

**EXHIBIT NO. \_\_\_\_\_ (SDW-3)  
DOCKET NO. UG-060256  
2006 CASCADE NATURAL GAS CORPORATION  
GENERAL RATE CASE  
WITNESS: STEVEN D. WEISS**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**CASCADE NATURAL GAS  
CORPORATION**

**Respondent.**

**Docket No. UG-060256**

**PREFILED DIRECT TESTIMONY OF  
STEVEN D. WEISS  
ON BEHALF OF NW ENERGY COALITION**

**Exhibit \_\_\_\_ (SDW-3)**

**August 15, 2006**



*Excerpt of Preliminary Results*

# Utility and Societal Benefits

## Oregon Energy Assistance Program Evaluation

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### Program Impact

When a payment assistance program to low-income customers is instituted, a utility can avoid a range of potential costs to ratepayers. The following summarize the findings:

- 1) The actual arrears approximately one year after payment is made is estimated to be roughly \$340 below the level it would have been had the Program not existed. Of that amount, \$207 is directly the result of applying the payment from OEA and \$133 is due to customers' ability to "catch up" and start paying part of their own outstanding arrears.
- 2) Due to the reduction in the daily account balance per participant, the Companies saved approximately \$13 per participant simply due to time value of money and reducing their need to acquire capital.
- 3) Utilities often incur significant costs in attempting to collect debt from customers. These collection activities include phone calls, letters, customer visits, and collection agencies costs. Table ES-2 illustrates the decline in each of the various analyzed indices. Aggregate programmatic impacts result from extrapolating the above results to the entire participant population of 26,411.

**Table ES-2**  
**Annual Savings Associated with OEA Participation**

Incident	Average Annual Decline	Aggregate Annual Decline	Per-Incident Cost	Total Cost Savings
Cutoff Notices	63%	16,703	\$0.75	\$12,527
Past Due Notices	81%	21,298	\$0.75	\$15,973
Final Notices	93%	24,569	\$0.75	\$18,426
Reminder Notice	118%	31,235	\$0.75	\$23,426
Assigned to Collection	3%	791	\$297	\$86,140
Bad Debt	2%	410	\$191	\$78,305
Shutoff	11%	2,920	\$75	\$218,990
<b>Total</b>				<b>\$453,787</b>

- 4) When energy costs are high, household funds are diverted from other uses including food, medical care, and rent. In some cases, high energy bills may force occupants to move from their current dwelling either to lower energy costs or to avoid paying an energy bill. Not only are frequent moves expensive and inconvenient they have other extremely serious effects. These include increasing school dropouts and inability to hold a job. Energy assistance and weatherization programs lower the energy vulnerability of the participating low-income families and their forced mobility. Mobility can be especially hard for the elderly and families with children. We followed a conservative approach of assuming only \$700 per move and only about 15% reduction in mobility. This amounts to over \$700,000 of benefits for the program overall. Reduced mobility also does have a benefit to the utility. Every time a customer moves, the company has to disconnect the old account and reconnect a new one. The benefit to the utilities is estimated at just almost \$100,000.
- 5) Other benefits cannot be quantified at this time. Those include improved health, decreased stress, and increased ability to bring into Oregon more LIEAP funds.

## Cost Effectiveness

This approach analyzes Program costs and benefits from the perspective of PacifiCorp and PGE as well as that of the State of Oregon in general (societal test). As Table ES.3 shows, the Program is cost effective from both perspectives analyzed with benefit/cost ratios of 1.07 and 1.13.

**Table ES.3  
Cost Effectiveness Results**

	Utility	Societal/Oregon
<b>Benefits</b>		
Reduction in Arrears	\$8,979,892	\$8,979,892
Time Value	\$341,230	\$341,230
Reduction in Notices	\$70,352	\$70,352
Reduction in Collections	\$86,140	\$86,140
Reduction in Terminations	\$78,305	\$78,305
Reduction in Shutoffs	\$218,990	\$218,990
Reduction in Mobility	\$68,338	\$706,164
Increased LIEAP Funding		
<b>Total Benefits</b>	<b>\$9,843,247</b>	<b>\$10,481,073</b>
<b>Costs</b>		
OHCS	\$502,040	\$502,040
Administration	\$1,008,170	\$1,008,170
Program Delivery	\$1,394,533	\$1,394,533
Payments	\$6,334,503	\$6,334,503
<b>Total Benefits</b>	<b>\$9,239,247</b>	<b>\$9,239,247</b>
NPV	604,000	1,241,826
B/C Ratio	1.07	1.13

The analysis above assumes that the impacts only last for one year. However, it is conceivable that the Program impacts are longer lasting. To our knowledge, no one has conducted research conducted beyond the first program year. We explored several scenarios to determine impacts on cost effectiveness. Table ES.4 below shows the scenario where the impacts last two and three years. We assumed that only half the impact occurs in year 2. Year 3 experiences another 50% deterioration of impact.

**Table ES.4  
Longevity of Impact Scenarios**

Year	Utility	Societal/Oregon
1	1.07	1.13
2	1.55	1.65
3	1.77	1.88

