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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 CROSS-ANSWERING TESTIMONY OF
CHARLES EBERDT ON BEHALF OF
THE ENERGY PROJECT
Exhibit No. ____ (CME-5T)

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I. SUMMARY

Q. Would you please identify yourself?

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

Q. Have you previously filed testimony in this proceeding?

A. Yes. I previously prefiled direct testimony in this matter on October 5, 2010.

Q. What is the purpose of this testimony?

A. I am responding to and partially rebutting the prefiled direct testimony of Commission Staff witness, Mr. Thomas Schooley.

Q. Please summarize your testimony.

A. I oppose Mr. Schooley’s proposal to increase the residential basic charge from \$6.00 to \$7.50. I agree that LIBA funding should be increased, but oppose certain aspects of Mr. Schooley’s testimony regarding LIBA funding. Specifically, I have concerns about the implementation costs of serving more customers, which relates to the proposed use of the 70%/30% split of any incremental increase, the number of additional customers to be served and increasing the eligibility to 150% FPL. Finally, I also oppose his support for an every other year LIBA certification.

II. Basic Charge

Q. Are you aware of the Company’s proposal to increase the monthly basic charge from \$6.00 to \$9.00?

A. Yes.

Q. And have you read Staff witness Mr. Schooley’s counter proposal to limit that increase to \$1.50 rather than the \$3.00 the Company proposed?

A. Yes.

1 Q. Do you agree with Mr. Schooley's more modest proposal?

2 A. No I do not. While I appreciate Staff's efforts to reduce the requested overall revenue
3 increase and I recognize that the \$1.50 increase might appear "modest" as he put it, I still
4 believe it is not the proper policy call.

5 Q. Why is that?

6 A. I think it is the wrong policy call, because it sends the wrong price signal – it punishes
7 customers for being low users while rewarding customers who use excessive amounts of
8 electricity. Given the overall need not just to use energy more efficiently but to actually
9 reduce consumption, I think this is not the way to adjust the rates.

10 Q. Mr. Schooley points to low-income customers as being high users; aren't you concerned
11 about low-income bills? Wouldn't this give those low-income high users a break and
12 make their bill more affordable?

13 A. Unfortunately, Mr. Schooley does not provide any data to support his suggestion that the
14 low-income population as a whole benefits rather than is harmed by the proposed change.

15 Q. In providing his example Mr. Schooley uses a customer with a 3000 kWh usage, do you
16 disagree that this could be a low-income household's usage?

17 A. No, I know it very well could be a low-income household's usage.

18 Q. Why do you disagree with Mr. Schooley's proposal then?

19 A. In characterizing the situation Mr. Schooley states that "many" low-income households
20 could live in this situation, while stating that "some" low-income customers are low-use
21 customers *Schooley, p. 39, ll., 1-8*. I would contend that reality is probably more like the
22 opposite: "some" low-income customers will fall in the group of high-users, while
23 "many" are not. Generally speaking, usage increases with income, with house size, or
24 with the number of bedrooms. As you go up those scales, you are moving away from

1 low-income customers. Nevertheless, we do not have the data to show exactly what the
2 impact would be.

3 Q. So you completely disagree with Mr. Schooley's testimony then?

4 A. Not completely. I disagree with his proposal to increase the base charge and the rationale
5 used to argue that it benefits low-income customers. I completely agree with his
6 statement that many a low-income family is living in an "all electric house that is poorly
7 insulated." The solution isn't to make it easier for them to use more electricity, but to
8 address the energy efficiency of the structure and the inhabitants so that their bills go
9 down. Saving them that same 50 kWh that Mr. Schooley used in his example would
10 reduce their bill by \$4.25/month and adds to the indirect benefit that conservation
11 provides all rate payers.

12 III. LIBA FUNDING

13 A. Overall Funding Increase

14 Q. What aspects of Mr. Schooley's testimony do you disagree with?

15 A. First, I take exception with Mr. Schooley's characterization of LIBA as a "tax." *Schooley,*
16 *p.41.* LIBA is a program proven to have more than societal benefits. Helping those
17 customers living at the economic margin of society provides system-wide benefits in the
18 form of enhanced cash flow, reduction in bad debt related expenses and, reduced
19 collection costs. I contend that keeping the household connected to and at least partially
20 paying for this vital service is a more practical approach than repeatedly dunning them
21 for payment, turning them over to bill collectors and ultimately writing off the bad debt,
22 all of which falls on the shoulders of other ratepayers in the end. Mr. Schooley does not
23 seem to take this fact into consideration in his apparent philosophical opposition to LIBA.

24 Q. Regarding PacifiCorp's level of LIBA funding, Mr. Schooley testifies that "it is evident
25 that PacifiCorp's customers incur a lower 'tax' for income assistance than the other

1 electric utilities.” *Schooley at p.41*. Mr. Schooley further notes that if the Company’s
2 proposed LIBA funding increase is granted, this would bring it a “smidgeon” closer to
3 PSE and ABVISTA. *Id.* What is your response to these statements?

4 A. Again, if one starts with the presumption that LIBA is an evil to be endured, then Mr.
5 Schooley’s comparison to PSE and AVISTA makes sense. If you accept, however, that
6 LIBA is something that not only serves its obvious purpose but also provides benefits to
7 other customers, then there is simply no logical rationale for allowing PacifiCorp to
8 continue funding LIBA at levels substantially lower than PSE or AVISTA. The principle
9 of fairness supports the Energy Project’s position that there is no reason PacifiCorp
10 should not be funding at a more comparable level than Washington’s two other largest
11 investor-owned utilities. As I pointed out in my initial, responsive testimony,
12 PacifiCorp’s Washington service territory has some of the highest poverty indicators in
13 the state which suggests that the Company’s program should be performing at a higher
14 level, compared to PSE or AVISTA.

15 Q. There seems to be confusion regarding whether you are proposing a level of funding tied
16 to whatever rate increase the Commission might ultimately award PPL. Would you
17 please clarify?

18 A. Yes. In my responsive testimony, I did make the point that the LIBA funding level
19 should certainly be increased to cover whatever increase might be imposed on
20 PacifiCorp’s residential customer class, I acknowledged the Company’s proposal to
21 increase LIBA funding by 21% and agree to this increase regardless of the Commission’s
22 final revenue requirement decision. *See, Testimony of Charles Eberdt, p.16, ln. 17*. To
23 the extent my testimony has been interpreted as proposing a tie-in of an increase in LIBA
24 funding to a final revenue requirement order by the Commission, my intention was to
25 indicate that increasing the LIBA funding a percentage equal to the increase applied to

1 residential rates only keeps the existing program “treading water” as it were. That is, it
2 will allow the existing number of customers to receive the same relative benefit, though
3 they will see more out of pocket expense for the part of their bill the LIBA program does
4 not cover.

5 Q. So, what is your position regarding LIBA funding?

6 A. The Energy Project contends that in order for the LIBA program to maintain the same
7 effectiveness, the funding must increase by at least the same per cent that residential rates
8 increase, all other things being equal. If your customers are to be served, a greater
9 percentage increase is needed.

10 Q. Mr. Schooley indicated that the agencies agreed with various aspects of the Company’s
11 proposal with which he agrees, in particular the 70%/30% split and the eligibility increase
12 to 150% FPL. You stated that you have concerns about them. Could please elaborate
13 your concerns.

14 A. Certainly. Whenever funding is increased there is a desire to serve more customers. The
15 agencies are well aware that they serve only a fraction of eligible customers, so they want
16 to serve more as well. However, serving more customers can actually be at the expense
17 of the customers who would participate in the program. That is to say, if the funding
18 increase isn’t enough to accommodate additional customers without taking funds that
19 would be used to bring the existing number of participants up equal to the rate increase,
20 the existing number of customers are seeing a relatively lower benefit. The actual dollar
21 amount may be higher than what they received previously, but the increase in rates will
22 surpass the increase an average customer would see in benefit because some of that
23 money is carved off to serve new customers. This is always the tension agencies feel. It
24 is particularly a concern in this case because the average benefit level in LIBA is so low
25 as compared to other program, as was pointed out in the Energy Project’s prefiled direct

1 testimony. Of course, serving more customers increases the cost to implement the
2 program. When the agencies discussed using some of the funds to serve additional
3 customers, they proposed exploring a different program designs that would have lower
4 implementation costs. There was no discussion, let alone agreement, specifically of
5 serving 245 additional customers, as Mr. Schooley asserts. It was not a negotiation; it
6 was a discussion of possible program improvements

7 **Q.** Was increasing eligibility to 150% one of those improvements?

8 **A.** Yes it was. The agencies realize, as the Company does, that there are a lot of customers
9 needing help who just miss the eligibility cut. Serving them will impact the cost of
10 implementation, however, because the agencies will have to see more customers in order
11 to allocate the same amount of direct service funds. Since the per capita certification fee
12 is insufficient as was pointed out in our direct testimony, this would only make it more
13 difficult for the agencies to maintain the program.

14 **B. LIBA Certification**

15 **Q.** What portion of Mr. Schooley's testimony concerning LIBA certification do you rebut?

16 **A.** Mr. Schooley proposes that PacifiCorp should conduct its LIBA certification every other
17 year, as opposed to the existing annual certification. As I stated in my initial responsive
18 testimony, this both financially problematic for the Community Action Agencies, as well
19 as impractical from an administrative standpoint.

20 **Q.** Please explain what you mean by this?

21 **A.** As is indicated in our direct testimony, the agencies indicate that the per capita fee to
22 qualify customers for the LIBA program does not cover their costs to do the work. At
23 one point, Mr. Schooley suggests that, if the agencies need more support funds, then
24 perhaps they should advocate to serve more customers. In my limited economic
25 experience, however, if you aren't covering costs on an individual "item" basis, you don't

1 make it up on volume. Nevertheless, the point is that the fee to cover program
2 implementation does not cover the cost. On the other hand there are logistical
3 considerations that aren't immediately obvious from a simplistic economic analysis that
4 says if we take money from "X", we will have more to spend on "Y".

5 Q. What effect would shifting to two-year certification have?

6 A. Financially, it would further undercut the agencies' ability to maintain the program.
7 Simply put, the intake workers who qualify customers required training or skills that
8 aren't necessarily readily available. The positions are frequently part-time or the person
9 works this program just during the intake season, then works in some other capacity the
10 rest of the year. Cutting that program support in half makes this more difficult to support,
11 will increase turn over, and increases training costs.

12 Q. Are there other considerations?

13 A. Yes. Since LIBA doesn't serve everyone who needs assistance, the participants are not
14 the same every year. Circumstances change for the customers as well. Families who did
15 not need assistance suddenly do; someone who has had assistance gets a job or moves
16 and no longer needs assistance. Agencies will still have people coming to the door even
17 if the program is not offered that year. Agencies have no way of tracking whether
18 someone's income has changed enough that they should be moved off the program.

19 Q. What would you propose differently?

20 A. Certification for the LIBA program should continue on an annual basis in order for the
21 limited budget to reach the changing population and maintain the agencies' ability to
22 support trained staff. In addition, the per capita fee to qualify customers should be
23 increased to more closely cover the cost of service. This will mean that the program
24 funding overall has to increase somewhat more than a percentage commensurate with the

1 residential rate increase, if the same number of customers are to be served at relatively
2 the same benefit level as in previous years.

3 **A. IV. CONCLUSION**

4 **Q.** Would you please offer your conclusions in response to Mr. Schooley's testimony?

5 **A.** First, the Energy Project contends that Mr. Schooley's logic that increasing the basic
6 charge with a resultant decrease in the variable rates would benefit low-income customers
7 is questionable, if not faulty, and that the policy is actually regressive because it is anti-
8 conservation. Low-income customers would be better served by a more aggressive low-
9 income energy efficiency budget, as the Energy Project proposed in our direct testimony,
10 noting that budget has not increased in ten years.

11 Second, the Energy Project agrees that deepening the discount levels in the existing LIBA
12 program is in order and that the agencies would like to serve additional customers, but we
13 believe that 1) the lower benefit that customers in LIBA program receive compared to
14 LHEAP and 2) PacifiCorp's relatively lower program commitment compared to PSE and
15 Avista, which Mr. Schooley noted, indicate a need to increase the program funding at
16 some degree greater than a percentage equal to the residential rate increase that is
17 ultimately approved.

18 Third, the Commission should not ignore practical considerations in program design and
19 funding. It is necessary to have trained personnel to implement the program. An
20 increase to the number of participants or a wholesale shift of funds from implementation
21 to direct service that does not attend to these practical considerations is not wise. In that
22 regard, the Energy Project believes the 30% for "new" customers proposed in the
23 Company's 70%/30% split of any incremental increase should be used to implement an
24 alternative program design that could actually have lower administrative costs, rather
25 than simply add more customers. We believe the same consideration should be given to

1 expanding eligibility to 150% FPL income levels. We are not opposed to the move, but
2 believe it needs to recognize the implementation cost impacts. The Energy Project and
3 the agencies would like to develop an alternative more fully with the Company and other
4 interested parties, should the Commission feel the idea has merit.

5 Finally, the Energy Project contends that shifting certification to every other year would
6 mean a less responsive program and less effective use of the direct service funds as well
7 as undercutting the agencies' abilities to maintain the program. We would again point to
8 the 30% split as a means to explore an alternative program design that could have lower
9 administrative costs.

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CERTIFICATE OF SERVICE

I hereby certify that on the 5th day of November, 2010, I served the foregoing document(s) on the following individuals via email and U.S. Mail at the addresses shown.

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