

BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION

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WASHINGTON UTILITIES AND) DOCKET NO. UE-11190
TRANSPORTATION COMMISSION)
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Complainant,)
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v.)
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PACIFICORP d/b/a/ PACIFIC POWER &)
LIGHT COMPANY)
)
Respondent.)
.....)

PREFILED DIRECT TESTIMONY OF
CHARLES EBERDT ON BEHALF OF
THE ENERGY PROJECT
Exhibit No. ____ (CME-1T)

I. INTRODUCTION

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Q. Please state your name, address, and employment.

A. My name is Charles Eberdt. I am the Director of the Energy Project, 3406 Redwood Avenue, Bellingham, WA 98225.

Q. Please outline your relevant background for this matter.

A. I have been working in the field of residential energy efficiency since the mid-1970's from being trained to install solar hot water systems and building houses to educating homeowners, code officials, and builders about energy efficient building construction and systems for the Washington State Energy Office. In 1993, I began working in energy policy as it affects low-income households on behalf of Washington's community action agencies in their provision of energy services funded by the Washington Department of Commerce and local utilities. I have been a Board member of the National Center for Appropriate Technology (NCAT) and A World Institute for a Sustainable Humanity (A W.I.S.H.) since 1996. I have participated in several proceedings before this Commission over the last seventeen plus years, including general rate cases for all the energy utilities that this Commission regulates. A brief resume is attached hereto as Exhibit No. ____ (CME-2).

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying for The Energy Project which represents the interests of the OIC of Washington, the Northwest Community Action Council, and Blue Mountain Action Council, the federally designated anti-poverty organizations that provide low-income energy efficiency and bill payment assistance services PacifiCorp's Washington service territory.

1 **II. SUMMARY OF ENERGY PROJECT’S ISSUES**

2 Q. What is the purpose of your testimony in this case?

3 A. The Energy Project’s testimony is in support of a proposal pertaining to the
4 Company's Low-Income Bill Assistance (LIBA) program. This proposal is the
5 result of a collaborative process previously ordered by the Commission and
6 embodied in the spreadsheet presented with my testimony as the Energy Project's
7 Exhibit No.____ (CME-3). It is my belief that the Commission Staff, through the
8 testimony of Ms. Deborah Reynolds, will also be filing essentially the same
9 exhibit or something similar.

10 **III. PROPOSAL FOR THE LOW INCOME BILL ASSISTANCE PROGRAM**

11 **1. Background**

12 Q. Why and how was this proposal generated?

13 A. The proposal is the result of many months collaboration among several interested
14 parties. The collaboration was initiated as a result of the Commission’s Final
15 Order 06 issued March 25, 2011 in the Company’s 2010 general rate case, UE-
16 100749, directing the Company, Commission Staff, the Energy Project, and the
17 agencies that provide eligibility certification for the Company’s LIBA program to
18 meet to resolve a number of issues that the Energy Project raised on behalf of the
19 aforementioned agencies in that rate case. The process ordered by the
20 Commission began with an initial meeting June 6, 2011. This meeting was
21 attended by Becky Eberle and Cathie Allen from the Company; Thomas Schooley
22 and Deborah Reynolds, Commission Staff; the Low-Income Bill Assistance
23 Program (LIBA) coordinators from Blue Mountain Action Council, OIC of

1 Washington, and the Northwest Community Action Council; Steve Moss,
2 Executive Director from Blue Mountain Action Council; and Michael Karp and
3 myself from the Energy Project.

4 Q. Specifically, what are the issues you refer to?

5 A. There were three issues discussed: 1) the level of the benefit that a participating
6 customer receives through participation in the LIBA Program, 2) how to increase
7 the number of customers who can get access to assistance through LIBA, and 3)
8 the need to increase the fee paid to agencies to certify a customer for the program.

9 Q. If this is the result of the order from a previous rate case, why is it being raised in
10 testimony here?

11 A. There are several reasons. First, it is being raised here because the utility filed
12 another rate case before the collaborative process had proceeded very far.
13 Second, the Energy Project and Staff have reached an agreement on the
14 substantive issues raised by the Energy Project and contested in last year's PPL
15 general rate case. Third, there are no other pending dockets in which to seek
16 Commission approval of this agreement. Finally, because low-income bill
17 assistance program funding is recovered through rates, it seems that the current
18 rate proceeding would be the most efficacious procedure and opportunity to seek
19 formal approval of the proposed resolution of LIBA issues.

20 **2. Increase in Benefit Level**

21 Q. Can you describe how the proposal achieves the goals outlined earlier?

22 A. Yes. Basically, the proposal establishes a framework for more or less gradual
23 changes addressing the aforementioned issues to take place over a five-year

1 period. Exhibit No. __ (CME-3) illustrates how this might work. All three of the
2 areas of change will require some level of increased funding to accomplish.
3 Because the LIBA Program is structured as a tiered discount program, we have
4 used the program's average annual benefit level as an indicator of the
5 commitment to the program, though there will actually be three different levels of
6 benefit. Looking at Column H the average benefit of \$263 multiplied by the
7 number of participants indicates the funding available for the Company to
8 determine the levels of the rate discounts, which they filed with Schedule 17. We
9 used that \$263 as a benchmark to establish what the target average benefit level
10 would be in 2013 (\$290) if this proposal is accepted. In that first year, the
11 proposal increases the annual average benefit by 10%. Subsequent increases to
12 the discount levels will be governed by the Commission's final orders in a filed
13 rate case. In the following years, if the Company files a rate case and the
14 resolution of the rate case includes an increase to residential rates, the program
15 funding for the discounts will be increased by twice that percentage.

16 **3. Increase Customers Served**

17 Q. How is the number of participants in the program increased?

18 A. At the end of the five-year period, participation will be increased by 25%. During
19 the last rate case, there was considerable discussion of the cost to implement the
20 program vs. increasing the number of participants vs. increasing the benefit levels.
21 With a relatively low average benefit level, more customers need to be served to
22 take full advantage of the funds ratepayers are providing. Yet, the more
23 customers who have to be qualified for the program, the higher the cost to

1 implement the program. There is a real tension between adding more participants
2 and keeping implementation costs down. The proposal adopts Staff's suggestion
3 that the agencies certify participants for two years, but in a modified form that
4 responds to the agencies' concerns that two-year certification is not appropriate
5 for all the clients they see, while at the same time keeping down the costs to
6 certify participants.

7 Q. Why isn't a two-year certification a good option for all participants?

8 A. First, there are so many more PacifiCorp customers who are eligible than there are
9 slots in the program. Like LIHEAP, LIBA has been operated on a first come, first
10 served basis. Not everyone who is in the program this year, was in it last year.
11 Second, the low-income population tends to be more mobile than the general
12 population. Third, their incomes vary more due to seasonal employment, part-
13 time employment, and more variable wages. Because of such factors, certifying
14 all the participants for two years would result in some slots going vacant, e.g.,
15 when a family moved away after the first year, or another household receiving
16 benefits after they are no longer in the target income range, in turn depriving
17 another household that needs and qualifies for the benefits. In order to minimize
18 such occurrences and to get the most benefit to qualified households, the agencies
19 proposed targeting the two-year certification to households who are on fixed
20 incomes.

21 Q. How many households would then qualify for two years?

22 A. We don't actually know, which is a reason the agencies want to embark on this
23 change moderately and work up to a higher level.

1 Q. Can you describe how that would be achieved?

2 A. In the first year, 10% of the 4720 program participants who go through intake will
3 be certified to participate for two years, the rest for just one year. In the second
4 year, 15% of the 4720 customers who qualify will be certified for two years.
5 Each of the next two years, another 5% of the intake will be dedicated to the two-
6 year certification, leveling out at 25%. The number of customers who are
7 qualified for two years opens up the same number of positions in the following
8 year to add participants to the program. If all goes as planned, by the end of the
9 fifth year, the number of participants will have increased by 25%, but 40% of
10 those participating in that year will be in either the first or second year of a two-
11 year certification. At the same time, the agencies continue to process the same
12 number of intakes each year, so the increased number of participants is not adding
13 to the implementation cost of the program.

14 Q. Given the agencies' concerns about getting the program to the appropriate
15 households, is 40% the right share to dedicate to a two-year certification?

16 A. That remains to be seen and is one of the reasons we compromised on a more
17 gradual integration of a two-year certification. There is some additional effort
18 required to find the households whose incomes are stable enough to put into a
19 two-year certification. There are differences in the make-up of the poverty
20 population across the Company's Washington territory. There is enough
21 uncertainty about how this will work, that the agencies want to approach it
22 carefully.

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1 **4. Increased Administrative/Certification Fee**

2 Q. How does the proposal address the third issue, the fee paid to the agencies?

3 A. In the first year, the certification fee is raised from the current \$48 level to \$65,
4 then by \$2.50/year in each of the following four years.

5 Q. That is a sizable increase in the first year. How do you justify it?

6 A. When the LIBA program was designed in 2001 the certification fee was
7 established based on comparable costs for the LIHEAP program – that fee was
8 \$68/qualified participant. In 2003 the certification fee was lowered to \$48. It has
9 not changed since then. The payment does not cover the cost to implement the
10 program. Without going into why \$48 wasn't adequate eight years ago, the
11 increase in the agencies' costs since then warrant the increase.

12 Q. How do you explain the additional \$2.50 increase in each of the following years.

13 A. For comparison purposes, Exh __ CME-4 provides the 2010 LIHEAP data. As
14 one can see, the cost PacifiCorp will pay five years from now is still lower than
15 even the lowest cost agency's costs to implement last year's LIHEAP program,
16 which requires the comparable tasks of outreach, scheduling, interviewing, fact
17 checking, filing, and reporting, etc. The additional \$2.50 each year is a fair
18 increase.

19 **5. Logistics of LIBA Changes**

20 Q. The joint proposal is partially tied to rate increases that result from future any rate
21 case filings by PPL during the five year period of the plan. Does that mean there
22 will be no change to the program funding if the utility doesn't file a rate case for a
23 year or two?

1 A. No. Even if the Company doesn't file a rate case, say in the third year, it will be
2 necessary to increase the program funding to accommodate the additional number
3 of participants in the program at the current discount levels and to fund the agency
4 certification fee increases.

5 Q. Are specific tariffs required for these changes?

6 A. I believe two schedules will need to be filed: Schedule 17 addresses the discount
7 levels and the number of customers served, while Schedule 91 allocates program
8 costs across the rate schedules. Incidentally, I am not an attorney and offer these
9 opinions and recommendations from a practical perspective.

10 Q. How frequently must those schedules be filed?

11 A. Historically, I believe they have only been filed when there is a change to the
12 program, which usually was tied to a rate case. This proposal establishes a
13 framework that will work independent of a rate case, but is also sensitive to
14 changes a rate case might require.

15 Q. Wouldn't that mean the schedules would need to be filed every year?

16 A. At least once, unless there is a way to file them once in a manner that establishes
17 the maximum changes expected under a specific set of conditions over a few
18 years.

19 Q. Please describe what you mean by "specific set of conditions" in more detail.

20 A. Certain components of the plan are to be implemented whether or not there is any
21 change to rates. We know every year the agencies will qualify 4720 customers,
22 and that the cost to do so will start at \$65 and increase by \$2.50/year in each of
23 the following four years. That impact can be calculated. We also know the

1 number of participants to be added each year and we know what the average
2 benefit level will be, absent any subsequent rate cases; so that can also be
3 calculated. This is presented in Exhibit No.__(CME-5), which uses the average
4 benefit level established in 2012 (\$290) as the floor that would persist absent the
5 Company filing for and receiving a residential rate increase.

6 Q. What do you recommend be done with this information?

7 A. To minimize the need to file these schedules multiple times over the course of the
8 plan or in a given year, I recommend the Company, at the termination of this rate
9 case, file each of the schedules with the specifics included in my exhibit where
10 they are relevant, such as the numbers of clients served each year in Schedule 17
11 or the impact to each rate schedule in each of the program years from the increase
12 in funding needed to cover the known costs from the certification fees and
13 additional participants served at the base benefit level of \$290 (as indicated in
14 2012 on Exhibit No. __ (CME-3)). It seems to me that a filing that explicitly lays
15 out the specifics for a longer period could result in the Company only having to
16 file these tariffs again when there is a change that was not anticipated by this
17 filing, such as an increase to rates that the Commission has allowed. If residential
18 rates are increased, that would trigger an additional filing, but otherwise nothing
19 need be filed.

20 Q. Have such multiple year schedules been allowed before?

21 A. I do not have sufficient knowledge to answer that. It is actually Staff who
22 suggested a multiple year program solution, though the tariff filing issue was not
23 considered at that time. We may be forging new territory here, but I think one of

1 the significant benefits from this proposal is the longer term stability and clarity
2 that the plan provides, both for the agencies providing the service and for the
3 Company.

4 Q. If the Commission decides an annual filing is necessary, how would you
5 recommend that be done?

6 A. If an annual filing is required, then I believe it should be made no sooner than
7 May 30, but early enough so that the increased funding is available when the
8 program starts up again in the fall. Since the discounts are available through
9 April 30, some time should be allowed for the Company to assimilate data and
10 lessons learned from the previous program year before filing any changes.

11 Q. Have you looked at the way the proposed plan will impact rates?

12 A. While working with Staff to see how this might look we tried to incorporate that
13 consideration in the table that is Exhibit No. __ (CME-3). It is difficult to
14 predict the future, but columns K and L of Exhibit No.__(CME-3) give an
15 indication of how rates for residential and industrial customer would be affected.
16 It is important to note that the benefit levels, monthly bill impacts, and total
17 funding figures after the first year (2012), however, are hypothetical and provided
18 to illustrate how the proposal would work.

19 **IV. SUMMARY**

20 Q. Would you please summarize your testimony and proposal to the Commission?

21 A. The Energy Project respectfully requests that the Commission approve the
22 agreement and proposal achieved through collaboration between Staff and the
23 Energy Project. Regarding any logistical issues that might arise, as discussed

1 above, the Energy Project will work collaboratively with all interested parties to
2 resolve those issues if and when they arise.

3 Q. Do you believe this proposal represents a fair, just and reasonable solution to the
4 issues raised?

5 A. Yes, I do. I think this proposal presents a creative compromise that the agencies,
6 the Energy Project and Commission Staff can be proud of. It is the product of a
7 lot of good work by all three of those entities. It skillfully addresses the
8 Company's desire to extend the program to more customers while keeping
9 implementation costs down. It addresses the agencies' desire to reach more
10 households while also increasing the benefit levels for participants and providing
11 better funding to implement the program. The Energy Project further submits that
12 LIBA is a program that provides benefits not only to those who directly receive
13 assistance, but to ratepayers on the whole resulting from system-wide benefits
14 such as reduced arrearages and debt collection costs, among others. Finally, it
15 should be noted that Commission Staff were instrumental in making this work.

16 Q. Does that conclude your testimony?

17 A. Yes, it does.

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