

BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	DOCKET NO. UE-100749
TRANSPORTATION COMMISSION)	
)	
Complainant,)	
)	
v.)	
)	
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)

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I. INTRODUCTION

- 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 in PacifiCorp's Washington service territory.

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

2 Q. What specific issues do you address?

3 A. The company has requested a sizable revenue increase in this case, nearly 21%.
4 This will have severe consequences for PacifiCorp’s low-income customers. The
5 resulting rate increase and proposed changes to the Low-Income Bill Assistance
6 program (LIBA) raise issues that the Energy Project believes must be addressed.
7 Those issues are:

- 8 1) The Energy Project believes the increase in LIBA funding must be
9 sufficient to provide meaningful relief for program participants as well as
10 extending help to more households in the community;
11 2) The Company has proposed changes to the LIBA program delivery that
12 endanger the ability of the agencies to provide service;
13 3) The Energy Project opposes the proposed increase in the basic monthly
14 charge from \$6.00 to \$9.00 as harmful to small users and discouraging to energy
15 efficiency; and
16 4) The level of energy efficiency funding for low-income households should
17 be increased.

18 **III. ANALYSIS**

19 **A. LIBA FUNDING**

20 Q. Would you describe the Company’s proposed change to the Low-Income Bill
21 Assistance program (LIBA) funding?

22 A. As I understand it, the Company has requested a 21% increase in revenues
23 and offered to increase the LIBA funding by a commensurate amount. They

1 have also proposed dividing the incremental increase by using 70% to
2 increase the discount for the existing program and 30% to serve additional
3 customers.

4 Q. Please explain the concerns you have about this proposal.

5 A. While we greatly appreciate the Company's willingness to sponsor an
6 increase to the LIBA program, our first concern is that the Company should
7 increase the LIBA funding an amount equal to whatever rate increase is
8 granted. Second, the LIBA funding increase should be tied to the increase
9 applied to the residential class rather than the overall rate increase, as these
10 customers pay the residential rate.

11 Q. Do you have concerns about splitting the incremental increase between
12 deepening the existing discount and serving additional customers?

13 A. Yes, we do. This gets right at the heart of a conflict in trying to make such
14 programs effective. There is significant tension between providing a
15 meaningful benefit to a participating household on the one hand and the
16 desire to serve more households in the program on the other. If the benefit
17 level is set effectively, more households stay connected to vital services,
18 disconnection and reconnection costs are avoided, and they continue to pay
19 at least something toward their bills. The Commission has recognized that
20 this has benefits for other rate payers as well as program participants. In
21 Docket UE-061546, the Commission, in its Final Order, stated: "Increasing
22 the LIBA program funding...should allow more customers who otherwise
23 would be unable to pay their bills remain on the system. We find merit in the

1 argument that such customers' contribution to PacifiCorp's recovery of fixed
2 costs benefits all customers." Order 08 at p. 50.

3 Q. What reason have you to believe that the LIBA benefit might not be
4 sufficiently effective?

5 A. The question is raised when we compare the average LIBA participant
6 benefit to those of participants in other, comparable programs. For example,
7 the average heat benefit in Avista's Low Income Rate Assistance Program is
8 \$555.¹ The average benefit for a household participating in HELP, PSE's rate
9 assistance program, is \$462.² By comparison, the average LIBA benefit is
10 \$220. While there are differences between these utilities that might account
11 for some of the difference, we believe the LIBA benefit is low. The federal
12 Low Income Home Energy Assistance Program (LIHEAP) provides yet
13 another touchstone. According to Bob Castoldi, manager of energy assistance
14 programs for Blue Mountain Action Council, the average electric benefit
15 provided through LIHEAP last year was \$384, roughly 1.75 times PacifiCorp's
16 average benefit.

17 Q. Are there other differences in the programs, that is PSE's "HELP," AVISTA's
18 "LIRAP," and LIHEAP?

19 A. The LIBA program is a rate discount that is only available during the six
20 months of the heating season. The other programs base the benefit level on

¹ Avista Low-Income Rate Assistance Program (LIRAP): Annual Summary Report, For the period May 2008 through April 2009, p. 2. The same report for the following year cites approximately the same average (\$554.53) for the 2009-2010 program year on p. 6.

² Personal correspondence with Suzanne Hanson, PSE Program Manager.

1 the annual bill and a participant can apply and receive the benefit for a
2 longer time of the year though in all cases participation typically drops off in
3 late spring through the summer.

4 Q. How could the LIBA program have a greater benefit?

5 A. The discounts could be recalculated to provide a deeper discount during the
6 six months of the program, or the period over which the discount is available
7 could be lengthened. Since any change in the funding level that would
8 increase the discount amounts requires recalculation and the Company is
9 prepared to increase the funding, this does not appear to be a barrier.

10 Q. Does using 30% of the incremental increase have bearing here?

11 A. Clearly, because serving more customers with the same amount of funds will
12 drive the benefit level down. Under PacifiCorp's proposed design, this would
13 result in a reduction in the level of benefits – that is, a participant in the
14 program will see comparatively less benefit; they will be exposed to more of
15 the bill. Since the benefit level is already quite a bit lower than, say, LIHEAP,
16 this raises concerns. In the past we have argued for all of the increase to go
17 to serve the same number of customers.

18 Q. Is there a reason to consider an alternative to that position?

19 A. Yes. There is relatively greater poverty in PacifiCorp's Washington service
20 territory than other areas of the state. The two counties that comprise the
21 PacifiCorp service territory, Yakima and Walla Walla Counties, have the 5th and
22 7th highest levels of adult poverty, respectively, among Washington's 39 counties
23 according to the Bureau of the Census, Small Area Income and Poverty Estimates.

1 Furthermore, Yakima County is one of only four counties in Washington that are
2 estimated to have more than 25% of children under 18 years old living in poverty.
3 This estimate of poverty constitutes an increase since the 2000 census; for Walla
4 Walla County the increase is four percentage points. (Exhibit No. __ CME-3).

5 Q. How do you propose addressing the conflict between the high level of need
6 and the need for a higher benefit level?

7 A. We would propose that the LIBA funding increase be greater than the rate
8 increase ultimately granted PacifiCorp for its residential customers in order
9 to fund the additional number of customers that will be created as a result of
10 the Company's proposal to allocate 30% of all LIBA funding increase to
11 providing LIBA benefits to more customers. The Company has proposed
12 increasing the number of households served from 4475 to 4720; 245
13 households or slightly more than 5%. Increasing the average benefit by, say
14 21%, would yield a new average benefit of \$266.20. Applying that to the
15 increased number of households calls for a budget of \$1,256,464.00, for the
16 direct benefit alone, before any program administration costs are included.

17 **B. PROGRAM DELIVERY**

18 Q. Two of the changes in delivery the Company has suggested involve program
19 administration. Could you describe them?

20 A. One change is the suggestion to increase income eligibility for LIBA from
21 125% FPL to 150%. The other is to only certify eligibility every other year.

22 Q. What do you assume is the reason for increasing the eligibility threshold?

1 A. I would assume that the Company is recognizing that there are many
2 households in need of assistance who are just above the income eligibility
3 threshold in the first instance. This is something that the agencies
4 themselves have recognized as well. It becomes problematic, however, if
5 making LIBA funding available to those additional households results in
6 reducing the benefits available for households at the bottom of the poverty
7 ladder. When program participation is dependent on a “first come-first
8 served” basis, it can be unpredictable and difficult to manage. Last year the
9 U.S. Department of Health and Human Services allowed states to increase the
10 LIHEAP eligibility threshold to 175% FPL, but the Washington Department of
11 Commerce and the LIHEAP agencies agreed to keep it set at 125% FPL
12 because there were so many households at the 125% FPL level, who were
13 not getting served. It can also set up a double standard that is difficult to
14 explain.

15 Q. What would you suggest instead?

16 A. This was one of the items we discussed when the Energy Project and the
17 Washington community action agencies handling PacifiCorp’s service
18 territory met with the Company last March. I think it would be better to
19 develop a distinct mechanism that is specifically targeted, something
20 different enough that focuses on a clearly distinct population to avoid the
21 complication of having two income thresholds, one for LIHEAP and one for
22 LIBA. The agencies are certainly willing to work with the Company on an
23 alternative delivery mechanism, other than the LIBA program as it is

1 currently designed but I believe it is more complicated to work out than can
2 be accomplished here. Thus, I propose that the Energy Project, PacifiCorp
3 and all other parties meet to discuss this possibility prior to the Company's
4 next general rate case.

5 Q. You mention alternative delivery mechanisms. What is the agencies' opinion
6 of the proposal to certify participants every other year in order to put more
7 funds in customers' hands?

8 A. On the one hand, the agencies applaud the Company's intention to serve more
9 customers. Given the high level of poverty in the area, the agencies are only too
10 aware of the greater number of households who are in need and strongly support
11 reaching out to more of them. However, it is not justifiable crippling the ability
12 of the agencies to provide income certification in order to deepen the discount or
13 serve more households. In fact, the action, reducing administrative support for
14 the agencies, only increases a problem the agencies face in delivering the
15 program. Even just adding a small number of additional LIBA recipients is
16 difficult. The Company proposes increasing the program participant number from
17 4475 customer to 4720, an increase of 5%. This 5% increase might seem small,
18 but it adds up over time. Unfortunately, it is very hard to hire 5% of a person or
19 buy 5% of a computer. At some point you just can't stretch any further. The
20 Company is asking the agencies to serve more households (with the 30%) while at
21 the same time removing funding needed to maintain their ability to provide
22 service.

23 Q. Doesn't the utility pay a fee for a household's income certification?

- 1 A. Yes, they do. They currently pay the community action agencies \$48 per every
2 qualified household, but that is not sufficient to cover the cost to do the work. It
3 is important to recognize that an agency will see a number of households who do
4 not qualify for the program for one reason or another. It could be that they are
5 over income or it could be that they can't provide the necessary documentation, or
6 something else. The point is that the agency still does the work to determine
7 whether they qualify and, thus, incurs the cost of certification. That is part of the
8 "hidden" cost to do the work needed. Second, the current certification payment is
9 significantly below what it costs the agencies to certify a qualified applicant.
10 Originally, the fee was set based on what the agencies calculated it cost them to
11 serve a LIHEAP client, around \$64. Then the charge was arbitrarily reduced to
12 about six years ago; meanwhile the agencies' costs have increased. The attached
13 Exhibit No. __ (CME-4) is an accounting of the cost from Bob Castoldi who
14 oversees the LIHEAP and LIBA program for the Blue Mountain Action Council.
15 To summarize Mr. Castoldi's analysis, the cost to his agency is approximately
16 \$73 per qualified household to handle all the outreach, scheduling, calculation,
17 verification, and communication needed. Increasing the numbers to be served
18 increases the need for more administrative coverage. The agencies propose that
19 the certification fee should be increased to \$65 per household qualified to
20 participate in the LIBA program.
- 21 Q. Couldn't the alternate year certification fund the increase to cover the
22 administrative cost better?
- 23 A. Unfortunately doing that would create other logistical nightmares. Every other

1 year certification is a huge barrier to the agencies' ability to maintain the program
2 in a number of respects, but particularly in terms of the cost to train and/or retain
3 skilled employees to do the work. The staff who operate the program need to be
4 trained to know what documentation is required, how to communicate effectively
5 with customers, how to calculate and verify their incomes, as well as some other
6 general clerical and computer skills. Because the programs serve on a first come
7 first served basis, agency staff will need to know how to qualify customers for
8 LIHEAP or other programs as well. Even with other funding sources, many of
9 these people are already only working part-time, while the rest of the year they
10 are either laid off or work for some other program at the agency if there is one
11 that can work with that arrangement. In addition, there will be costs for materials,
12 equipment, and space as well as personnel. It just isn't practical to expect agency
13 staff can do the necessary work to serve roughly 5000 households, in addition to
14 LIHEAP, in one year, but none or few the next. This sort of "feast or famine"
15 approach is just not manageable from an administrative standpoint or from the
16 point of just managing the demand that will come in the door. Finally, one must
17 realize that energy assistance intake is the doorway that most households enter to
18 get to the energy efficiency programs. Every other year certification for LIBA
19 eligibility will disrupt the flow for that program.

20 Q. What is the impact of increasing the certification fee paid to the agencies as the
21 Energy Project proposes doing in this case?

22 A. It would cost approximately \$76,000.00 more to serve the same number of
23 customers as participated in the program last year (4475). If the program is to

1 serve the higher number proposed by the Company, the cost would be
2 approximately \$92,000.00.

3 Q. You have outlined a few problems you see with the Company's certification
4 proposal. Could you please summarize and include any suggestions you have to
5 resolve those problems?

6 A. First let me stress that the Energy Project and the agencies truly appreciate
7 PacifiCorp's intention to serve more low-income households and the Company's
8 proposal for additional funding to do so. That said, we see four problems looming
9 in the program: 1) The LIBA discount does not provide enough relief compared to
10 other existing programs. 2) The existing program certification fee does not cover
11 the agency's cost to do the work. 3) The proposal to certify every two years
12 cripples the agencies' abilities to maintain the program. 4) The desire to serve
13 more clients without a significant budget adjustment just makes problems 1-3
14 above even worse. Funding the increased number of customers the Company has
15 proposed with an increase equal to the proposed 21% revenue and a \$65
16 certification fee will cost an additional \$365,264 over the \$1,200,000.00 the
17 current program is projected to collect. This is \$111,264.00 more than the
18 Company's proposed 21% increase (\$1,452,000.00).

19 **C. MONTHLY BASIC CHARGE**

20 Q: What is PacifiCorp proposing regarding the basic customer charge for
21 residential customers?

1 A: The Company proposes to increase its residential basic charge by 50 percent,
2 from \$6.00 to \$9.00.³ The Company supports its proposal by arguing that its
3 embedded cost of service study shows that related costs of service exceed its
4 current basic charge.

5 Q: Is a company's cost of service study the only factor that should be considered
6 when determining the appropriate level of basic charge?

7 A: No. The Commission previously made clear that much more than just a
8 company's cost of service study must be considered when determining the
9 appropriate level for basic charges, stating: "[e]mbedded cost studies should
10 only be *one consideration* in determining rate spread and rate design."⁴ In
11 the testimony that follows, I discuss the other factors that should be
12 considered when determining what level of basic charge is appropriate in
13 this case.

14 Q. What other factors do you believe should be considered?

15 A. Without getting into the debate regarding which charges are truly "fixed" or
16 appropriate to recover in a flat monthly charge, I would first point out that the
17 more the consumption-based cost is diminished and transferred to an unavoidable
18 fixed monthly charge, the more one removes a customer's incentive to use energy
19 efficiently. Particularly at a time when our national focus is on reducing
20 consumption as much as possible, such a price signal is contrary to sound policy
21 objectives. By encouraging customers to reduce their discretionary consumption,

³ Direct Testimony of William R. Griffith, Exhibit No. WRG-1T, p. 4:13-20.

⁴ *WUTC v. Washington Water Power*, Docket No. UG-901459, Third Supplemental Order, p. 4.

1 the need to acquire additional resources, priced at a higher marginal cost, will be
2 deferred. By contrast, a price signal that tells a customer that their consumption
3 level makes little or no difference in their monthly bill due to increasingly high
4 fixed costs, renders the whole point of conservation meaningless. The anti-
5 conservation impact of increasing the basic charge was also noted by this
6 Commission in the previously cited Washington Water Power case.⁵ Second,
7 higher fixed costs disproportionately impact low-use customers, many of whom
8 will be low-income customers without the means to pay.

9 **D. LOW-INCOME WEATHERIZATION ASSISTANCE**

10 Q. What does the Energy Project propose with regard to the Company's low-income
11 energy efficiency program?

12 A. We believe that this is a critical moment in time for PacifiCorp to increase its
13 investment in its Low-Income Weatherization Assistance program (LIWA). The
14 advent of I-937 requires the utility to acquire all cost effective energy
15 conservation. Numerous developments have taken place in the past few years
16 that make increased investment in LIWA particularly timely and desirable for all
17 utility ratepayers. The American Recovery and Reinvestment Act added
18 \$59,000,000 to Washington's normal DOE Weatherization Assistance Program
19 (WAP) budget to be spent between 2009-2011 for low-income energy efficiency .
20 The community action agencies that deliver the federal Weatherization Assistance
21 Program recruited new staff and trained many contractors to do the work
22 correctly.

⁵ Docket No. UG-901459, Third Supplemental Order, p. 17.

1 Currently, the Washington Department of Commerce projects spending out the
2 ARRA funds by June, 2011. At the same time I hear much speculation whether
3 there will be federal energy efficiency funding after ARRA , including changing
4 the WAP program to something that is loan based. Then too, as I mentioned
5 previously, the LIHEAP budget is also questionable. What many people do not
6 realize is that the LIHEAP program allows the state to transfer funds to the DOE
7 WAP for the purpose of doing energy efficiency, because this has a more
8 permanent impact than simply paying the current bill. This LIHEAP
9 weatherization money is actually greater than the amount typically provided by
10 the DOE WAP funds (pre-ARRA). Thus, the anticipated drop in these two
11 funding sources leaves the agencies looking for additional funds in order to
12 maintain at least some of their increased level of production. They have indicated
13 to The Energy Project that they could easily handle a 50% increase in the
14 PacifiCorp energy efficiency budget, approximately \$500,000.

15 Q. What do you believe the consequence would be of not replacing AARA funds
16 with those from another source?

17 A. I believe that failure to fill the void of funding created by the expiration of AARA
18 constitutes a lost opportunity cost of considerable proportion. By funding AARA,
19 Congress created an opportunity that resulted in the creation of substantial
20 infrastructure in the form of increased personnel and the expansion of existing
21 low-income weatherization programs to capture more of the abundance of cost-
22 effective low-income conservation resources. Increasing utility funding for
23 energy efficiency most likely will not “fill the void” left when ARRA funding is

1 gone, but it will go a long way to keeping the accelerated effort going. It is
2 important to not lose the increased momentum we have created. It is important to
3 note that this sort of abandonment has been part of the history of energy
4 efficiency.

5 Q. What do you propose that PacifiCorp do to help facilitate the transition from
6 AARA-level low-income weatherization funding to post-expiration funding levels
7 to make the transition as seamless as possible?

8 A. I propose that the Company increase its funding levels to LIWA by \$500,000,
9 regardless of whatever rate increase the Commission might ultimately approve for
10 PacifiCorp. The agencies and the Company should meet quarterly to plan how
11 best to allocate the funds and track their success.

12 IV. CONCLUSION

13 Q. Please summarize your testimony.

14 A. The Energy Project, on behalf of the three federally recognized anti-poverty
15 agencies that provide energy efficiency and energy bill assistance in PacifiCorp's
16 service territory, recommends that:

17 1) PacifiCorp increase funding for the LIBA program by \$363,264
18 over existing levels to cover the impact of the 21% rate increase, extend the
19 program to include the number of participants that the Company has proposed,
20 and cover the needed increase in the certification fee and;

21 2) That certification for eligibility in the LIBA program continue to
22 operate on an annual certification basis;

23 3) That the Commission reject any increase to the monthly base

1 charge, and;

2 4) That the Company increase their funding for low-income energy
3 efficiency by 50%, or approximately \$500,000, to maintain the increased
4 production capacity to capture cost-effective energy savings that the providing
5 agencies have achieved over the last two years.

6 Q. Does that conclude your testimony?

7 A. Yes, it does.

8

CERTIFICATE OF SERVICE

I hereby certify that on the 5th day of October, 2009, I served the foregoing document(s) on the following individuals via email and U.S. Mail at the addresses shown.

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