13

14