

BEFORE THE WASHINGTON STATE UTILITIES & TRANSPORTATION COMMISSION

WUTC V. PSE, INC.

DOCKET NOS. UE-111048 and UG-111049

DIRECT TESTIMONY OF JOHN G. HOWAT (JGH-1T)

ON BEHALF OF

THE ENERGY PROJECT

DECEMBER 7, 2011

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WITNESS'S EXHIBIT LIST

- Exhibit No. JGH-2: Annual Report on Program Outcome of PSE's Low Income Program,
HELP
- Exhibit No. JGH-3: The Self-Sufficiency Standard for Washington State 2011
- Exhibit No. JGH-4: NEADA LIHEAP Appropriations Status
- Exhibit No. JGH-5: Comparative Percentage of Revenues for Bill Payment Assistance

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I. INTRODUCTION / SUMMARY

Q: Please state your name and business address.

A: My name is John Howat. My business address is National Consumer Law Center,
7 Winthrop Square, Boston, MA 02110.

Q: By whom are you employed and in what capacity?

A: I am Senior Policy Analyst at the National Consumer Law Center.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of the Energy Project (EP).

Q: Please describe your professional qualifications.

A: I have been professionally involved with energy program and policy issues since 1981. Prior to joining the Advocacy Staff at National Consumer Law Center, I consulted with a broad range of public and private entities on issues related to utility industry restructuring. Previously, I worked in a Washington State Senator's office on issues related to costs associated with the Washington Public Power Supply System nuclear power plant construction projects; and later served as Research Director of the Massachusetts Joint Legislative Committee on Energy, responsible for the development of new energy efficiency programs and low-income energy assistance budgetary matters; economist with the Electric Power Division of the Massachusetts Department of Public Utilities, responsible for analysis of electric industry restructuring proposals; and Director of the Association of Massachusetts Local Energy Officials. I have a Master's Degree from Tufts University's Graduate Department of Urban and Environmental Policy and Bachelor of Arts Degree from The Evergreen State College.

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Q. What are your primary responsibilities as a Senior Policy Analyst at National Consumer Law Center?

A. At the National Consumer Law Center over the past eleven years I have managed a range of regulatory, legislative and advocacy projects across the country in support of low-income consumers' access to affordable utility and energy related services. I have been involved with the design and implementation of low-income energy affordability and efficiency programs and outreach efforts, low-income regulatory consumer protection, rate design, issues related to metering and billing, development of load profiles, energy burden analysis and related demographic analysis. In addition to current work in the instant proceeding I work or have worked on behalf of community-based organizations or their associations in Arkansas, Arizona, Illinois, Idaho, Indiana, Kansas, Louisiana, Massachusetts, Mississippi, Nevada, New Jersey, Pennsylvania, Rhode Island, Texas, Utah, and Vermont. I have worked under contract on low-income energy and utility issues with the U.S. Department of Health and Human Services, Oak Ridge National Laboratory, the National Energy Assistance Directors' Association, the Office of the Attorney General in Nevada, the Ohio Consumers' Counsel, and AARP. I have presented testimony or comments before utility regulatory commissions in California, Idaho, Illinois, Indiana, Louisiana, Massachusetts, Missouri, Nevada, New Jersey, Pennsylvania, Rhode Island, Texas, and Vermont. In Washington State in 2005 I made a presentation to UTC Commissioners entitled, "Programs and Policies to Assist Low-Income Electric and Natural Gas Utility Customers."

1 In addition, I am a presenter at conferences of National Community Action
2 Foundation, National Low Income Energy Consortium, National Energy
3 Assistance Directors Association, National Association of Regulatory Utility
4 Commissions and National Association of State Utility Consumer Advocates. I
5 am co-author of Access to Utility Service, a law and policy manual published by
6 National Consumer Law Center; and primary author of “Home Energy Costs: The
7 New Threat to Independent Living for the Nation’s Low-Income Elderly,”
8 published in Clearinghouse Review, Vol. 9 - 10, Jan - Feb 2008; “Tracking the
9 Home Energy Needs of Low-Income Households through Trend Data on
10 Arrearages and Disconnections,” National Energy Assistance Directors
11 Association, 2004, http://www.neada.org/publications/Tracking_the_Need.pdf,
12 and “Public Service Commission Consumer Protection Rules and Regulations: A
13 Resource Guide,” National Energy Assistance Directors Association, 2006,
14 http://www.neada.org/publications/Consumer_Protection_Guide.pdf.

15 **Q: What exhibits are you sponsoring in this proceeding?**

16 A: Exhibit No. JGH-2: Annual Report on Program Outcome of PSE's Low Income
17 Program, HELP

18
19 Exhibit No. JGH-3: The Self-Sufficiency Standard for Washington State 2011

20
21 Exhibit No. JGH-4: NEADA LIHEAP Appropriations Status

22
23 Exhibit No. JGH-5: Comparative Percentage of Revenues for Bill Payment
24 Assistance
25

26 **Q: What are the purposes of your testimony?**

27 A: The purposes of my testimony are to (1) review the funding, benefit levels and
28 participation rates of the Puget Sound Energy (“PSE” or “Company”) Home

1 Energy Lifeline Program (“HELP”); (2) demonstrate the need to increase (a)
2 HELP program funding levels and (b) HELP participation rates; and (3) compare
3 HELP funding, participation and benefits with other utility bill payment
4 assistance programs operating within and outside of Washington State.
5

6 II. THE NEED FOR BILL PAYMENT ASSISTANCE

7 **Q: Please describe the need for low-income bill payment assistance programs**
8 **generally.**

9 A: The need for energy assistance is driven by the facts that basic energy and utility
10 service is a necessity and that income and expense circumstances of lower income
11 households often make that service unaffordable. It cannot be denied that basic
12 home energy services are central to most aspects of modern life. Without reliable
13 service, we cannot run appliances, including necessary heating equipment, or light
14 our homes. Legislatures in a number of states have recognized that electric
15 service is a necessity of modern life. Here are but a few examples:

16 MAINE: ...electricity is a basic necessity to which all residents of the State
17 should have access.¹

18 MASSACHUSETTS: Electricity service is essential to the health and well-being
19 of all residents of the commonwealth...Affordable electric service should be
20 available to all consumers on reasonable terms and conditions.²

21 NEW HAMPSHIRE: ...electric service is essential and should be available to all
22 customers³

¹ Maine Rev. Stat. Tit. 35-A, 3214(1)

² Mass. St. 1997, C-164, § 1(a), 1(b), 1(j), 1(n)

1 OKLAHOMA: mechanisms that enable . . . consumers with limited incomes to
2 obtain affordable essential electric service" shall be ensured.⁴

3 Because utility service is a basic necessity, it is disconcerting but not
4 surprising to see empirical evidence of drastic measures that low income
5 households resort to when faced with unaffordable energy bills. Even when
6 energy bills are paid in full, there are consequences other than loss of energy or
7 utility service that must be faced.

8 The 2011 National Energy Assistance Survey of LIHEAP participants
9 indicated that in response to unaffordable energy bills, 39% percent of
10 respondents closed off part of their home, 23% kept their home at a temperature
11 that was unsafe or unhealthy, 21% left their home for part of the day, and 33%
12 used their kitchen stove or oven to provide heat. In addition, many LIHEAP
13 recipients had problems paying for housing in the past five years, due at least
14 partly to their energy bills. Thirty-one percent did not make their full mortgage or
15 rent payment, 6% were evicted from their home or apartment, 4% had a
16 foreclosure on their mortgage, 14% moved in with friends or family, 4% moved
17 into a shelter or were homeless, and 13% got a payday loan in the past five years.
18 Further, many LIHEAP recipients faced significant medical and health problems
19 in the past five years, partly as a result of high energy costs. Survey results
20 indicate that 24% went without food for at least one day, 37% went without
21 medical or dental care, 34% did not fill a prescription or took less than the full

³ N.H. Rev. Stat. C-374-F:3(v)

⁴ Okla. Stat. Tit.17§194.4.

1 dose of a prescribed medication, and 19% had someone in the home become sick
2 because the home was too cold.⁵

3
4 **III. PUGET SOUND ENERGY'S HELP PROGRAM**

5 **Q: Please describe the Company's low-income bill payment assistance program.**

6 A: PSE's bill payment assistance program is outlined in the Company's May 26, 2011
7 filing entitled "Annual Report on Program Outcome of PSE's Low Income
8 Program, HELP (Attached as JGH-2) and in PSE's electric and natural gas
9 Schedule 129. HELP is a low-income bill payment assistance program
10 implemented by PSE in conjunction with the Community Action Agencies that
11 deliver the federal Low Income Home Energy Assistance Program ("LIHEAP") in
12 Washington State. These agencies conduct participant intake and education
13 functions for HELP participants.⁶

14
15 **Q: Please describe the relationship between LIHEAP and HELP.**

16 A: HELP as currently designed functions as a supplement to the Washington State
17 LIHEAP allocation from the U.S. Department of Health and Human Service.
18 PSE customers applying for utility bill payment assistance through their local
19 Community Action Agency who are determined to be eligible to receive LIHEAP
20 benefits, receive LIHEAP funds rather than HELP funds until LIHEAP funds are
21 exhausted.⁷

⁵ NEADA, National Energy Assistance Survey Report, November 2011, pp. ii, iii.

⁶ Puget Sound Energy, "Annual Report on Program Outcome of PSE's Low Income Program, HELP for 2009 Program Year," May 2011, p. 2, 11.

⁷ PSE Schedule 129, effective October 1, 2011.

1

2 **Q: Please describe Washington State LIHEAP and HELP income eligibility**
3 **guidelines.**

4 A: LIHEAP benefits in Washington State are limited to households living at or below
5 125% of the federal poverty level ("FPL"). HELP participants must have income
6 at or below 50% of the area median income ("AMI") except that when AMI
7 exceeds 150% of FPL, income-eligibility is capped at 150% FPL. In areas where
8 AMI is less than 125% FPL eligibility is capped at 125% FPL. In areas where
9 AMI falls between 125% FPL and 150% FPL, HELP income-eligibility is capped
10 at the actual AMI level. Thus, some customers are income-eligible to receive
11 benefits through HELP, but not through LIHEAP.⁸ The Company states that in
12 most of the 11-county area⁹ served by PSE, the HELP income-eligibility limit is
13 150 FPL. However, the income limit is lower in Jefferson, Kittitas, Lewis, Skagit,
14 and Whatcom counties.¹⁰ In short, HELP income eligibility guidelines vary
15 between 125% FPL and 150% FPL.

16

17 **Q: Please describe program year 2009 HELP participation and participant**
18 **benefits.**

19 A: During the 2009 program year (October 2009 through September 2010) HELP
20 provided funding to 23,789 of PSE's residential customers. Fixed bill credits

⁸ Id.

⁹ PSE serves residential electricity and/or natural gas customers in the following Washington counties: Island, Jefferson, King, Kitsap, Kittitas, Lewis, Pierce, Skagit, Snohomish, Thurston, and Whatcom. See, <http://www.pse.com/aboutpse/CorporateInfo/Pages/PSE-Primer.aspx>, and PSE, Annual Report on Program Outcome, p. 8.

¹⁰ <http://www.pse.com/accountsandservices/YourBill/Pages/Income-Eligibility.aspx>

1 allocated to participants totaled \$11,843,613 during the program year. Seventy-
2 five percent of program funds were allocated to offset electric bills, and 25% was
3 allocated to offset natural gas bills.¹¹ The maximum HELP credit for the program
4 year was \$1,000.¹² The average reported benefit level was \$503.^{13, 14} HELP
5 benefits reduced participants' home energy bills by an average of 36% in program
6 year 2009.¹⁵

7

8 **Q: What is the current, total funding level for HELP?**

9 A: Current HELP funding, including funding for administrative and participant
10 benefit costs, is capped at \$15,541,000 minus "the effect of all of the Company's
11 revenue sensitive costs such as taxes."¹⁶ HELP program design is such that
12 participation rates are limited according benefit levels and capped funding levels
13 that are set in general rate cases approved by the Commission.

14

15 **Q: What are the Company's current operating revenues from sales of electricity**
16 **and natural gas?**

17 A: The Company's current annual operating revenues from sales of electricity are
18 \$1.978,554,104.¹⁷ Current annual operating revenues from sales of natural gas

¹¹ PSE, Annual Report on Program Outcome, pp. 3, 4.

¹² Id., at 2.

¹³ Id. at 7.

¹⁴ Dividing, total reported benefits by total reported customers served yields a quotient of \$498, slightly less than the \$503, as reported by the Company.

¹⁵ PSE, Annual Report on Program Outcome, p. 10.

¹⁶ PSE Schedule 129, effective October 1, 2011.

¹⁷ Summary Document, Advice No. 2011-15, p. 1

1 are \$1,055,321,059.¹⁸ Combined annual operating revenues from sales of
2 electricity and natural gas are 3,033,875,163.

3

4 **Q: What percentage of PSE's current operating revenues from sales of**
5 **electricity and natural gas is devoted to the funding of HELP program**
6 **administration and participant benefits?**

7 A: The percentage of the Company's current operating revenues from sales of
8 electricity and natural gas devoted to total HELP funding is 0.51%.

9

10 **Q: How many low-income residential customers are served by PSE?**

11 A: The Company stated that 255,000, or 19.6% of its 1.3 million residential
12 customers live below 150% of the federal poverty level, and that 204,000, or
13 15.7% of its 1.3 million residential customers live below 125% of poverty.¹⁹ As
14 demonstrated below, many households living well above these guidelines have
15 insufficient income to pay for basic necessities – including the cost of utility
16 service – without assistance or through incurring unsustainable debt.

17

18 **Q: Based on the number of income-eligible electric customers provided above,**
19 **the total number of residential customers, and the number of HELP**
20 **participants reported by the Company, what is the HELP customer**
21 **participation rate?**

¹⁸ Summary Document, Advice No. 2011-16, p. 1

¹⁹ Response to Public Counsel Data Request No. 224, p. 2.

1 A: The Company reported that in program year 2009, a total of 23,789 customers
2 received funding through HELP.²⁰ As indicated above, the Company served a
3 total of 1,300,000 residential customers in 2010. Thus, approximately 1.8% of
4 the Company's residential customers participated in HELP. The program
5 participation rate among income-eligible customers was between 9.3% and
6 11.7%.²¹

7 These findings indicate that there is a very large percentage -- over 88% -- of
8 income-eligible customers who are not served by HELP. Further, the PSE
9 response to Public Counsel Data Request No. 226 indicates that only 4% of all
10 electric customers receive any bill assistance at all, through either HELP or
11 LIHEAP. In short, there is a tremendous unmet need for additional bill payment
12 assistance in the Company's service territory.

13

14 **IV. ALTERNATE BILL PAYMENT ASSISTANCE PROGRAM REVIEW**

15 **Q: Do Washington State utilities other than PSE deliver low-income bill**
16 **payment assistance programs?**

17 A: Yes. Bill payment assistance programs are implemented by other investor-owned
18 and publicly-owned electric and natural gas utilities in Washington State. I have
19 identified a sampling of those programs and compared them with PSE focusing on
20 bill payment assistance program funding as a percentage of revenues from sales.

²⁰ PSE, Annual Report on Program Outcome, p. 3.

²¹ As indicated on pp. 4 - 5, above, HELP income eligibility is based on area median income and varies among counties in the PSE service territory. Income eligibility is capped at 150% FPL in Island, King, Kitsap, Pierce, Snohomish and Thurston Counties. Income eligibility, is capped at lower levels in Jefferson, Kittitas, Lewis, Skagit, and Whatcom counties. However, in no case is income eligibility capped below 125% FPL.

1

2

3 **Q: Why have you focused on percentage of revenues from sales as a means of**
4 **comparing bill payment assistance programs?**

5 A: Program funding as a percentage of revenues from sales is an appropriate means
6 of comparing overall commitment to bill payment assistance. The methodology
7 allows for assessment of commitment to bill payment assistance across variations
8 in utility size, structure, and chosen program design elements.

9

10 **Q: Which utilities are included in your analysis?**

11 A: Among utilities operating in Washington State I have review payment assistance
12 expenditures and revenues from sales of PSE, Avista, Seattle City Light, and
13 Snohomish PUD. In addition, to add an interstate perspective I have provided
14 payment assistance expenditure and revenue from sales information from three
15 California utility companies and three New England utilities. California utilities
16 reviewed are Southern California Edison, Pacific Gas and Electric, and San Diego
17 Gas and Electric. New England utilities reviewed are Central Maine Power
18 Company, Public Service of New Hampshire, and Western Massachusetts Electric
19 Company. Results of this comparative analysis are reflected in JGH-5.

20

21 **Q: Please summarize your findings and conclusions from this comparison.**

22 A: Among the reviewed Washington State utilities, the percentage of revenue
23 devoted to bill payment assistance ranges from 0.51% to 1.43%. PSE, even after

1 raising payment assistance collections from \$11.8 million to \$15.5 million,
2 devotes the lowest percentage of revenue to payment assistance among the
3 analyzed utilities. I believe PacifiCorp may actually have a lower percent of
4 revenue dedicated to bill payment assistance but I did not have the details to
5 include it in the analysis.

6 The Company's investor-owned counterpart, Avista, devotes 0.82% of
7 revenue to bill payment assistance. It is important to look at the two publicly-
8 owned systems reviewed because they operate in the same geographic area as
9 PSE. Seattle City Light and Snohomish PUD both expend to a much higher
10 percentage of revenues from sales on low-income bill payment assistance, 1.30%
11 and 1.43%, respectively.

12 The out-of-state utilities reviewed also devote a much higher percentage of
13 revenue to bill payment assistance than PSE. In California, utilities are required
14 by law to provide all income eligible customers (up to 200% FPL) a 25% percent
15 discount on general residential electricity and natural gas rates. There are very
16 high program participation rates in California low-income discount programs.
17 For example, Pacific Gas and Electric Company reported in December 2010 that
18 it was serving 93% of the income-eligible population.²² Percentage of revenues
19 for bill payment assistance range from 1.97% to 5.30% among California
20 companies reviewed. The reviewed New England utilities also devote a higher
21 percentage of revenue to payment assistance than does the Company. Percentages
22 among reviewed New England utilities range from 1.19% to 3.08%. (Note: review

²² Pacific Gas and Electric Company Low Income Energy Efficiency and California Alternate Rates for Energy Program Monthly Report for December 2010, p. 24.

1 of out-of state utilities was limited to electric program expenditures and revenues
2 from sales of electricity).

3 In summary, PSE percentage of revenue for payment assistance is
4 relatively low compared to Avista's as well as other reviewed utilities. To correct
5 this disparity and to achieve greater consistency among Washington investor-
6 owned utilities, program funding for PSE's HELP program should be increased
7 significantly.

8

9 **V. INCOME NEEDED TO MAKE ENDS MEET IN WASHINGTON STATE**

10 **Q: Absent significant public and private assistance, do households living at or**
11 **below 150% FPL in the Company's service territory have income that is**
12 **sufficient to pay for basic necessities?**

13 A: No. A University of Washington School of Social Work report entitled "The Self-
14 Sufficiency Standard For Washington State 2011," attached as JGH-3
15 demonstrates that for a wide range of family types and in counties throughout the
16 state, income far above the 125% federal poverty level (FPL) is required to meet
17 families' basic needs.

18 The Self-Sufficiency Standard defines the amount of income required to
19 meet the costs of basic necessities, including food, housing and utility expenses,
20 child care, transportation, health care, taxes and miscellaneous items such as
21 clothing and non-prescription medicines. Non-essential expenditures for goods
22 and services including cable TV, after-school programs for teenagers, take-out
23 food or restaurant food, vacations, gym memberships, recreation, entertainment,

1 and debt repayment are excluded from the calculation of the self-sufficiency
2 standard. Calculations of the standard incorporate geographic variations in costs
3 and cost variation by family composition.²³

4 Following are a few examples of the self-sufficiency income required as a
5 percentage of FPL for families comprised of one adult and one preschooler in
6 geographic areas served by PSE:²⁴

7

County	Annual Self-Sufficiency Standard	Self-Sufficiency Standard as a Percentage of Federal Poverty Level
Skagit	\$37,381	254%
Snohomish (West County Cities)	\$48,082	327%
Thurston	\$38,755	263%
Whatcom	\$38,291	260%

8
9 It can be seen through these examples that income at 125% FPL, or even
10 150% FPL, absent assistance such as that from HELP and LIHEAP, is grossly
11 inadequate to make ends meet in Washington State. This reality is a further
12 reflection of the need to ensure that HELP funding available to the greatest
13 possible number of PSE's low-income customers, and that such funding is
14 required as a protection against disconnections of essential utility service for non-
15 payment. Calculation of the Self-Sufficiency Standard also provides insight into
16 that fact that even with bill payment assistance, 17% of electric HELP participants
17 and 18% of natural gas HELP participants experienced disconnection of service

²³ Pearce, D., "The Self-Sufficiency Standard for Washington State 2011," Center for Women's Welfare, University of Washington School of Social Work, October 2011, pp. 2, 4.

1 during the 2009 program year.²⁵ Undoubtedly, disconnection rates among low-
2 income customers would have been considerably higher in the absence of the
3 program. In fact, 80% of the Company's residential electric customers and 86%
4 of residential gas customers that experienced disconnection were not HELP
5 participants. Presumably, many of these were customers with low incomes that
6 did not have access to bill payment assistance as a means of avoiding unwelcome
7 loss of essential service.

9 VI. LIHEAP FUNDING AND HELP

10 **Q: How does funding for LIHEAP affect HELP?**

11 A: As stated previously, LIHEAP funding, as available, is used before HELP funds
12 in cases where applicants are eligible to receive LIHEAP benefits. Essentially,
13 funding for the two programs is pooled with LIHEAP funding exhausted before
14 HELP funds are used. Since HELP income-eligibility guidelines are somewhat
15 higher in some counties than those that apply to LIHEAP, an exception to the
16 "LIHEAP first" scenario occurs when an applicant is income ineligible to receive
17 LIHEAP benefits, but eligible to receive benefits through HELP. Thus, funding
18 for LIHEAP has direct bearing on total funds that apply to Community Action
19 Agencies for bill payment assistance.

20
21 **Q: What is the outlook for Fiscal Year 2012 LIHEAP funding?**

²⁴ Id. at 50.

²⁵ PSE, Annual Report on Program Outcome, p. 13.

1 A: Congressional LIHEAP appropriations occur on an annual basis, and there is
2 never absolute certainty as to what total funding and individual state allocations
3 will be in future fiscal years.²⁶ Because there has yet to be final Congressional
4 budgetary action on LIHEAP funding for 2012, the program is currently operating
5 under a continuing resolution based on the President's funding recommendation
6 for FY 2012. The President has recommended that the program be funded during
7 the current fiscal year at \$1.98 billion, a drastic cut to the FY 2011 \$4.7 billion
8 funding level. The President has also recommended that the appropriation include
9 a contingency fund of about \$590 million. The Senate Appropriations bill would
10 provide \$3.4 billion in regular block grant funding and about \$200 million in
11 contingency funding. The House of Representatives draft appropriation would
12 provide \$3.39 billion in program funding, with no additional contingency funding
13 set aside.

14 While one of the three proposed funding levels may ultimately be adopted,
15 it is nearly impossible to predict which of the current appropriation proposals will
16 prevail. In addition, there are advocacy efforts underway to restore the FY 2012
17 appropriation level to the FY 2011 level, but the fiscal environment in
18 Washington D.C. is now such that increasing spending reflected in an existing
19 appropriations bill will be very difficult.

20 In FY 2011, Washington State was allocated \$78.7 million for LIHEAP,
21 including \$3.7 million in contingency funds. Under the President's proposal
22 Washington State would receive \$39.9 million in regular LIHEAP block grant

²⁶ The federal fiscal year runs from October 1 through September 30. Thus, FY 2012 began on October 1, 2011 and runs through September 30, 2012.

1 funds. This allocation would result in a funding cut of 49.2%. Under the Senate
2 proposal, Washington State would receive \$69.0 million in LIHEAP finding, a cut
3 of 12.3%. Under the House draft proposal, Washington State would receive about
4 \$40.5 million, a cut of 48.6%.²⁷ (A summary of current LIHEAP budget
5 proposals prepared by the National Energy Assistance Directors Association is
6 attached as JGH-4.)

7 Each of these scenarios would result in a substantial reduction in LIHEAP
8 funding for Washington State in the current fiscal year, and a commensurate
9 reduction in either benefit levels or number of customers served. Unfortunately,
10 in light of the existing federal budgetary difficulties, the prognosis over at least
11 the next two years for restoration and retention of LIHEAP funding to FY 2010 or
12 FY 2011 levels is grim.

13 As demonstrated above, PSE devotes less to payment assistance on a
14 percentage of revenues basis than other investor-owned, municipal, and PUD
15 systems operating in Washington State. Anticipated deep cuts to LIHEAP
16 funding underscore the need to rectify this disparity so that PSE's low-income
17 customers are not disproportionately harmed by reductions in federal funding.

18 **Q: You indicate PSE needs to increase funding for HELP. Is it sufficient to**
19 **increase the program funding by a percentage equal to the residential rate**
20 **increase that results from the rate case?**

21 A. It is not sufficient for a number of reasons. First, such an increase still requires a
22 program participant to come up with more money out of pocket to pay the share

²⁷ Cuts in Washington State under these funding scenarios vary as a proportion of proposed national cuts due to variability in the state allocation formulas employed under the scenarios.

1 of the bill that is still his to pay – it increases the portion of his income that must
2 be dedicated to the energy bill, what we call the “energy burden.” As the Self-
3 Sufficiency Standard data shows, these households already can not cover their
4 costs, so requiring them to pay more is not practical. Second, HELP needs to
5 reach more customers with the reasonable bill assistance it can provide. Finally,
6 the anticipated reductions in LIHEAP will only increase the numbers of
7 customers who will be turning to HELP for assistance. While it may not be the
8 utility’s responsibility to make up the entire federal shortfall, to the extent they
9 can, it is in the best interest of all rate payers to stem the consequences of greater
10 disconnections and non payment behavior by keeping customers connected and
11 paying on their bills.

12 13 **VII. SUMMARY AND RECOMMENDATIONS**

14 **Q: Please summarize your findings.**

- 15 • Electricity and natural gas utility services are essential components of modern
16 life.
- 17 • Unaffordable utility service leads to service disconnections and other hardships
18 including forgoing expenditures on other necessities.
- 19 • HELP is a bill payment assistance program that operates as a supplement to
20 LIHEAP in the PSE service territory.
- 21 • For customers who are eligible to receive LIHEAP, payment assistance benefits
22 are awarded through that program first, until LIHEAP funding is exhausted.
23 Afterward, HELP funds are used to provide electricity or natural gas bill credits.

1 HELP funds may be awarded to PSE customers with income at or below 50% of
2 the area median income, but who are nonetheless ineligible to receive LIHEAP
3 benefits.

- 4 • During the 2009 program year, HELP provided bill payment assistance to 23,789
5 residential customers. HELP awarded \$11,843,613 in bill credits that year, with
6 the average benefit per customer being about \$503.
- 7 • In program year 2009 HELP funding reduced participants' home energy bills by
8 an average of 36%.
- 9 • Current total HELP funding is capped at \$15.5 million minus the Company's
10 revenue costs such as taxes.
- 11 • The percentage of PSE's current annual revenues from sales devoted to HELP
12 funding is 0.51%.
- 13 • Among the Company's residential customers, 19.6% live below 150% of poverty
14 and 15.7% live below 125% of poverty.
- 15 • Approximately 1.8% of the Company's residential customers participate in HELP.
- 16 • About 4% of PSE's residential customers receive bill payment assistance through
17 either LIHEAP or HELP.
- 18 • The HELP participation rate among income-eligible customers is between 9.3%
19 and 11.7%.
- 20 • Income well above 125% or 150% of FPL is required to make ends meet in
21 Washington State.
- 22 • LIHEAP funding is in jeopardy, underscoring the need for strong utility bill
23 payment assistance programs.

1

2 **Q: What are your recommendations?**

3 A: I recommend that the Commission order the Company to increase the percentage
4 of revenue from sales for bill payment assistance to a level that achieves better
5 consistency between PSE and Avista. Currently, Avista devotes 0.82% and PSE
6 devotes 0.51%. The midpoint between these two figures is 0.665% of revenue. I
7 further recommend that PSE be ordered by the Commission to raise its HELP
8 program funding to that level. Based on revenues of \$3,033,875,000, PSE's
9 HELP should be funded at \$20,175,000.

10

11 **Q: Does this conclude your testimony?**

12 A: Yes it does.