

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**DOCKETS UE-220066 & UG-220067 and
UG-210918 (*Consolidated*)**

**RESPONSE TESTIMONY OF
ROSS Y. QUIGLEY (EXH. RYQ-1T)
ON BEHALF OF
THE ENERGY PROJECT**

Low-Income Weatherization Issues

July 28, 2022

RESPONSE TESTIMONY OF ROSS Y. QUIGLEY (RYQ-1T)

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I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Ross Y. Quigley. My business address is 3406 Redwood Avenue, Bellingham, WA 98225.

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

A: I am the Home Improvement Department Director at the Opportunity Council in Bellingham, WA, a Community Action Agency. I am currently also serving as the Acting Director of The Energy Project (TEP).

Q: How long have you been employed by the Opportunity Council?

A: I have been employed by Opportunity Council since 2009.

Q: Would you please summarize your professional background as it relates to low-income programs?

A: I have been working in weatherization and residential energy efficiency for over 13 years, with a background in residential construction prior to that. I have worked as a weatherization installer, an energy auditor, an efficiency program manager, and the managing director of a weatherization training center. For several years now, I have served on a number of statewide committees and task forces, including the Weatherization Advisory Committee and the Weatherization Policy Development Committee, both coordinated by the Department of Commerce. I also served on the Board of Directors for Habitat for Humanity's Whatcom County Affiliate, from 2016 to 2020. I hold a Bachelor of Arts degree from Western Washington University.

1 **Q: On whose behalf are you testifying?**

2 A: I am testifying on behalf of The Energy Project (TEP), an intervenor in this
3 proceeding, on behalf of the Community Action Partnership (CAP) organizations
4 that provide low-income energy efficiency and bill payment assistance for
5 customers in Puget Sound Energy's (PSE) service territory. These agencies
6 include: Byrd Barr Place; Community Action Council of Lewis, Mason,
7 Thurston; Community Action of Skagit County; Hopelink; Hopesource;
8 Metropolitan Development Council; Multi-Service Center; Kitsap Community
9 Resources; Opportunity Council; Pierce County Community Action, and
10 Snohomish County Community Action.

11 **II. PURPOSE AND SUMMARY OF TESTIMONY**

12 **Q: What is the scope of your testimony?**

13 A: My testimony addresses two issues regarding the weatherization programs that
14 provide assistance to low-income customers in PSE's service territory.

15 **Q: Could you please summarize your testimony?**

16 A: My testimony addresses two topics: (1) the extension of the funding floor
17 commitment for low-income weatherization programs that expires on December
18 31, 2022; and (2) the current cooperative effort under way with PSE to update the
19 determination of actual measure costs used in the weatherization programs.

20 **III. FLOOR FUNDING COMMITMENT**

21 **Q: Has PSE proposed any additional funding for the low-income weatherization**
22 **program in this docket?**

23 A: No.

1 **Q: Is this a concern from TEP’s perspective?**

2 A: No. Puget Sound Energy’s budget for low-income energy efficiency is
3 established as part of the Biennial Conservation Plan (BCP). The Energy Project
4 believes the level of funding set in PSE’s most recent BCP covering the period
5 2022-2023 is reasonable. For that reason, TEP is not recommending an increase
6 in funding for low-income weatherization in this docket.

7 **Q: What concern are you addressing on behalf of TEP in this docket with**
8 **regard to funding?**

9 A: I am addressing the advisability of an extension of the “floor funding”
10 commitment currently in effect for PSE low-income weatherization.

11 **Q: Please describe the current “floor funding” commitment.**

12 A: Puget Sound Energy’s current commitment provides as follows:

13 Puget Sound Energy agrees to continue to fund low-income
14 weatherization programs that the low-income agencies inform PSE they
15 can feasibly achieve with an annual base funding level of no less than
16 \$4.43 million for Low-Income Weatherization Programs through
17 December 31, 2022[.]¹

18
19 PSE has abided by this commitment since it was adopted in 2019². A key part of
20 the term is PSE’s long-standing commitment to continue to fund low-income
21 weatherization programs that the low-income agencies inform PSE they can

¹*In the Matter of the Joint Application of Puget Sound Energy, Ontario Teachers’ Pension Plan Board, and Macquarie Washington Clean Energy Investment LP, For An Order Authorizing Proposed Sales of Indirect Interests in Puget Sound Energy*, Docket U-210542, Order 01, Appendix A, Commitment 43.

²*In the Matter of Puget Sound Energy’s Proposed Sale of a Non-Controlling Interest in Puget Holdings LLC*, Final Order 06 (Corrected), Docket U-180680 (March 11, 2019), Appendix A to Multiparty Settlement Stipulation, ¶ 43.

1 feasibly achieve, in effect an agreement to fund without a set cap any feasible
2 projects.

3 The second part of the commitment was to set a base funding level of
4 \$4.43 million to ensure that a minimum level of funding for low-income
5 weatherization would be maintained. This two-part commitment expires on
6 December 31, 2022.

7 **Q: What is TEP’s recommendation regarding the “floor funding” commitment?**

8 A: The Energy Project’s concern is that the commitment expires at the end of this
9 calendar year on December 31, 2022. The Energy Project recommends that the
10 “feasible project” commitment and the funding floor be extended for a reasonable
11 period of time until the end of the next general rate case, which would likely be in
12 2025 or 2026 if the rate plan is approved. At that time PSE and other interested
13 stakeholders could revisit the need for a further extension.

14 The Energy Project also recommends that the floor amount be updated.
15 The current level of \$4.43 million is now dated. As a comparator, PSE’s budget
16 for low-income energy efficiency under its most recent BCP is approximately \$7
17 million on an annual basis (electric and gas). The Energy Project recommends
18 that the new annual baseline level in the commitment be increased to \$5.5 million.
19 This acts as a conservative “safety net” for the funding level.

20 **Q: Why is this commitment important?**

21 A: This commitment has provided the low-income agencies who provide
22 weatherization services with a degree of certainty that a base level of funding will
23 be available over time. This helps low-income weatherization agencies to plan

1 for the number of future projects they can undertake, and to hire the personnel for
2 the projects. In addition, the unrestricted commitment to fund all feasibly
3 achievable projects brought forward by agencies encourages weatherization
4 programs to pursue additional projects. Essentially, a forecast of stable and
5 steady funding is key in a program manager's decision to invest in increased
6 future production capacity. Guaranteed minimum funding levels, several years
7 into the future, achieve the benefit of this type of solid forecast.

8 Ultimately, by helping increase production, this commitment helps to
9 increase weatherization of low-income housing stock. This, in concert with bill
10 assistance, works to improve the affordability of essential energy services and the
11 health and safety of low-income households. It will also help PSE to enhance and
12 strengthen efforts to pursue clean energy implementation goals under the Clean
13 Energy Transformation Act, and its energy efficiency targets its Biennial
14 Conservation Plans.

15 **IV. ACTUAL MEASURE COSTS**

16 **Q: Please explain the term "actual measure cost".**

17 A: The actual measure cost is the amount it costs a program to achieve a completed
18 measure, whether through the program's contractors or internal crew of laborers.

19 **Q: How are actual measure costs determined?**

20 This may vary by weatherization agency, but many agencies establish annual cost
21 agreements with their subcontractors. These cost agreements may be subject to
22 change during the course of the year if circumstances warrant adjustment. Abrupt
23 materials cost escalation and labor shortages are examples of reasons for mid-year

1 increases that programs have experienced in the course of the pandemic.

2 Ultimately, the total costs per measure are documented by local weatherization
3 agencies as required by funding entities.

4 **Q: How do actual measure costs fit into the low-income weatherization process?**

5 A: Weatherization programs typically forecast future production by dividing the
6 upcoming program year's budget by average project costs for the prior year or
7 prior two years' costs. So recent actual measure costs have a direct impact on
8 what level of production a local agency will target. Measure costs in turn affect
9 the determination of weatherization incentive levels offered by PSE.

10 **Q: Are there any current issues with actual measure costs?**

11 A: Yes. There has been a concern that PSE's incentive structure for weatherization
12 is based on outdated information that does not reflect the current costs of actual
13 construction. Generally, costs were last updated in 2015. Weatherization
14 agencies have identified the updating of measure costs and incentives for PSE as a
15 top priority. The practical effect of this is that weatherization agencies and
16 contractors may not receive sufficient cost reimbursement to make projects
17 economic. This is accentuated by recent inflationary pressures on costs.

18 As the gap between PSE-provided incentives and the actual cost of
19 installing a measure grows, so grows the share of funding that a program must
20 dedicate from other sources to that particular project. Over time this will have the
21 impact of reducing the amount of most-flexible funding available to programs to
22 address health and safety and repair need in the home. Many homes will be

1 deferred for weatherization if the share of flexible funding they demand is too
2 great to justify, or is simply too great for the available budgets.

3 It's my understanding that PSE recognizes that today's actual construction
4 costs are higher, in many cases much higher, than those that were used to set the
5 current incentive levels approximately seven years ago. We need to see incentive
6 levels that are informed by more current actual measure costs, which would lead
7 to higher incentive levels. If a complete study can't be achieved in time for the
8 next incentive determinations, in lieu of local project data, it may be feasible to
9 use industry-level data or general economic indicators to estimate the impact of
10 inflation and other forces on the cost of construction.

11 **Q: Has there been any effort to address this problem?**

12 A: Yes. Puget Sound Energy and weatherization providers are aware of the problem
13 and a group of low-income weatherization providers have been working together
14 to update the actual measure costs. Puget Sound Energy is considering an
15 approach that would use economic indicators of inflation since 2015, for example,
16 Consumer Price Index changes, possibly as an interim measure, which would
17 yield some significant increases for incentive levels. Puget Sound Energy would
18 then also look to use data being developed by the Department of Commerce when
19 it becomes available. Discussions about this approach and methodology will be
20 ongoing with the weatherization stakeholders.

21 **Q: Do you have any comment about the timeline for the cost update process?**

22 A: Yes. The collaborative process involving PSE and the weatherization programs is
23 well under way, and parties have been meeting for about three months. It is

1 desirable that the process would result in having updated actual measure costs in
2 place by January 1, 2023, in time for the next program year. This is a realistic
3 goal in my opinion.

4 In addition, there should be a more regular process for updating measure
5 costs in the future to avoid a repetition of the current situation. Surveys and cost
6 updates should occur on a more regular basis to avoid the negative effects of
7 outdated costs on weatherization production. The Energy Project would
8 recommend that updates occur every two years, probably in conjunction with the
9 BCP process. It appears that PSE may be supportive of this timing for updates to
10 occur. This will be further reviewed in the stakeholder process as well.

11 **V. SUMMARY OF THE ENERGY PROJECT'S**

12 **LOW-INCOME WEATHERIZATION RECOMMENDATIONS**

13 **Q: What is The Energy Project's recommendation regarding the "floor**
14 **funding" commitment?**

15 **A:** The Energy Project recommends that the Commission's final order in this docket
16 extend and update PSE's existing commitment to maintain support for low-
17 income weatherization as follows:

18 PSE will continue to fund low-income weatherization programs that the
19 low-income agencies inform PSE they can feasibly achieve with an annual
20 base funding level of no less than \$5.5 million for Low-Income
21 Weatherization Programs through the end of PSE's next general rate case.³
22

³ This recommendation does not affect any of the other weatherization commitments in Commitment 43, or other commitments approved in Docket U-210542.

1 **Q: What is TEP’s recommendation regarding the “actual measure costs”?**

2 A: The Energy Project recommends that the Commission’s final order in this docket
3 direct PSE to continue work with its weatherization stakeholders to complete the
4 update of actual measure costs in order to implement changes by January 1, 2023
5 for use in the 2023 program year and to develop a methodology for use thereafter
6 for the next update. The Energy Project also recommends that the Commission
7 direct PSE to conduct an update of measure costs every two years or other
8 reasonable regular period determined with stakeholder input.

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

10 A: Yes.