

Exhibit No. ____ (NEH-1T)
Docket No. U-072375
Witness: Nancy E. Hirsh

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Joint Application of
PUGET HOLDINGS LLC
and
PUGET SOUND ENERGY, INC.
For an Order Authorizing Proposed Transaction

Docket No. U-072375

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
NANCY E. HIRSH
ON BEHALF OF NW ENERGY COALITION**

June 18, 2008

DIRECT TESTIMONY OF NANCY E. HIRSH (NEH-1T)

DOCKET NO. U-072375

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NANCY E. HIRSH EXHIBIT LIST

Exhibit No. ____ (NEH-2) - Response to NWECC Data Request No. 1.04, including pages 1, 49 and 183-184 in Attachment B to the Response.

Exhibit No. ____ (NEH-3) – Response to NWECC Data Request No. 1.02.

Exhibit No. ____ (NEH-4) – Highlights of State Laws and Policies Regarding Clean and Affordable Energy Services.

Exhibit No. ____ (NEH-5) - PSE *Energy Efficiency* Summary.

Exhibit No. ____ (NEH-6) - Response to NWECC Data Request No. 1.07.

Exhibit No. ____ (NEH-7) - PSE *Renewable Energy* Summary.

Exhibit No. ____ (NEH-8) – Response to NWECC Data Request No. 1.06.

Exhibit No. ____ (NEH-9) - Response to NWECC Data Request No. 1.03.

Exhibit No. ____ (NEH-10) - Response to NWECC Data Request No. 2.13.

Exhibit No. ____ (NEH-11) - PSE *Greenhouse Gas Policy*.

Exhibit No. ____ (NEH-12) - Response to NWECC Data Request No. 1.08.

1 **I. INTRODUCTION**

2 **Q. Please state your name, position, and business address.**

3 A. My name is Nancy Ellen Hirsh. I am the Policy Director of the NW Energy Coalition
4 (“Coalition” or “NWECC”). My business address is 811 1st Avenue, Suite 305, Seattle,
5 WA 98104.

6 **Q. Please describe your education, business experience and responsibilities.**

7 A. I have a Bachelor of Science degree from the School of Natural Resources at the
8 University of Michigan. I spent twelve years in Washington, D.C. working for the
9 National Wildlife Federation and Environmental Action Foundation on federal energy
10 policy and electric utility issues, including providing assistance to state environmental
11 and consumer organizations working on utility resource planning. I made numerous
12 presentations to national and state audiences on the importance of least cost resource
13 planning and the role of energy efficiency and renewable energy resource development in
14 keeping utility customer bills affordable. Since 1996, I have been the Policy Director for
15 the Coalition, coordinating the work of the policy team in advocating for investments in
16 clean and affordable energy services. I serve as Chair of the Board of the Renewable
17 Northwest Project. I also am a member of Idaho Power’s Energy Efficiency Advisory
18 Group and I have participated in various utility regulatory proceedings.

19 **Q. Please describe the Coalition.**

20 A. The Coalition is an alliance of more than 100 environmental, civic and human service
21 organizations, progressive utilities and businesses from Oregon, Washington, Idaho,
22 Montana and British Columbia. We promote energy conservation and renewable energy

1 resources, consumer and low-income protection, and fish and wildlife restoration in the
2 Columbia River Basin.

3 **Q. Have you testified previously in regulatory proceedings?**

4 A. Yes. I have testified before the District of Columbia and Georgia Public Service
5 Commissions, the Public Utility Commissions of Oregon and Idaho and the Washington
6 Utilities and Transportation Commission (“Commission”). Among other topics, my
7 previous testimony concerned integrated resource planning, utility sale of assets, and the
8 public benefit concerns from utility mergers.

9 **Q. Please tell us more about your experience with utility mergers and acquisitions.**

10 A. The Coalition intervened in the Washington and Oregon proceedings that considered
11 ScottishPower’s acquisition of PacifiCorp (Docket Nos. UE-981627 and UM918,
12 respectively). I submitted testimony concerning ScottishPower’s proposal to commit
13 funds for low-income energy services. In addition, I was one of the lead participants in
14 the negotiations between Portland General Electric, Enron Corporation and Public
15 Interest Parties during the development of a Memorandum of Understanding as part of
16 the Oregon proceeding (UM814) that considered the Enron acquisition of Portland
17 General Electric (“PGE”).

18 **Q. Are you sponsoring exhibits in this proceeding?**

19 A. Yes. A list of those exhibits is included in the Table of Contents.

20 **II. PURPOSE OF TESTIMONY**

21 **Q. Please summarize the purpose of your testimony.**

22 A. As part of the agreement to acquire Puget Sound Energy (“PSE”), the Macquarie
23 Consortium (“Consortium”) has made certain commitments in the areas of energy

1 efficiency, renewable energy resources, greenhouse gas emissions, and low-income
2 energy services. These are all critically important issues to PSE's customers and, indeed,
3 to the entire Pacific Northwest region. However, while the Coalition appreciates the
4 intent behind the Consortium's commitments, they are deficient as written due to their
5 lack of specificity, measurability, and accountability. Rather than benefiting PSE's
6 customers (as the Consortium claims), the commitments may represent a public harm in
7 the context of the proposed acquisition. I discuss the Coalition's analysis and
8 conclusions in my testimony.

9 **Q. How is your testimony organized?**

10 A. My testimony is organized in three sections. I first discuss what the Coalition has
11 attempted to learn about the Consortium. In many respects the Consortium is a blank
12 slate, which creates multiple uncertainties that are "negatives" in the policy areas that
13 interest the Coalition. For the above-referenced commitments to offer net benefits to
14 PSE's customers, these "negatives" must be outweighed by "positives" – *i.e.*, by concrete
15 proposals that are substantial, tangible, and meaningful.

16 With this test in mind, I then review the four topics of energy efficiency,
17 renewable energy resources, greenhouse gas emissions, and low-income energy services.
18 For each topic, I present a policy framework and describe PSE's efforts in that area. I
19 review the commitments that the Consortium has given relating to the topic; explain why
20 they are deficient; and recommend necessary modifications. I conclude my testimony
21 with a brief discussion of accountability metrics.

22 **Q. Is the Coalition sponsoring another witness in this proceeding?**

23 A. Yes. Ms. Ann English Gravatt is the Policy Director of the Renewable Northwest Project

1 (“RNP”), a Coalition member. Ms. Gravatt will testify concerning her experience with
2 other mergers and acquisitions in the Pacific Northwest.

3 **III. THE CONSORTIUM APPEARS TO BRING NO ADDITIONAL VALUE TO PSE’S**
4 **CLEAN AND AFFORDABLE ENERGY SERVICES**

5 **Q. What has the Coalition attempted to learn about the Consortium?**

6 A. We reviewed Mr. Leslie’s testimony and exhibits to try to better understand the
7 Consortium’s background and its proposals for PSE. We also submitted data requests
8 that asked for further detail. Our review and inquiry revealed the following:

- 9 • Mr. Leslie had not testified or otherwise taken a position (before this proceeding) on
10 energy efficiency, renewable energy resources, greenhouse gas emissions, or low-
11 income energy services. Nor have the other Board members of Puget Holdings so
12 testified or taken a position on these issues in a formal proceeding, with the exception
13 of Mr. Reynolds. (Exhibit No. ___ (NEH-2 at p. 2))
- 14 • Mr. Leslie states in his testimony that the Consortium will give PSE “broad latitude”
15 and “broad authority” to manage the utility business. (Exhibit No. ___ (CJL-1T) at p.
16 21-22 and p. 23 lines 6-7) Yet in the regulatory proceeding that considered the
17 Consortium’s acquisition of the Aquarion Company, Mr. Leslie and another
18 Macquarie representative testified that the Consortium applies a “very active
19 management style” to the utilities it acquires; employs a “very rigorous business
20 planning process;” and “closely monitors the implementation of [utility business]
21 plans.” (Exhibit No. ___ (NEH-2) at p. 4-6)
- 22 • According to Puget Holdings, the development of the proposed commitments did not
23 affect the development of the legal structure of the proposed transaction, the

1 financing plans of the proposed transaction, or the consideration to be provided to
2 shareholders of Puget Energy, Inc.

3 **Q. What do these facts suggest to you?**

4 A. The current members of the Board of Puget Holdings, except for the three members of
5 the current Puget Energy Board, generally do not appear to have stated positions on
6 energy efficiency, renewable energy resources, greenhouse gas emissions, and low-
7 income energy services.

8 At the same time, it is unclear how Puget Holdings will manage PSE. There is a
9 distinct difference between the management style that Mr. Leslie expressed in his
10 testimony in this proceeding, and the style that he and another Consortium representative
11 expressed during the Aquarion proceeding. If the Consortium does indeed apply a “very
12 active management style” to PSE (through Puget Holdings), and employs a “very
13 rigorous business planning process” to evaluate the utility’s programs, then such an
14 activist approach may affect PSE’s efforts in the areas of energy efficiency, renewable
15 energy resources, greenhouse gas emissions, and low-income energy services. Active
16 management from the new owner could be fine or it could be detrimental – regardless,
17 the prospect of such management is an uncertainty that poses risk for PSE customers and
18 PSE’s public benefit investments.

19 Finally, attributing no financial value to the commitments raises questions about
20 their overall worth. At this point we don’t know what vision the Consortium will outline
21 on clean and affordable energy issues, or the management style it will adopt. This creates
22 multiple uncertainties for the proposed acquisition, which greatly concern the Coalition.
23

1 **Q. You characterized these uncertainties as “negatives.” Could you elaborate?**

2 A. Yes. PSE in its existing form is a known quantity to the Coalition. We have worked with
3 the utility’s staff for years on issues concerning energy efficiency, renewable energy
4 resources, greenhouse gas emissions, and low-income energy services. We are familiar
5 with the current PSE leadership and its approach to these issues.

6 Now, however, PSE has agreed to be acquired by an entity with no apparent
7 record on these issues, but potentially an activist approach to the utility business. It is
8 unclear how PSE’s programs and management staff will fare under these circumstances.

9 Further, we would expect new management to seek efficiencies to reduce costs.
10 Historically, as utilities have sought efficiencies to enhance their bottom line, investments
11 in public purposes have been among the first to be cut. For example, during the move
12 towards electric utility deregulation in the 1990s, the region experienced significant
13 declines in utility acquisition of energy efficiency as utilities became poised to compete
14 with one another.

15 The Coalition regards all of these uncertainties as potential risks of the
16 transaction, which to us are “negatives.”

17 **Q. Are you concerned about any additional uncertainty?**

18 A. Yes. The Joint Application at p. 14, ls. 6-8 and the testimony of Mr. Reynolds (Exhibit
19 No. ___ (SPR-1T) at p. 10, l. 12) suggest that PSE’s management team will remain in
20 place once the transaction closes. But, as of mid-February 2008, no member of PSE’s
21 management had entered into employment agreements with Puget Holdings, Puget
22 Energy or PSE in connection with the proposed transaction. Further, Puget Holdings may
23 not offer employment agreements to members of the management team until after the

1 transaction has closed, which creates additional uncertainty regarding management
2 retention. (Exhibit No. ___ (NEH-3) at p. 1-2)

3 The Joint Applicants acknowledge that, “typically, in proposed mergers, retention
4 of executives can be difficult because executives consider alternative employment as a
5 way of protecting themselves in the event that their position is eliminated.” (Exhibit No.
6 ___ (NEH-3), p. 2) As I mentioned previously, we have worked with PSE’s staff for
7 years on issues related to clean and affordable energy services. The very real possibility
8 that executives and other staff may leave due to uncertainties surrounding the proposed
9 transaction creates additional uncertainties for us.

10 **Q. Can the “negatives” you described be outweighed by “positives”?**

11 A. Yes. In order to outweigh the risks and uncertainties associated with PSE’s continued
12 pursuit (following the transaction’s closing) of energy efficiency, renewable energy
13 resources, greenhouse gas emissions reduction policies and low-income energy services,
14 the Consortium must offer relevant commitments to PSE’s customers that are substantial,
15 tangible, and meaningful. We would then know, going forward, that customers would
16 receive an actual net benefit from this part of the acquisition transaction.

17 **IV. THE CONSORTIUM HAS MADE CERTAIN COMMITMENTS THAT LACK**
18 **SPECIFICITY, MEASURABILITY AND TIMELINES**

19 **Q. Did the Consortium provide any commitments intended to address issues related to**
20 **clean and affordable energy services?**

21 A. Yes. Mr. Leslie discusses various such commitments in his testimony, including six
22 related to energy efficiency, renewable energy resources, greenhouse gas policies, and
23 low-income energy services. (Exhibit No. ___ (CJL-1T) at p. 31-32 and p. 42-43)

1 **Q. What criteria did you use to evaluate the potential effectiveness and meaningfulness**
2 **of these commitments?**

3 A. I assessed each commitment based on its added value beyond the status quo. I examined
4 the level of specificity, measurability (i.e., is the commitment quantified or quantifiable),
5 and duration. I discuss my evaluation of each commitment below.

6 **A. Energy Efficiency**

7 **Q. What are the benefits of energy efficiency?**

8 A. Energy efficiency is the cleanest, cheapest and most abundant source of energy available.
9 In addition to saving money for consumers and utilities, efficiency reduces the need for
10 distribution and transmission system upgrades and reduces our carbon footprint. Policies
11 that support improved efficiency include appliance and equipment efficiency standards,
12 enhanced building codes, tax incentives, and investment and performance standards.

13 **Q. Please provide a policy framework for the topic of energy efficiency.**

14 A. Washington has a long history of promoting energy efficiency and conservation. Exhibit
15 No. ___ (NEH-4) highlights some of the relevant state laws and policies encouraging
16 pursuit of energy efficiency. Several of these laws and policies prioritize energy
17 efficiency as a resource and direct state government to lead by example in efficiently
18 using energy. Various laws promote conservation incentives.

19 Recently (in late 2006), the state's voters approved Initiative 937, which was
20 codified into law as the Energy Independence Act (Chapter RCW 19.285 *et seq.*) ("Clean
21 Energy Act"). As part of the Clean Energy Act, RCW 19.285.020 declares, as state
22 policy, that "*increasing energy conservation* and the use of appropriately sited renewable
23 energy facilities builds on the strong foundation of low-cost hydroelectric generation in

1 Washington state and will promote energy independence in the state and the Pacific
2 Northwest region.” (Emphasis added) This declaration of state policy confirms the
3 important role that energy conservation holds for Washington and for the region.

4 **Q. Does the Clean Energy Act require utilities to pursue conservation measures?**

5 A. Yes. To further the state policy regarding energy conservation, RCW 19.285.040(1)
6 requires utilities such as PSE to “pursue *all available conservation* that is cost-effective,
7 reliable, and feasible.” (Emphasis added) This requirement shows that conservation
8 must play an important role in a utility’s energy resource portfolio.

9 **Q. Please summarize PSE’s current conservation efforts.**

10 A. PSE provides a broad array of energy efficiency services and incentives to its customers.
11 Through its conservation programs, PSE has helped customers save energy and lower
12 their utility bills. As can be seen in the following table, PSE has generally followed an
13 upward trajectory in its energy efficiency savings targets and program budgets over the
14 past several years¹. The Coalition commends the Company for these efforts.

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25 ¹ *PSE Integrated Resource Plan*, May 2007, p. 5-17 & 6-16; *PSE 2007 Energy Efficiency Performance*
26 *Report Card*; *PSE 2003 Energy Efficiency Services Program Results January-December 2003*, February
27 14, 2004; *PSE Energy Efficiency Services Program Results 2007 Annual Report*, February 11, 2008; UE-
28 072235 *Energy Efficiency Services 2008-2009 Appendix B*, November 19, 2007.

Table 1: Annual Energy Efficiency Program Summary for PSE²

PSE Conservation Programs	Sept. 2002 -Dec. 2003 actual	2004-2005 actual	2006-2007 actual	2008-2009 targets
Megawatt hour savings	164,618	344,606	388,563	467,195
Therm savings (millions)	2.3	6.3	5.0	5.3
Electric conservation program costs (million \$)	\$20.4	\$50.4	\$65.1	\$119.5
Gas conservation program costs (million \$)	\$2.5	\$7.3	\$15.1	\$25.3

Q. How does PSE characterize its conservation programs?

A. PSE prepared an *Energy Efficiency* summary that is available on the company’s Web site.

In the summary, the company states that conservation measures “make sense” and are the “right thing to do.” PSE further notes that “one of the best, most cost-effective ways to meet [customers’ energy] needs is to invest in programs that help people use energy as efficiently as possible.” I have included the summary as Exhibit No. ___ (NEH-5) to my testimony.

The Coalition agrees with PSE. Reduced energy usage lowers utility bills and, in the process, puts money in the pockets of local businesses and consumers. In addition, conservation helps avoid construction of costly new power plants and transmission systems, and is a key step in reducing the greenhouse gas emissions that contribute to climate change. These benefits are undeniable and should be encouraged.

² Electric program costs include tariff funding as well as funding through Bonneville’s Conservation and Renewables Discount when that was in effect. Note that not all program cost figures include shareholder funding of low-income weatherization. Also note that the 2002-2003 period represents the 16-month period following implementation of the 2002 global settlement agreement in PSE’s 2001/2002 General Rate Case.

1 PSE further states in the *Energy Efficiency* summary that “we’re building on our energy
2 efficiency heritage and expanding our conservation services.” It is crucial that PSE do
3 so, by expanding its investment in, and promotion of, energy efficiency measures. As the
4 region’s population grows, the tension between load growth in PSE’s service territory,
5 and the availability of supply resources to serve load, will undoubtedly increase.

6 Enhanced conservation will help relieve this tension. In all respects, conservation
7 represents the best way to meet current and future load in the Pacific Northwest in a cost-
8 effective, environmentally-friendly manner.

9 **Q. What does the Consortium say in this proceeding about energy efficiency?**

10 A. Mr. Leslie does not discuss the numerous state policies that promote energy efficiency
11 and conservation, the Clean Energy Act’s declaration of state policy, or the fact that the
12 Clean Energy Act requires utilities such as PSE to actively pursue conservation. He does
13 not discuss PSE’s current conservation programs or the company’s philosophical
14 approach to conservation. Nor does Mr. Leslie propose new programs or commit specific
15 additional resources to enhance PSE’s conservation efforts.

16 Instead, Mr. Leslie’s testimony contains just a single sentence that deals with
17 energy efficiency. Commitment No. 7 states that Puget Holdings “commits to and
18 supports PSE’s energy efficiency goals and objectives set forth in PSE’s May 2007
19 Integrated Resource Plan and its ongoing collaborative efforts to expand and enhance
20 them.” (Exhibit No. ____ (CJL-1T) at p. 31, lines 9-12) No further detail is provided by
21 Mr. Leslie with regard to this commitment.

22

1 **Q. What is your reaction to this commitment?**

2 A. Given the importance of energy efficiency to this state and region, I would have expected
3 Mr. Leslie to further discuss and elaborate on PSE's good work in the field. It is
4 disappointing that the Consortium does not commit specific additional resources to
5 enhance PSE's conservation measures. Mr. Leslie does not explain what the
6 Consortium's commitment to, and support of, PSE's energy efficiency goals and
7 objectives really mean. We are left with a sentence that lacks accountability and
8 longevity.

9 **Q. Can you provide more detail on what the commitment lacks?**

10 A. Yes. For example, the word "support" is a key part of Commitment No. 7. But it is
11 unclear what that word really means in this context. For example, the Consortium could
12 claim that it "supports" PSE's conservation programs in theory, yet fail to provide the
13 company with the resources (financial, staffing, etc.) it needs to fully and effectively
14 implement those programs. Likewise, the Consortium could decide to withdraw its
15 commitment at a later time. Without more precision in Commitment No. 7, it is
16 impossible to gauge its intent, scope, and duration.

17 Further, Commitment No. 7 references just the energy efficiency goals and
18 objectives set forth in PSE's May 2007 Integrated Resource Plan ("2007 IRP"). The 2007
19 IRP represented a snapshot in time, with an action plan focused on 2008-2009, including
20 a 2-year goal of acquiring 28 aMW of electric energy savings annually. If approved, the
21 proposed acquisition would not take effect before the end of 2008. So in essence, the
22 Consortium is committing to support PSE's efforts to acquire 28 aMW of efficiency
23 savings in 2009 – a commitment that is very limited in duration (because it ends next

1 year).

2 In addition, the conservation provisions in the Clean Energy Act become effective
3 in 2010 - yet the commitment is silent on that law. Nor does Commitment No. 7
4 recognize PSE's current efforts to accelerate acquisition of cost-effective energy
5 efficiency – efforts that go above and beyond the requirements of the Clean Energy Act.
6 In summary, the Consortium proposes to support ongoing efforts to expand and enhance
7 PSE's energy efficiency goals and objectives, but does not provide specific, measurable
8 action items to demonstrate that support.

9 Puget Holdings appears to punt to the “collaborative efforts” as the means to
10 expand and enhance PSE's efficiency goals. The Coalition is a member of PSE's
11 Conservation Resources Advisory Group and we appreciate the hard work and
12 commitment of the staff and other members involved. But ultimately, the Company is
13 the decision-maker and the direction of the management guides those decisions.

14 **Q. Did the Coalition ask the Consortium to clarify the commitment?**

15 A. Yes. In NWECA Data Request No. 1.07, we asked the Consortium to explain the intent
16 behind Commitment No. 7. I have included the Consortium's response as Exhibit No.
17 ____ (NEH-6) to my testimony. In its response, the Consortium stated that the
18 commitment's words “have the ordinary meaning of such words.” This response does
19 not clarify the commitment.

20 In Part 1.7.2 of the same data request, we asked if the language in Commitment
21 No. 7 means that the Consortium will not modify PSE's conservation goals and
22 objectives. The Consortium stated in response that it has no “current intent” to modify
23 the goals and objectives. Taking this response at face value, the Consortium appears to

1 reserve the right to modify the goals and objectives in the future. Similarly, the
2 Consortium has stated that its commitments have no specific duration – which means that
3 the Consortium could withdraw the commitment on energy efficiency at any time in the
4 future. I recognize that modifications could go either way: increasing targets or
5 decreasing them. Under these circumstances, this language creates uncertainty and risk
6 and we have little to suggest that Commitment No. 7 is truly meaningful.

7 We also asked the Consortium to identify the criteria that determine compliance
8 with the commitment, as well as the consequences that result from noncompliance. But
9 the Consortium stated that these criteria do not exist and that consequences from
10 noncompliance will not result. This position amounts to “trust us” – which leaves the
11 Coalition unable to verify that the Consortium will in fact support efforts to expand and
12 enhance PSE’s conservation goals. We see little if any value added from Commitment
13 No. 7.

14 **Q. How does the Consortium frame the commitment?**

15 A. Mr. Leslie states that Commitment No. 7 “benefits” the utility’s customers. (Exhibit No.
16 ___ (CJL-1T) at p. 31, lines 19-20)

17 **Q. Do you agree with Mr. Leslie that Commitment No. 7 represents a benefit?**

18 A. No. The commitment as written does not offer a concrete proposal that would benefit
19 PSE’s customers relative to the status quo, *i.e.*, the current ownership structure. There is
20 no benefit that outweighs the risk factors I discussed earlier.

21 **Q. What should the Consortium do to improve the commitment?**

22 A. The Consortium should acknowledge PSE’s leadership role in accelerating acquisition of
23 energy efficiency and commit specific resources that are necessary to tackle barriers that

1 hinder the utility's program effectiveness. Such barriers might include landlord/tenant
2 conflicts, customer education and marketing, access to capital, and lack of availability of
3 financial incentives.

4 A commitment to the 2007 IRP is a commitment anchored in the past. The
5 Consortium is presumably acquiring PSE based on expectations of the future. The
6 efficiency commitment should reflect the same expectations. Much has transpired in the
7 utility world in the past two years, which has raised the profile of energy efficiency and
8 increased expectations for this resource. In November 2007, McKinsey & Company
9 released a national study, *Reducing U.S. Greenhouse Gas Emissions: How Much at What*
10 *Cost?*³, showing that efficiency improvements in buildings, appliances, equipment, and
11 industrial sectors could offset almost 85% of electric load growth in 2030. This would
12 largely negate the need for new coal plants. McKinsey found that the efficiency
13 investments provide a net economic benefit (e.g. savings outweigh the costs).

14 The Pacific Northwest is on an accelerated path to capture all possible cost-
15 effective energy savings due to the rising cost of new supply resources and the need to
16 reduce greenhouse gas emissions. According to Bill Booth, chairman of the Northwest
17 Power and Conservation Council (Council), 2007 was a record year for gains in electric
18 power efficiency in the region, with actual savings of 200 aMW that far exceeded the
19 region's goal of 140 aMW.⁴ The Northwest Energy Efficiency Alliance (NEEA) is
20 developing a new strategic plan that may lead to an expansion of NEEA's scope and
21 increase its market transformation efforts. The Bonneville Power Administration and the
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23 ³ <http://www.mckinsey.com/client-service/ccsi/greenhousegas.asp>

24 ⁴ <http://www.nwcouncil.org/library/releases/2008/0514.htm>

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1 Council have launched the Northwest Energy Efficiency Task Force to examine ways in
2 which the region can ramp up its efficiency acquisition efforts by targeting key market
3 barriers and market failures that have constrained utility and consumer energy savings
4 efforts in the past.

5 The Consortium should acknowledge this acceleration of effort, recognize that
6 PSE is on the leading edge, and lay out a vision for this continued leadership and the
7 commitment to new resources necessary to tackle market barriers that hinder PSE's
8 program effectiveness. For example, PSE has experienced some challenges in
9 aggressively pursuing gas conservation savings – so the Consortium could commit
10 resources specifically to help PSE address and overcome related market barriers. In
11 summary, the Consortium should commit specific resources to ensure PSE's conservation
12 programs have sufficient budgets and staff to achieve accelerated savings targets, and that
13 PSE has sufficient resources to aggressively market and promote its programs to its
14 customers.

15 **Q. What specific elements would you like added to Commitment No. 7?**

16 A. I would like to see the following specific, measurable, time-oriented action items
17 included in Commitment No. 7:

- 18 • Within five years of closing of the proposed transaction, PSE will acquire at least
19 2% of its annual electric load through customer-level energy efficiency programs
20 and at least 1% of its annual gas load through customer-level energy efficiency
21 programs, and will sustain that level of effort for at least three years. To
22 accomplish those increased savings, PSE will ramp up its energy efficiency
23 budget, staffing, and marketing and promotional efforts.

- 1 • In addition to increasing savings from its end-use energy efficiency programs,
2 PSE commits to specific energy efficiency improvements in its distribution,
3 transmission and generation assets.
- 4 • The Joint Applicants will support increased funding for NEEA in the next budget
5 cycle if the outcome of the strategic planning process finds expanded
6 opportunities for market transformation measures.

7 **B. Renewable Energy Resources**

8 **Q. Please provide a policy framework for the topic of renewable energy resources.**

9 A. Similar to energy efficiency, state laws and policies emphasize the importance of
10 developing and using renewable energy resources – to promote energy self-sufficiency,
11 diversity, environmental protection, quality of life, and jobs. Various laws promote
12 incentives for renewable energy. Exhibit No. ___ (NEH-4) highlights some of the
13 relevant state laws and policies encouraging use of renewable energy resources.

14 The Clean Energy Act exemplifies the state’s progressive approach to renewable
15 energy development. RCW 19.285.040(1) states, as an additional declaration of state
16 policy, that “*appropriately sited renewable energy facilities...* will promote energy
17 independence in the state and the Pacific Northwest region.” (Emphasis added).

18 The Clean Energy Act also adopts what is commonly known in the energy
19 industry as a Renewable Portfolio Standard, or “RPS.” The RPS for this state (RCW
20 19.285.040) requires utilities such as PSE to, in the future, meet specified percentages of
21 their load with renewable energy resources.

22

1 **Q. Has PSE taken steps to develop and promote renewable energy resources?**

2 A. Yes. Even before the Washington RPS was adopted, PSE was widely regarded as a
3 leader in the regional utility industry in terms of the company's development and
4 promotion of renewable energy resources. PSE developed, constructed, and is now
5 generating power from the Wild Horse and Hopkins Ridge Wind Projects, with a
6 combined generating capacity of 379 MW according to the company's 2007 IRP. This
7 spring, PSE announced plans to expand its Wild Horse Wind facility by 40-50 MW.
8 These projects make PSE the first and, so far, the only utility in the Pacific Northwest to
9 solely own and operate large wind-powered generation facilities. (2007 IRP, p. 11) The
10 Coalition commends the Company for these efforts.

11 PSE also constructed the Wild Horse Solar Facility, which is the largest such
12 facility in the Pacific Northwest. The first installation can generate up to 450 KW. More
13 panels are contemplated for the Facility. (2007 IRP, p. 11) And PSE recently announced
14 an agreement with Farm Power to develop up to 1.5 MW of dairy digester renewable
15 energy generation.

16 PSE's progressive approach to renewable energy resources extends to customer-
17 level programs. The utility's Green Power Program, one of the top 10 green power
18 programs in the country according to the National Renewable Energy Laboratory (2005
19 and 2006), serves customers who voluntarily purchase power generated from renewable
20 resources. The Customer Renewables Program serves customers who generate renewable
21 energy on a small scale. This program focuses on net metering opportunities and
22 providing customers with an incentive payment for generating their own electricity with

1 solar photovoltaics, wind, or anaerobic digesters. More and more customers are
2 participating in these programs each year. (2007 IRP, p. 5-18 and 5-20)

3 PSE prepared a *Renewable Energy* summary that is available on the company's
4 Web site, and that I have included as Exhibit No. ____ (NEH-7) to my testimony. The
5 summary states that "renewable sources of energy, such as electricity produced from the
6 wind, the sun, or otherwise landfilled waste products, will be an *increasingly important*
7 *part of the Northwest's energy future.*" (Emphasis added) The Coalition agrees with
8 PSE. We further believe that regional policymakers and regulators should do everything
9 possible to ensure that the utility's expectation for renewable energy resources becomes a
10 reality. Renewable energy resources are the lowest cost and lowest risk supply-side
11 generation option in a carbon-constrained world.

12 **Q. What does the Consortium say in this proceeding about renewable energy**
13 **resources?**

14 A. Mr. Leslie does not discuss the Clean Energy Act's declaration of state policy, PSE's
15 experience with renewable energy development, or the company's philosophical
16 approach to these resources. Nor does he propose any new programs or commit specific
17 Consortium resources to enhance PSE's development of renewable energy resources.

18 Instead, Mr. Leslie offers two commitments on this topic. Commitment No. 4
19 states that Puget Holdings "acknowledges PSE's obligations under Washington's
20 Renewable Portfolio Standard and commits to support PSE with additional expertise and
21 capital as necessary to enable PSE to fulfill those obligations." Commitment No. 5 states
22 that Puget Holdings "commits to work with PSE to acquire all renewable energy
23 resources required by law and such other renewable energy resources as may from time

1 to time be deemed advisable in accordance with its biennial integrated resource planning
2 process.” (Exhibit No. ___ (CJL-1T) at p. 31, lines 1-5) No further detail is provided by
3 Mr. Leslie with regard to either commitment.

4 **Q. What is your preliminary reaction to these commitments?**

5 A. Considering the importance of new renewable energy development, in this state and in
6 this region, I would have expected the Consortium to embrace PSE’s leadership role in
7 this specific area; commit specific additional resources to the utility’s efforts; and show
8 some value added relative to the status quo.

9 **Q. Do you have specific comments on the portion of these commitments that reference**
10 **the Clean Energy Act?**

11 A. Yes. Commitment No. 4 states that the Consortium “acknowledges PSE’s obligations”
12 under the Washington RPS, and Commitment No. 5 states that Puget Holdings “commits
13 to work with PSE to acquire all renewable energy resources required by law.” But those
14 legal obligations exist regardless of whether the Consortium acknowledges them or not.
15 Mr. Leslie’s statement that the Consortium knows the law, and will attempt to comply
16 with the law, does not offer an added benefit to customers. PSE and its current
17 management already understand the company’s obligations under the RPS.

18 With regard to the RPS itself, it is possible that the Washington Legislature could
19 decide in the future to amend the standard. If this were to occur, then the scope of
20 Commitment Nos. 4 and 5 would change -- because those commitments are based on
21 PSE’s obligations under the RPS. Given PSE’s ambitious agenda for renewable energy
22 development and its desire to surpass the RPS (see discussion below), it is a step
23 backward for the Consortium to offer commitments that hinge not on enhancing PSE’s

1 good work in the field, but only on meeting legal obligations that may someday change,
2 for better or worse.

3 **Q. Do the Joint Applicants plan to lobby the Legislature for modifications to the Clean**
4 **Energy Act ?**

5 A. That is unclear. In response to a NWEC data request, PSE indicates it “has no present
6 intention to propose, lobby, or otherwise advocate for revisions to the Act, the Standard,
7 and/or PSE’s obligations under the Act and Standard.” That statement leaves the door
8 open for PSE to pursue amendments in 2009 that could have the overall effect of
9 weakening the Act. Further, “PSE has not discussed with Puget Holdings LLC or any
10 member of the Investor Consortium whether to propose, lobby, or otherwise advocate for
11 revisions to the Act, the Standard, and/or PSE’s obligations under the Act and Standard.”
12 Thus we have no sense of the Consortium’s views regarding potential modifications to
13 the Clean Energy Act. (Exhibit ___ (NEH-8))

14 **Q. Do the commitments address the customer-level renewable energy programs that**
15 **you referenced previously?**

16 A. No. Commitment Nos. 4 and 5 do not address the customer-level renewable energy
17 programs that I discuss above. The Green Power Program is not insignificant. According
18 to the 2007 IRP (p. 5-18), 17,426 PSE Green Power Program subscribers purchased
19 131,742 MWh in 2006. In my opinion, this program warrants a mention, yet receives
20 none.

1 **Q. Will customers benefit from the Consortium’s commitment to provide additional**
2 **expertise and capital to PSE?**

3 A. We don’t know. PSE and Puget Holdings do not assert that the utility needs additional
4 expertise or capital in order to fulfill its obligations under the RPS. (Exhibit No. ____
5 (NEH-9)) A commitment to provide something that is not needed does not benefit PSE’s
6 customers.

7 What the Consortium has *not* offered, but what would represent a real and
8 tangible benefit to PSE’s customers, is a specific, quantified promise to support those
9 renewable energy programs that go *above and beyond* the utility’s obligations under the
10 RPS. This is not an academic issue. PSE states in response to a data request that it has a
11 target to meet 10% of its energy needs by 2013 with new renewable energy resources.
12 This ambitious objective exceeds the much more modest requirement, under the RPS,
13 that PSE meet only 3% of its energy needs by 2012 with such resources. I have included
14 PSE’s response to this data request as Exhibit No. ____ (NEH-10) to my testimony.

15 Commitment No. 4 does not offer such a promise. Instead, the Consortium says
16 that it will provide additional expertise and capital to help the utility fulfill its
17 “obligations” – but not to enhance PSE’s leadership role or to enable the utility to meet
18 its ambitious objective for renewable energy resources. PSE has significant power
19 supply needs and has identified renewable resources as a leading lower-cost, lower-risk
20 resource to meet these needs. The commitment as presented represents a step backward
21 from what PSE is already attempting to achieve.

22

1 **Q. Will customers benefit from the Consortium’s commitment to work with PSE to**
2 **acquire resources under the utility’s resource planning process?**

3 A. No. This is merely a commitment to acquire resources that the IRP identifies as lowest
4 cost and lowest risk. Acquisition of the resources identified in an IRP is an important
5 factor when the Commission makes a post-development prudency determination, which
6 applies to PSE regardless of any commitment that the Consortium makes.

7 Development of renewable energy will benefit PSE’s customers. PSE’s recent
8 IRPs prove that renewables are an important part of a well-balanced portfolio of power
9 supply: they avoid the fuel price risk of natural gas and the environmental risks
10 associated with coal. Because PSE is already attempting to acquire renewable resources,
11 the commitment does not offer a net benefit relative to what PSE is already doing and
12 what it is required to do.

13 **Q. How does the Consortium characterize Commitment Nos. 4 and 5?**

14 A. Mr. Leslie states that these commitments will “benefit” PSE’s customers. (Exhibit No.
15 ___ (CJL-1T) at p. 31, lines 19-20)

16 **Q. Do you agree with Mr. Leslie that the commitments represent a benefit?**

17 A. No. The commitments as written do not offer a concrete proposal that would benefit
18 PSE’s customers relative to the status quo, *i.e.*, the current ownership structure. There is
19 no benefit that outweighs the risk factors I discussed earlier.

20 **Q. What should the Joint Applicants do to improve Commitment Nos. 4 and 5?**

21 A. The Joint Applicants should commit to the following specific action items.

- 1 • The Joint Applicants commit specific and quantified resources that will enable
2 PSE to meet its internal objective of serving 10% of load with renewable energy
3 resources by 2013.
- 4 • The Joint Applicants commit to increase penetration of the Green Power Program
5 to at least 2% of PSE's annual load and at least 5% of electric customers
6 subscribed within 5 years of the close of the proposed transaction.
- 7 • Within the Customer Renewables Program, the Joint Applicants commit to offer
8 customers each year the investment cost recovery incentive authorized by RCW
9 82.16.120 for as long as the law is in effect. Additionally the Joint Applicants
10 commit specific resources to market and promote net metering.
- 11 • The Joint Applicants commit to advance solutions and provide analyses and
12 resources on transmission issues, pricing policies, siting requirements, and
13 interconnection and integration policies. There are a number of critical
14 infrastructure needs and renewable energy policy issues that require analysis and
15 resources.
- 16 • The Joint Applicants commit to advocate in the 2009 legislative session to
17 maintain the integrity of the Clean Energy Act (RCW 19.285) and oppose
18 amendments that would have the overall effect of weakening the Act.

19 **C. Greenhouse Gas Emissions**

20 **Q. Please provide a policy framework for the topic of greenhouse gas emissions.**

21 A. Washington State has acknowledged the tremendous impact of climate change on the
22 state's economy and environment and has set forth a number of policies to reduce
23 greenhouse gas emissions. In February 2007, Governor Gregoire issued an Executive

1 Order with specific emission reduction goals and timelines (Executive Order 07-02).
2 That same month, Washington joined four other states and one Canadian province in
3 establishing the Western Climate Initiative (WCI). WCI has now grown to include seven
4 states and three provinces. WCI members have established a goal of reducing greenhouse
5 gas emissions by 15% below 2005 levels by 2020 and continuing emissions reductions
6 thereafter. In May 2007, the Washington Legislature ratified the Governor's goals and
7 established a greenhouse gas emissions performance standard for fossil fuel power plants
8 (RCW 80.80).

9 In April 2008, the Washington Legislature established a basic framework for
10 implementing emissions reductions across the state and preparations for developing and
11 administering a cap and trade system to support emissions reductions (E2SHB 2815). The
12 electric and gas sectors are front and center in all of these policy measures targeted at
13 reducing greenhouse gases. Exhibit No. ___ (NEH-4) further highlights some of the
14 relevant state laws and policies focused on reducing greenhouse gas emissions.

15 **Q. Has PSE adopted a policy with respect to this issue?**

16 A. Yes. PSE has adopted a *Greenhouse Gas Policy* that is available on the company's Web
17 site. I have included the Policy as Exhibit No. ___ (NEH-11) to my testimony. In the
18 Policy, PSE states that it "recognizes and concurs with the growing concern that
19 increased atmospheric concentration of greenhouse gases contribute to climate change."
20 PSE further states that "climate change is a very important issue that requires careful
21 analysis and reasoned responses from policy makers."

22 The Coalition agrees with PSE that climate change is a very important issue.
23 Climate change is the issue of our time and requires as much vision and leadership as

1 possible. The Council prepared an analysis of the carbon footprint of the Northwest
2 power system. It found that in order to meet the WCI goals for the electric sector by
3 2020, the Northwest power system will need to reduce CO₂ emissions by 9 million metric
4 tons – equivalent to the emissions of three existing coal plants serving the region. If the
5 region is to meet the 80% reduction goals by 2050 that scientists with the International
6 Panel on Climate Change say is necessary to avoid climate catastrophe, the region will
7 need to retire and replace 4,000 - 6,000 MW of coal serving the Northwest. That is a
8 challenge that should not be ignored by the Consortium.

9 **Q. What does the Consortium say in this proceeding about greenhouse gas emissions?**

10 A. Mr. Leslie does not pledge specific additional resources to assist PSE in implementing
11 the strategies that the company identifies and advocates in its *Greenhouse Gas Policy*.
12 Instead, he offers a single statement -- Commitment No. 6 -- to the effect that “Puget
13 Holdings commits to and supports PSE’s Greenhouse Gas and Carbon Policy contained
14 in PSE’s current Integrated Resource Plan.” No further detail is provided by Mr. Leslie
15 with regard to this commitment.

16 **Q. What is your reaction to this commitment?**

17 A. Commitment No. 6 suffers from many of the deficiencies that I discussed earlier
18 regarding the other commitments. The commitment represents the status quo and is
19 welcome but insufficient in providing a value added to PSE customers. Commitment No.
20 6 has no specific duration; there are no criteria to measure compliance; and failure to
21 follow through does not result in any consequences. Further, the commitment is limited
22 to PSE’s *current* IRP (the 2007 IRP). This imposes no obligation upon the Consortium to

1 support the policies that PSE may develop outside the scope of the integrated resource
2 planning process, or the policies that PSE may develop in future IRP.

3 **Q. How does the Consortium characterize Commitment No. 6?**

4 A. Mr. Leslie states that this commitment will “benefit” PSE’s customers. (Exhibit No. ____
5 (CJL-1T) at p. 31, lines 19-20)

6 **Q. Do you agree with Mr. Leslie that the commitment represents a benefit?**

7 A. No. The commitment as written does not offer a concrete proposal that would benefit
8 PSE’s customers relative to the status quo, *i.e.*, the current management support for
9 addressing greenhouse gas emissions. There is no benefit that outweighs the risk factors
10 I discussed earlier.

11 **Q. What should the Joint Applicants do to improve Commitment No. 6?**

12 A. The Joint Applicants should commit to the following specific action items.

- 13 • The Joint Applicants commit to adhere to the intent of RCW 80.80 rather than the rules
14 (173-407 WAC) that allow blending of renewable resources and coal-fired market
15 purchases in long-term power contracts. Further, the Joint Applicants commit to support
16 legislative changes to RCW 80.80 that close this loophole.
- 17 • The Joint Applicants commit to become carbon neutral within all of Puget Holding’s
18 own operations. The Joint Applicants will contract with an independent third party to
19 evaluate the Company’s carbon footprint, then establish a timeline for internal emissions
20 reductions and/or offsets to reduce that carbon footprint.
- 21 • The Joint Applicants commit to develop a voluntary program for all natural gas
22 customers within two years of closing of the proposed transaction. That program will

1 enable customers to voluntarily offset the greenhouse gas emissions associated with their
2 direct use of natural gas.

- 3 • The Joint Applicants commit to review and consider adoption of the final staff
4 recommendations in Oregon Public Utilities Commission docket UM1302 regarding a
5 framework for incorporating carbon risk into utility integrated resource planning.

6 Within 12 months of the closing of the proposed transaction, the Joint Applicants will
7 report to the Commission and the intervenors in this proceeding on the results of the
8 Company's assessment of these recommendations and their applicability to PSE's IRP
9 process.

- 10 • The Joint Applicants commit to develop and implement a fuel-switching program that
11 captures the economic and greenhouse gas emissions benefits identified in the recent
12 study of PSE's electric and gas customers. The Joint Applicants will work with electric
13 utilities in PSE's gas service territory to determine if a joint fuel-switching program
14 offers similar economic and environmental benefits. Within 12 months of the closing of
15 the proposed transaction, the Joint Applicants will report to the Commission and the
16 intervenors in this proceeding on the results of these studies.

17 **D. Low-Income Energy Services**

18 **Q. Please provide a policy framework for the topic of low-income energy services.**

19 A. The state has adopted several policies that recognize the vulnerability of low-income
20 energy system customers. The objective of these policies is to provide energy services at
21 the lowest total cost, and ensure access to affordable energy services for all customers.
22 The policies encourage and support the delivery of low-income energy services,
23 including weatherization of low-income households and the provision of energy bill

1 payment assistance by government, corporate, and non-profit programs. Exhibit No. ____
2 (NEH-4) highlights some of the relevant state laws and policies supporting low-income
3 energy services.

4 **Q. Is the need for these services particularly acute today?**

5 A. Yes. Ms. Barbara Alexander, witness for The Energy Project and Public Counsel,
6 states at p. 54 of her direct testimony in PSE's current rate case -- Docket Nos. UE-
7 072300 and UG-072301 -- that the needs of the utility's low-income customers are
8 exacerbated by the current recession. The Coalition agrees with Ms. Alexander. These
9 customers are suffering from, and trying to cope with, the effects of the credit and
10 mortgage crisis; mounting job losses; and dramatic increases in gasoline, food, housing,
11 medical, and other household costs. These trends are likely to affect the ability of PSE's
12 low-income customers to pay for and retain essential utility services.

13 **Q. Does PSE provide services to benefit its low-income customers?**

14 A. Yes. PSE has provided energy efficiency services for low-income customers as part of its
15 conservation programs for many years. As part of the Settlement Stipulation in PSE's
16 2001/2002 general rate case, the parties agreed and the Commission approved low-
17 income energy efficiency program funding at \$2.3 million annually: \$1.2 million in
18 rider/tracker funding and the remaining \$1.1 million from Bonneville Power
19 Administration Conservation and Renewables Discount funds and shareholder funds.
20 According to the Stipulation, that budget could increase or decrease in future years
21 according to demand. (Exhibit F to Settlement Stipulation, Docket Nos. UE-011570 and
22 UG-011571) The budget for low-income energy efficiency services has increased since

1 then, but not in a comparable fashion to the level of increase seen for residential and
2 commercial customers.

3 The Settlement Stipulation in the 2001/2002 general rate case also established
4 PSE's ongoing low-income energy bill assistance program, now known as the Home
5 Energy Lifeline Program (HELP), with a total \$8.9 million annual revenue cap (\$8.6
6 million available for the program, adjusted by a conversion factor). The Stipulation set
7 income eligibility criteria, agency administration criteria, compliance filing and
8 evaluation requirements, and an individual annual benefit cap per qualifying household.
9 (Exhibit G to Settlement Stipulation, PSE General Rate Case, Docket Nos. UE-011570
10 and UG-011571) The budget for low-income electric energy assistance was subsequently
11 increased through the partial settlement agreement in PSE's 2006 general rate case (UE-
12 060266). PSE also continues to offer qualified low-income families with assistance
13 through its Warm Home fund, PSE's partnership with the Salvation Army. That program
14 is funded through voluntary customer, employee, and corporate donations.

15 **Q. What does the Consortium say in this proceeding about low-income energy**
16 **services?**

17 A. Mr. Leslie does not discuss PSE's HELP program, low-income energy efficiency
18 program or the policies that recognize the vulnerability of low-income utility customers.
19 Nor does he discuss the significant needs of these customers in the current economic
20 climate. Mr. Leslie does not commit specific resources that would augment the HELP
21 program or otherwise benefit PSE's low-income customers.

22 Instead, Mr. Leslie offers two commitments on this topic. Commitment No. 23
23 states that "PSE and Puget Holdings commit to maintain existing low-income programs."

1 Commitment No. 24 states that “PSE and Puget Holdings commit to continue to work
2 with low-income agencies to address issues of low-income customers.” (Exhibit No. ____
3 (CJL-1T) at p. 42 lines 6-10) No further detail is provided by Mr. Leslie with regard to
4 either commitment.

5 **Q. What is your reaction to these commitments?**

6 A. Commitment Nos. 23 and 24 feel as if they were prepared far away from PSE’s
7 community and with no real sense of the importance of low-income energy programs in
8 meeting the needs of PSE’s customers. As Ms. Alexander’s ratecase testimony outlines,
9 the need for increased program offerings is substantial, yet the Consortium commits
10 merely to “address issues of low income-customers.” What issues might those be? The
11 Coalition is left to speculate on what issues Puget Holdings might address with low-
12 income agencies. The words in Commitment Nos. 23 and 24 provide no benefit beyond
13 PSE’s current commitments and no indication of the importance of supporting our most
14 vulnerable citizens. The commitments do not offer tangible and meaningful benefits to
15 PSE’s customers.

16 **Q. Do you have other comments on the commitments?**

17 A. Yes. It is particularly disappointing that the Consortium does not propose to expand low-
18 income services and the funding for them, or even commit to any funding level at all.
19 This is a significant deficiency in the commitments.

20 The Consortium states in Commitment No. 24 that it will work to address “issues
21 of low-income customers.” In addition to not knowing what “issues” might be addressed
22 as stated above, the Consortium is silent on the critical element of funding that underlies
23 and supports the delivery of low-income services.

1 In the hopes of getting more specific clarification as to the breadth and detail
2 behind Commitment Nos. 23 and 24, the Coalition asked the Consortium in NWECA Data
3 Request No. 1.08 to explain what the words “commit to maintain” and “commit to
4 continue to work” mean in the context of these Commitments. The Consortium
5 responded that these words have the “ordinary meaning of such words.” I have included
6 this response as Exhibit No. ___ (NEH-12) to my testimony as evidence of a commitment
7 with no measurability or timeline.

8 Part 1.82 of the same data request asked the Consortium about low-income
9 program funding. The Consortium responded that it does *not* commit to increase funding
10 for PSE’s low-income programs. The Consortium agrees only to “consider” a potential
11 increase, without offering any details about how and when and under what criteria this
12 consideration may occur.

13 I acknowledge that it is not the job of the proposed new owner of PSE to single-
14 handedly close the gap in the low-income energy assistance program. However, it is
15 appropriate to ask the new owner of Washington’s largest electric and gas utility to bear a
16 fair share of the load. Commitments should offer something meaningful and substantial
17 to the estimated 170,000 or so low-income households in PSE’s service territory.

18 **Q. Does the Consortium’s unwillingness to commit funding for low-income services**
19 **contrast with ScottishPower’s position in Docket No. UE-981627?**

20 A. Yes. In Docket No. UE-981627, ScottishPower proposed initially to commit \$1.5 million
21 to support the delivery of low-income energy services (in addition to PacifiCorp’s
22 commitment of \$1.5 million). I submitted testimony on this issue. Although I criticized
23 ScottishPower’s proposal because the company’s allocation methodology was too vague,

1 I also stated that the proposal was a step in the right direction -- because ScottishPower
2 was at least willing to commit specific additional funds to support specific low-income
3 energy services.

4 ScottishPower's pledge to commit specific additional funds to support low-
5 income energy services contrasts with the Consortium's position in this proceeding. The
6 Coalition is disappointed that the Consortium did not follow ScottishPower's lead by
7 committing specific funds for these services.

8 **Q. What should the Consortium do to improve Commitment Nos. 23 and 24?**

9 A. The Consortium should adopt and implement the recommendations that we understand
10 Ms. Alexander will be presenting on behalf of The Energy Project and Public Counsel in
11 this proceeding concerning low-income assistance and home weatherization. We
12 understand her recommendations are specific, measurable, and time-oriented. In addition,
13 we recommend the Consortium commit to work with the community action agencies in
14 PSE's service territory to collect data about PSE's low-income customers that will help in
15 modifying the utility's assistance and efficiency programs to maximize effectiveness and
16 penetration.

17 **V. ACCOUNTABILITY METRICS ARE CRITICAL TO ENSURE THE**
18 **COMMITMENTS ARE REAL**

19 **Q. Have the Joint Applicants proposed any benchmarks or specific measurable criteria**
20 **to measure compliance with the Commitments?**

21 A. No, and the application is deficient as a result. Measures of accountability are critical to
22 ensure the Commitments are meaningful.

23

1 **Q. What would you suggest as a means to provide accountability?**

2 A. In addition to ensuring commitments are specific, measurable, and time-oriented, the
3 Joint Applicants at a minimum should agree to provide the Commission with an annual
4 status report detailing actions associated with each commitment. As discussed in Ms.
5 Gravatt's testimony (Exhibit No. ____ (AEG-1T)), that approach is being used pursuant to
6 Oregon Public Utility Commission Order No. 06-121 granting approval for the
7 acquisition of PacifiCorp by MidAmerican Energy Holdings Company. Should the Joint
8 Applicants fail to achieve a commitment, they should agree to make amends within a
9 specified timeframe or accept appropriate penalties.

10 **VI. CONCLUSION**

11 **Q. Do you have any concluding remarks with regard to the commitments?**

12 A. Yes. As stated at the beginning of my testimony, the Coalition appreciates the intent of
13 the Consortium's commitments to energy efficiency, renewable energy resources,
14 greenhouse gas emissions reductions and low-income energy services. However, we
15 strongly believe these commitments must be modified to include specific, measurable,
16 time-oriented outcomes. Further, the Consortium must be held accountable to its
17 commitments. Only then can the proposed transaction as it relates to these issue areas be
18 considered beneficial to PSE's customers and avoid negative risks and uncertainties.

19 **Q. Does this conclude your testimony?**

20 A. Yes.

21