Exhibit No. CME-1T

BEFORE THE WASHINGTON STATE

UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,	)	DOCKET NO. UE-050684
Complainant,	)	
v.	)	
PACIFICORP d/b/a PACIFIC POWER & LIGHT COMPANY	)	
Respondent.	)	
. . . .	)	

DIRECT TESTIMONY OF

CHARLES EBERDT

I. BACKGROUND AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, ADDRESS AND EMPLOYMENT.

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

Q. PLEASE OUTLINE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I have an M.A.T. from Harvard University. Since 1993, I have been working with community action agencies that provide energy assistance and energy efficiency services to low-income households in Washington. Prior to that I supervised training on energy efficient construction for building code officials and builders for the Washington State Energy Office and provided other public education on energy efficiency. I am a Board member of the National Center for Appropriate Technology (NCAT) and A World Institute for a Sustainable Humanity (A W.I.S.H.). I have participated in several proceedings before this Commission over the last twelve years, including the last two PacifiCorp rate cases and the merger with Scottish Power.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying for The Energy Project, an intervener in this proceeding on behalf of the Opportunities Industrialization Center of Washington (OIC) located in Yakima, WA, and the NW Community Action Center in Toppenish, WA. Both these latter organizations are community action agencies serving several thousand PacifiCorp customers in that Company's Washington service territory.

II. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

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

A. I will testify regarding ways that the company can mitigate the negative impacts of the proposed rate increase on PacifiCorp's low-income, Washington customers.

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS IN THIS PROCEEDING?

A. I recommend: 1) The utility should increase its funding for low-income energy assistance to 0.75% of gross operating revenues, so that the poorest of the poor can stay connected to essential services; 2) The utility should work with the WUTC to track low-income issues in more depth by collecting the data suggested by Howat, et al; 3) The utility should develop, in conjunction with the community action agencies and WUTC staff, a program to identify and manage arrearages better for the households who are unlikely to be able to pay their bills. This will help low-income customers stay connected to vital services and improve collection efforts, thereby reducing costs for all ratepayers, and; 4) The utility should terminate its policy to pay only 50% of cost-effective measures in the low-income energy efficiency program.

III. NATURE OF POVERTY IN PACIFICORP'S SERVICE TERRITORY

Q. WHAT CONDITIONS IN PACIFICORP'S SERVICE TERRITORY ARE OF PARTICULAR CONCERN TO YOUR INTERESTS?

A. First, the population in the four county region encompassing PacifiCorp's Washington service territory (Columbia, Garfield, Walla Walla and Yakima) has a relatively high level of poverty. The median household incomes for these four counties range from 22% to 33% below the Washington state average median income. See Exhibit No. CME-2. According to the Washington Employment Security Council, and as demonstrated in Exhibit No. CME-3, both Yakima and Columbia counties were listed on the Washington state 2005 List of Distressed Counties for having three-year unemployment averages more than 1.2 times the state average. In fact, their three-year unemployment averages (10.8% each) were more than 1.5 times the state's figure.

Second, the high cost of housing alone puts considerable pressure on the low-income budget. The U.S. Department of Housing and Urban Development (H.U.D.) considers housing affordable if it costs <u>no more than</u> 30% of one's income. This means a single mother with two young children living at 100% of the Federal Poverty Level ($16,090/yr. – according to the 2005 U.S. Health and Human Services Poverty Guidelines-Exhibit No. CME-4) cannot afford a one bedroom apartment at fair market rent which, according to H.U.D., is $511/month for Yakima County. Exhibit No. CME-5. This yields an annual rent of $6,132.00, or 39% of the Federal Poverty Level.

Third, when the vacancy rate is low, the real cost of housing is significantly above HUD's fair market rents. And for some, the monthly utility costs further drive that housing cost up. One should also remember the housing stock that low-income families typically reside in is generally older and in poorer condition. It often has little or no insulation, will be very drafty, and has older, inefficient appliances. This is born out by PacifiCorp's response to Energy Project Data Request No. 12, which reveals that the average monthly low-income customer's consumption is slightly higher than that of the average customer.

What isn't obvious from the comparison, however, is that low-income homes are also generally smaller than the average customer's home. Thus, low-income customers pay relatively more to heat a smaller space. For some, however, the household income is so low that even non-heating customers struggle to pay electric bills.

Q. ARE THERE ANY OTHER DATA THAT CAUSE YOU CONCERN?

A. Yes, aside from the obvious impact that an approximate 18% rate increase will have on PacifiCorp's low-income customers, the data suggests that the utility's number of disconnections is increasing. According to PacifiCorp's response to the Energy Project's Data Request # 20, the net number of disconnections for the company has been rising since 2000. Exhibit No. CME-6 demonstrates that when the number of reconnections is subtracted from the number of disconnections, the difference rises from 790 in 2000 to 2167 in 2004. If one prorates the ten months of data for 2005 to twelve months, the difference is more than three times what it was in 2000.

Q. WHAT IS THE SIGNIFICANCE OF THIS DATA?

A. Such a significant increase in disconnections could possibly be attributed to numerous causes, but the most obvious one is that the continually rising cost of power, as well as all other living costs, is driving the utility's customers toward a financial situation in which they cannot pay their bills. Because PacifiCorp does not track low-income data, we don't know how many of these net disconnections are attributable to low-income households, but it is intuitive that a significant portion of them are.

Q. IS YOUR CONCERN CORROBORATED BY DATA OBTAINED FROM PARTICULAR SUB-AREAS WITHIN PACIFICORP'S WASHINGTON SERVICE TERRITORY?

A. Yes. Even using an archaic measure such as the Federal Poverty Level (FPL), the most populated county in PacifiCorp's territory, Yakima County, has nearly twice the percentage of people whose incomes are at or below 100% of the FPL as the state average (19.7% compared to a statewide average of 10.6%). It has, in fact, the second highest incidence of poverty in the state. The other three counties, Walla Walla, Garfield and Columbia, are all above the statewide average as well, at 15.1%, 14.2%, and 12.6%, respectively. See, Exhibit CME-7.

As evidenced by its response to Energy Project's Data Request No. 6, PacifiCorp's own estimate of its residential customer accounts across all four counties indicates that 18.6% of those accounts are for customers at 100% of FPL. Of course, these percentages are for customers living in poverty. Of course these percentages are for households with income at or below 100% of the FPL. The Federal Low-Income Home Energy Assistance Program, the DOE Weatherization Assistance Program, and the utility's own versions of those same programs all recognize that people living at 125% of the FPL are in desperate need of assistance with home energy costs.

Prorating the data provided in PacifiCorp's response to Energy Project's Data Request No. 6, 19% of the company's service territory population has incomes at or below 100% of the Federal Poverty Level. If we then assume the same household size is 2.94 persons per household, the population with incomes from

101% to 125% of the FPL who are eligible for both the Company's and the federal programs, would add another 6086 households that might be served. See, Exhibit No. CME-7.

Q. DO YOU HAVE ANY ADDITIONAL DATA SUPPORTING YOUR ASSERTIONS?

A. Yes. At the September 6, 2005 low-income workshop held before this Commission, University of Washington professor Diana Pearce indicated that an income as high as 200% of the FPL might be needed to protect many Washington families, especially those with children, from the dire choices poverty would force on them. See, Exhibit No. CME-8. As was indicated then, the households who participate in the federal and state utility programs tend to be the poorest of the poor; households with no discretionary income, with no financial padding when they have to make a choice.

Q. TO WHAT SORT OF CHOICES ARE YOU REFERRING?

A. This is best illustrated by the example provided in Exhibit No. CME-9, "Budgeting poverty." When one compares the costs for housing, food, transportation, and medical needs, as well as a modest amount of miscellaneous necessities such as clothing, cleaning materials, school supplies, etc, with this household's income level of $16,090 per year, it is clear that the household is forced to choose between necessities. In this example, the single mother is making more than minimum wage, but still cannot afford the child care she would need to be able to work. Nor can she pay her taxes. Thus, it is clear that this individual would be forced to choose among life's basic necessities.

The National Energy Assistance Survey produced by the National Energy Assistance Directors' Association published in April of 2004 indicates many households forgo food, skip or reduce medication, or just go without medical or dental care altogether.

As was reported by Bruce Yasutake of the Department of Community Trade and Economic Development at the low-income workshop, more than 70% of the households receiving federal energy assistance (LIHEAP) in 2005 had incomes of less than $12,000.00 per year. More than 75% are living with incomes at or below 100% of the Federal Poverty Level. See, Exhibit No. CME-10.

Q. HASN'T PACIFICORP TAKEN STEPS TO ADDRESS THESE PROBLEMS?

A. To a certain extent, it has and PacifiCorp is entitled to due credit. For some time, the company has worked with OIC of Washington, the Yakima Valley Farm Workers Clinic, and the Blue Mountain Action Council to make low-income customers' homes more efficient and comfortable. One result of a previous PacifiCorp rate case was that the utility increased its funding for low-income energy efficiency. This helped alleviate the problem, to an extent.

The utility estimates that approximately 5800 homes have been weatherized over the years. Based on the company's response to the Energy Project's Data Request #6, however, that would leave approximately 12,500 low-income accounts that have not been assessed for energy efficiency. Adding the 6086 additional low-income households in the 101% to 125% of Federal Poverty Level segment reveals a substantial backlog of low-income housing units that are potentially eligible for weatherization.

Probably, not all of these will need weatherization. Some are likely to be in such poor shape that the agencies will be hard pressed to find enough rehabilitation funds to make it worth weatherizing the homes. Some occupants simply won't apply for assistance. Still, even if only half of these dwellings can be treated, at the current average of 312/year (based on PacifiCorp's response to Energy Project Data Request #1) it will take 30 years to cover this backlog. In that time, a lot of electricity will be wasted and a lot of families will remain economically hard-pressed.

IV. RECOMMENDATIONS

A. Fifty-Percent Funding Condition to Low-Income Energy Efficiency Program.

Q. SO YOU'D LIKE THE UTILITY TO INCREASE THEIR LOW-INCOME ENERGY EFFICIENCY FUNDING?

A. Certainly, increased funding will allow us to bring more resources to bear on the problem, but more immediately, we would prefer that the utility eliminate its current condition that it will only fund a maximum of 50% of eligible weatherization measure until matching state funds have been exhausted, at which time it funds 100% of all measures until available funds are utilized.

Q. COULD YOU EXPLAIN THIS PROGRAM "CONDITION?"

A. In the 1980s, the Washington Legislature established a state fund to encourage utilities to invest in low-income energy efficiency. That fund is known as the "Energy Matchmaker" fund. For every dollar funded by a utility such as PacifiCorp, that utility is able to access one dollar of Matchmaker funds. Unfortunately, there is now more utility funding than there is Energy

Matchmaker. PacifiCorp has a policy not to pay any more than 50% of cost-effective measures in a home, until such time as any Energy MatchMaker funds the agency has drawn to match the utility funds are completely spent. At that point the utility will pay 100% of the cost of cost-effective measures. Energy MatchMaker funds that an agency collects because of PacifiCorp contributions can only be spent on PacifiCorp homes. Because of this, and the fact that the utility only pays for cost-effective measures, we believe the policy should be terminated. Not only will it simplify bookkeeping for the agencies considerably, it is our position that the utility's energy efficiency program should stand on its own without dependence on other, unpredictable sources of funding.

B. Low-Income Bill Payment Assistance Program (LIBA).

Q. WHAT OTHER PROGRAMS DOES THE UTILITY OFFER THAT POTENTIALLY BENEFIT LOW-INCOME CUSTOMERS?

A. Beginning with the Scottish Power merger, PacifiCorp began to address its low-income customers' need for bill paying assistance. This has matured into a well-designed, three-tiered bill discount program, administered jointly through the utility and the three community action programs. Good as it might be, however, the program doesn't go far enough.

Q. HOW DOES PACIFICORP'S OVERALL CONTRIBUTION COMPARE TO OTHER ELECTRIC INVESTOR-OWNED ELECTRIC UTILITIES OPERATING IN WASHINGTON?

A Based on data obtained from information presented by the Commission Staff at the September 6, 2005 low-income workshop, PacifiCorp contributes 0.26% of its gross operating revenues, or $550.000.00 to low-income bill assistance, while Puget Sound Energy contributes 0.41% of its electric revenues and AVISTA contributes 0.64% of electric revenues and 0.76% of gas revenues. See, Exhibit No. CME-11.

Q. DON'T THE UTILTY PAYMENT PLANS ADDRESS THESE ISSUES?

A. Unfortunately, no. The utility offers essentially three payment plans – an Equal Payment Plan (EPP) which is only for current accounts, a Time Payment Plan (TPP), and an Equal Time Payment Plan (ETP). The TPP allows a customer to pay their current bill plus a share of their arrearage in installments over a period from 2 to 12 months. The ETP differs in that it takes a monthly average for the last twelve months and divides the arrearage into twelve equal payments, and combines the two for twelve equal payments. However, in either case, if the customer can't keep up with the plan, he is in default, is required to pay his bill in full, and is denied access to another payment plan. For the households described above, this doesn't work very well.

At least one state, Iowa, has recognized this and now requires the utility to set up a second payment plan with the customer that recognizes their situation and has a better chance of success. John Howat of the National Consumer Law Center provided a reference to the Iowa Department of Commerce Utilities Board Docket No. RMU-04-2 at the September 6, 2005 low-income workshop.

C. Tracking Data Pertinent to Low-Income Customers.

Q. REGARDLESS OF HOW PACIFICORP COMPARES TO OTHER UTILITIES, WHAT BASIS DO YOU HAVE FOR YOUR ASSERTION THAT ITS

CURRENT LEVEL OF LOW-INCOME BILL ASSISTANCE FUNDING IS INADEQUATE?

A. The attachment to the company's response to Energy Project Data Request #6, estimates that approximately 18,300 customers are low-income, based on the 2002 census data. As already demonstrated (Exhibit No. CME-7), another 6086 households might be eligible for both energy efficiency and bill payment assistance programs, yielding a total of nearly households whose incomes are 24,400 at or below 125% of the Federal Poverty Level.

At the same time the company's energy assistance program has reached only about 1800 households in each of its three best performing years. At the same time, the Company indicates in its response to Energy Project Data Request No. 38 that it receives vendor payments from LIHEAP for between 2900 and 3500 accounts each year. The two programs combined have reached 5300 households at most, only about 22% of those who are eligible.

It is Energy Project's position that PacifiCorp should increase its LIBA funding and create additional program components to lower the energy burden of more of this population.

Q. WHAT DO YOU MEAN BY "ENERGY BURDEN?"

A. A household's energy burden is that percentage of the total household income that their home energy needs comprise. For a typical household this is usually around 3-4%. For low-income households it is more often twice that. For those poorest of households whose incomes are at or below 50% FPL, it can all too frequently be 20-30%. At that level it becomes extremely difficult to keep current with utility bills.

Q. WHAT ARE THE CONSEQUENCES OF A LOW-INCOME FAMILY NOT STAYING CURRENT WITH ITS ELECTRIC BILL?

A. Any of a number of things is possible. If they are lucky, they get one of the few appointments for LIHEAP or the utility assistance program, they get some emergency assistance that pays their bill, or part of it, providing some relief for a while and avoiding disconnections. Often they start into the disconnect cycle. That sometimes ends up with emergency assistance, but it is also likely to result in the family being disconnected, perhaps moving. Once disconnected, they might try to reestablish service in another family member's name. In other cases, they might be able to come up with a down payment, agree to a payment plan, struggle with that, default on it, and get disconnected again. They might then invoke the prior obligation rule, come up with another down payment, agree to another payment plan, and repeat the cycle.

Q. HOW DOES THE UTILITY DEAL WITH THESE UNPAID BILLS?

A. First, of course, it tries to collect. Disconnection, or the threat of it, is the main tool. The company does offer time payment plans to spread the debt over as much as a year to make it more possible for the customer to pay. Some accounts are turned over to outside collection agencies. Some must ultimately be written off as bad debt.

Q. WHAT DOES IT COST PACIFICORP TO DO THIS?

A. Unfortunately, neither I nor the utility can answer that question. Based on its response to Energy Project's data request Nos. 18, 22-23, 27-29, 33-35 and 37, it is undisputed that PacifiCorp does not track data related to costs that can be attributed to low-income households for arrears, bad debt write-offs, or collection. Furthermore, from its response to Energy Project's Data Request #33b, it appears that PacifiCorp doesn't track the total cost associated with its collection activities.

Q. WHY IS SUCH INFORMATION IMPORTANT?

A. Essentially, for the utility it is a practical question. In reality, the utility recovers some of those costs from the customers who cause them, but there's a complicated process to get there. We believe that for some number of customers the cost of collection – serving notices, disconnection, outside collection agencies, the time-cost of money for arrears, tracking and writing off bad debt, etc. – probably exceeds the value of the payments the utility receives from that customer. If the company were to track this type of data, it might be able to design a program to recover more of those costs more efficiently, thereby reducing rates for all customers.

Q. DOES ASSISTING LOW-INCOME CUSTOMERS PRODUCE BENEFITS FOR ALL OF PACIFICORP'S CUSTOMERS?

A. Yes. Our goal is to keep people connected to essential services. Just as with telephones, we believe society is better off if everyone is connected to essential services. Let's suppose there is a subset of low-income customers who we know are just not going to be able to pay the bill; even with LIHEAP or LIBA assistance, some part of the bill is going unpaid. This could be a senior on a fixed-income, or someone hooked up to an oxygen tank who has to get a medical release every 60 days, or a single parent working a minimum wage job with a couple of children to raise. They may already have built up some arrears. If we can construct an arrangement whereby this customer pays a minimum amount regularly, but enough in total so that it is more than the utility gets through collections, everyone is better off. The customer preserves some dignity, practices good payment habits, and avoids a number of health and safety problems that can result from disconnection. Other rate payers are better off because the cost of collections and the bad debt write off is lower.

By approaching the situation intentionally with an eye to all interests – increased payment, reliable payment, maintaining connection to essential service, and preserving a customer's dignity and good will – the utility will not only be "doing the right thing" socially, but will also will be financially better off.

Q. HOW MUCH OF A PAYMENT WOULD THE CUSTOMER HAVE TO MAKE?

A. Finding the appropriate payment level is, of course, the real art to such a program because the utility wants to maximize the customer's contribution, yet keep the payment at a level the customer can meet reliably and keep the process fairly simple. If one takes a look at PacifiCorp's responses to Energy Project's Data Request No. 16, it is revealed that the Company assigns between $800,000.00 to $1,700,000.00 in arrears to outside collection agencies.

Looking further at the 53 months of data, it is apparent that the amount collected minus the collection agencies' commissions, averages 15% of the amount assigned. Recovery amounts ranged from just over 7% to slightly over 25%, but the 53 month average is 15%. Exhibit No. CME- 12. I suggest that any payment plan the utility can make that nets more than 15% on the average is a benefit for ratepayers as well as the directly affected customers. This is a fairly rudimentary analysis that doesn't take into consideration any of the other costs the utility may have incurred before sending these accounts to collection. The utility would be informed by better data collection on its low-income customers.

Q. WHAT SPECIFIC DATA DO YOU BELIEVE THAT PACIFICORP SHOULD COLLECT OR "TRACK?"

A. In "Tracking the Home Energy Needs of Low-Income Households Through Trend Data On Arrearages and Disconnections," (Exhibit No. CME-13), authors Howat, McKim, Harak, and Wein suggest that the total number of residential accounts, the total number of residential accounts in arrears, the total dollar value of residential arrears, the total number of residential account disconnections, and the same four items of data specifically for low-income customers. I would add to this the number of reconnections for both. The utility already collects half of this data. Adding the low-income component should prove very informative.

V. CONCLUSION

Q. WHAT, THEN, ARE YOUR RECOMMENDATIONS TO PACIFICORP?

A. 1) The utility should increase its funding for low-income energy assistance to 0.75% of gross operating revenues, so that the poorest of the poor can stay connected to essential services.

2) The utility should work with the WUTC to track low-income issues in more depth by collecting the data suggested by Howat, et al.

3) The utility should develop, in conjunction with the community action agencies and WUTC staff, a program to identify and manage arrearages better for the households who are unlikely to be able to pay their bills. This will help low-income customers stay connected to vital services and improve collection efforts, thereby reducing costs for all ratepayers.

4) The utility should terminate its policy to pay only 50% of cost-effective measures in the low-income energy efficiency program.

Q. DOES THIS COMPLETE YOUR TESTIMONY?

A. Yes it does.