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BEFORE THE

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WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of) DOCKET NO. UE-051090

MIDAMERICAN ENERGY HOLDINGS)
COMPANY

For an Order Authorizing Proposed)
Transaction.

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DIRECT TESTIMONY OF

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CHARLES EBERDT

1 **I. BACKGROUND AND QUALIFICATIONS**

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

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

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

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

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 Opportunities Industrialization Center of Washington (OIC) located in
20 Yakima, WA, and the NW Community Action Center in Toppenish, WA. Both
21 these latter organizations are community action agencies serving several thousand
22 PacifiCorp customers in that Company's Washington service territory.

23 **II. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS**

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

2 A. To assess the effect of the proposed merger between MidAmerican Energy
3 Holdings Company (“MidAmerican”) and PacifiCorp on PacifiCorp’s low-
4 income customers.

5 Q. Have you reached any conclusions in that regard?

6 A. Yes. I question whether PacifiCorp’s low-income Washington customers will
7 benefit from the buy-out, and might actually be harmed, unless the company
8 commits to addressing the needs of those customers, as detailed below.

9 Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS IN THIS
10 PROCEEDING?

11 A. The company should commit to greater investment in making its services
12 affordable to low-income households through increased energy assistance
13 funding, increased funding and program design changes for low-income energy
14 efficiency, better data collection regarding low-income households’ ability to pay
15 and payment behaviors, and the creation of an effective arrearage management
16 program that maintains a low-income household’s access to service while
17 reducing the costs that other ratepayers ultimately pay for.

18 Q. Specifically, how do you propose that the foregoing objectives be achieved?

19 A. I recommend that as a condition of merger approval, the joint applicants should
20 agree that PacifiCorp will comply with the following: 1) Increase its funding for
21 low-income energy assistance to 0.75% of gross operating revenues, so that the
22 poorest of the poor can stay connected to essential services; 2) Work
23 collaboratively with the WUTC to track low-income issues in more depth by

1 collecting data pertinent to low-income customers; 3) Develop, in conjunction
2 with the community action agencies and WUTC staff, a program to identify and
3 manage arrearages better for the households who are unlikely to be able to pay
4 their bills. This will help low-income customers stay connected to vital services
5 and improve collection efforts, thereby reducing costs for all ratepayers, and; 4)
6 Terminate its policy to pay only 50% of cost-effective measures in the low-
7 income energy efficiency program.

8 Q. Have you made these same proposals recently in another proceeding?

9 A. Yes, I made the same proposal in the PacifiCorp general rate proceeding currently
10 pending before this Commission in Docket No. UE-050684. My testimony and
11 exhibits in that case are attached hereto as Exhibit CME-2.

12 Q. What is your reason for making the same proposal in this docket?

13 A. My reasons are several-fold. First, my perception is that the issues I am raising
14 here are arguably pertinent to both the general rate proceeding and the proposed
15 merger. Rather than pick only one of the two dockets to make these propositions,
16 and run the risk of any party asserting that we had chosen the wrong docket, the
17 Energy Project chose to raise the issues in both cases.

18 Q. Do you have other rationale for raising issues regarding low-income customers in
19 this docket?

20 A. Yes. I believe that the merger could potentially harm PacifiCorp's low-income
21 Washington ratepayers.

22 Q. WHY DO YOU MAKE THIS ASSERTION?

1 A. The joint applicants claim that PacifiCorp customers will be better off because the
2 MidAmerican possesses the capital, or ability to raise capital, for much needed
3 investment in the utility's infrastructure. I question this in the first place because,
4 if the infrastructure is truly needed, the company would have to come up with
5 some way to finance it. So the intervention of MidAmerican, in and of itself,
6 doesn't mean much.

7 Q. IT'S POSSIBLE THAT THE COMPANY MAY BE ABLE TO ACCESS
8 FUNDS AT A LESSER COST THAN PACIFICORP OR SCOTTISH POWER.
9 DOESN'T THAT AMOUNT TO A BENEFIT?

10 A. It might, but I think that depends a lot on how the infrastructure costs are charged
11 and where they are occurring. In PacifiCorp's pending general rate case, Docket
12 No. 050684, witnesses for Public Counsel have posited that PacifiCorp's
13 jurisdictional allocation method results in Washington ratepayers paying for
14 growth in PacifiCorp's system in other states such as Utah. As I understand it, the
15 company is trying to spread those costs onto Washington and Oregon rate payers
16 though customers in those states won't see any benefit from infrastructure built to
17 serve growth elsewhere. If the company were to prevail on that issue,
18 Washington rate payers will be paying more for service. As Utah continues to
19 grow, even more Washington rate payer dollars will continue to flow out of the
20 state. MidAmerican's investments will only make that worse for Washington's
21 rate payers, particularly low-income customers who are particularly affected by
22 rate increases.

1 Q. IS THERE ANY OTHER WAY YOU THINK WASHINGTON RATE PAYERS
2 MIGHT BE HARMED?

3 A. Yes. As I understand it, MidAmerican is a closely held corporation essentially
4 owned by one entity, a sort of umbrella over several smaller entities, some of
5 which are unregulated, but involved in some auxiliary or support roles to the
6 energy company. This seems to be a different corporate structure than currently
7 exists for PacifiCorp. Furthermore, MidAmerican has no track record in this
8 region on which to base judgment of its ability to provide reasonable service to all
9 ratepayers, let alone address the unique needs of PacifiCorp's low-income
10 customers.

11 Q. ASIDE FROM THE ISSUES OF JURISDICTIONAL ALLOCATION OF
12 INFRASTRUCTURE INVESTMENT AND MID-AMERICAN'S CORPORATE
13 STRUCTURE, DO YOU HAVE ADDITIONAL CONCERNS?

14 A. Yes. What strikes me about the application in this case is the absence of any solid
15 commitment to ensure that the needs of PacifiCorp's low-income customers are
16 addressed. The Washington Legislature and this Commission have both
17 recognized the need to address low-income issues, yet the application is
18 essentially silent in this respect. Even assuming, for the sake of argument, that
19 the merger will benefit the general body of PacifiCorp's Washington ratepayers,
20 the applicants have failed to demonstrate that it will, in any respect, benefit low-
21 income ratepayers.

22 Q. WHAT TYPE OF BENEFITS WOULD YOU LIKE TO SEE?

1 A. I would like to see the joint applicants commit to the recommendations made by
2 the Energy Project in PacifiCorp's general rate case, and as I outlined earlier in
3 this testimony.

4 Q. WHAT CONCERNS DO YOU HAVE REGARDING LOW-INCOME
5 RATEPAYERS?

6 A. The PacifiCorp service territory in Washington encompasses a high percentage of
7 households living in dire poverty. Yakima County is the third poorest county in
8 the state, with 19% of the population living at or below 100% of the Federal
9 Poverty Level. While the census shows two counties with a higher percentage of
10 people living at or below 100% of the Federal Poverty Level, Yakima County has
11 nearly two and one-half times as many people living at this level of poverty as
12 those two counties combined. (Exhibit No. (CME-3)). Programs run by the
13 community action agencies I represent realize that level of income is extremely
14 low, so they serve people whose incomes are up to 125% of the Federal Poverty
15 Level. This is still a conservative threshold compared to the same program run in
16 other states. Thirty-seven of the other forty-nine states use income limits greater
17 than 125% of FPL; while six set the maximum income threshold between 175%
18 and 200% (Exhibit No. (CME-4)). Yet, despite this more stringent restriction on
19 the population who could be served, the combination of the federal LIHEAP
20 program plus the PacifiCorp sponsored Low-Income Bill Payment Assistance
21 (LIBA) reaches only a small fraction of the households who need help, about 20%
22 (Exhibit No. (CME-5)). At the very least, the funding levels for energy assistance

1 in the LIBA program should be raised to a level commensurate with other utility
2 programs in the state. We recommend \$1.5 million.

3 Q. ARE THERE OTHER WAYS THE UTILITY COULD SHOW THEIR
4 COMMITMENT TO BENEFIT LOCAL LOW-INCOME RATEPAYERS?

5 A. Yes. I suspect the incomes of a number of eligible households are so low that
6 they will not be able to keep current with the bills. I think it would be a
7 progressive move - better for the customer, the utility, and other rate payers, if the
8 utility were to sit down and create an arrearage management program that works
9 with the customer's ability to pay to make steady, if not full, payments on their
10 bills. I believe by doing so, we can keep families or households connected to vital
11 services, while maintaining payments that ultimately contribute more than the
12 utility would have gotten otherwise.

13 Q. COULD YOU SUMMARIZE YOUR RECOMMENDATIONS?

14 A. My recommendations are that PacifiCorp: 1) Increase its funding for low-income
15 energy assistance to 0.75% of gross operating revenues, so that the poorest of the
16 poor can stay connected to essential services; 2) Work collaboratively with the
17 WUTC to track low-income issues in more depth by collecting data pertinent to
18 low-income customers; 3) Develop and implement by 2006, in conjunction with
19 the community action agencies and WUTC staff, a program to identify and
20 manage arrearages better for the households who are unlikely to be able to pay
21 their bills. This will help low-income customers stay connected to vital services
22 and improve collection efforts, thereby reducing costs for all ratepayers, and; 4)

1 Terminate its policy to pay only 50% of cost-effective measures in the low-
2 income energy efficiency program.

3 Q. DOES THIS COMPLETE YOUR TESTIMONY?

4 A. Yes, it does. Thank you for the opportunity to testify.

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