BEFORE THE WASHINGTON STATE

UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND ) DOCKET NO. UE-120436

TRANSPORTATION COMMISSION ) DOCKET NO. UG-120437

)

Complainant, )

)

v. )

)

AVISTA CORPORATION )

)

Respondent. )

. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . )

DIRECT TESTIMONY OF

CHARLES M. EBERDT

REPRESENTING THE ENERGY PROJECT

Exhibit No. \_\_\_\_\_\_(CME-1T)

**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 Commerceand 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 nineteen 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 on behalf of the Energy Project, representing the interests of the six community action agencies that implement Avista’s Low-Income Rate Assistance Program (LIRAP) and utility funded energy efficiency services for low-income customers.

Q. Why has the Energy Project intervened in the Avista rate case (UE-120436 & UG-120437)?

A. The Energy Project’s interest in the case centers around the impact that increasing rates will have both on the Company’s low-income customers and the Community Action Agencies that implement the Avista low-income bill assistance and energy efficiency programs (collectively, the agencies).

Q. Doesn’t Avista already provide bill assistance and low-income energy efficiency services?

A. Yes, they do. The Energy Project and the agencies that provide these services greatly appreciate the efforts Avista makes with the Low-Income Rate Assistance Program (LIRAP), Project Share, Senior outreach, and the low-income energy efficiency program. These programs go a long way to helping thousands of Avista customers maintain vital services and reduce the energy they consume.

Q. Is there a problem with these programs?

A. Unfortunately, these programs do not penetrate deep enough into the eligible population given the number of customers who are in dire need of these services. For example, every year Avista files a LIRAP Annual Summary Report with the Commission. In the introduction to the 2010-2011 LIRAP Annual Summary Report, Avista noted that a study done for SNAP (also known as Spokane Neighborhood Assistance Programs, the LIRAP service provider in Spokane and the largest of the agencies providing service) indicated that the combination of utility sponsored programs, the federal Low-Income Home Energy Assistance Program (LIHEAP) program, and other funds reached approximately 30% of the eligible population (p. 3-4). While commendable, this is not justification to stop trying to reach more households with meaningful assistance. The math is simple. If the program is reaching 30% of those eligible, then there are more than twice as many who do not get the benefit of assistance. While not all eligible households will apply or want to take assistance, it is only logical that many in that remaining 70% of the eligible population would, if it were available.

Q. What evidence do you have that more people need assistance?

A. As the table in Exhibit No.\_\_\_(CME-3) demonstrates, the need is high in Avista’s service territory. Looking at the data compiled from 2006-2010 in the U.S. Census’ American Community Survey for the five largest counties the utility serves in Washington, one can readily note a few facts:

Q. All five counties have a median income/household (HH) much lower than the state median income.

* In all five counties, the percentage of the county population living below the federal poverty level was greater than the state average and in two cases more than doubled it.
* In all five counties, the percentage of families that include one or more elderly people far exceeds the state average, ranging from a doubling to a quadrupling of that average.
* In all five counties, the percentage of families living below the federal poverty level exceeds the state average.
* In all five counties, the percentage of families with children 5 and under living below the federal poverty level exceeds the state average.
* In three counties the elderly comprise more of the local population than the state average, a greater percentage are living below the federal poverty level, and a greater percentage are living alone.
* In four of the counties the majority of the housing stock predates the advent of any energy code, indicating that it is generally older, and most likely less efficient.
* In four of the five counties the percentage of people of an age to be in the work force who are living below the federal poverty level exceeds the state average.

Q. Why do you think these are important points to note?

A. These are important points for at least three reasons. First of all, two of the groups that the agencies’ programs are supposed to target are clearly affected – the elderly and families with children under six years.

Second, this data indicates only the percentage of people living under the federal poverty level (FPL), which is a very conservative (i.e., low) income figure. In fact, none of the programs the agencies provide use a number that low for eligibility. Historically, 125% of the federal poverty level was the target threshold, but it has been raised to 150% for some utility bill assistance programs in the state. There are programs in other states that use 200%. So, the real level of need is clearly higher than what the poverty levels in the table indicate, yet even these levels indicate a need greater than the state average.

Third, the target population is a large one. In all of the statistics bulleted above, Spokane County is one of the subject counties. That county has a population ten times the size of the next largest county.

Q. But isn’t Avista a leader in this area?

A. Avista is to be commended for the extent to which their ratepayers provide support for the less fortunate members of their communities. The agencies clearly enjoy the benefit of working with a company that wants to be a leader. Yet, good as it may be, the LIRAP program funding is not sufficient to penetrate deep enough into the need of the remaining eligible population. Furthermore, when rates are increased, a program funding increase only equal to the rate increase does not mitigate the impact. Households who have no discretionary income will still be required to find additional funds to try to keep up with their utility bills. For this reason the Energy Project recommends that the LIRAP funding be increased by 10% more than the allowed residential rate increase.

Q. What do you think of the Company’s position regarding changing the LIRAP program to a discounted rate?

A. The Energy Project concurs with the Company that changing the structure of the LIRAP program over the course of this rate case is not a realistic or wise approach. While it may be that a new program design can only be adopted in the context of a rate case, we do not believe the question of appropriate, effective, and efficient program design can be adequately addressed in this manner. Mr. Kopcynski indicated that another stakeholder has suggested a discounted rate as an alternative. We must note, however, that a discounted rate is only one of the alternatives that should be considered. Rather than settling on a structure, then trying to see if one can make it accomplish what is needed or wanted, we believe it is better to determine first what are overall goals of the program, analyze whether the existing program design is meeting those goals efficiently and effectively, and if not, then explore the ways different structures might achieve the goals.

Q. What do you believe those goals should be?

A. There are several and I would expect that different parties would emphasize them differently. We believe the following, however, should be among those goals:

* Provide sufficient assistance per household to keep people connected to vital energy services.
* Reach a greater portion of the population who need assistance.
* Significantly lower the energy burden (i.e. the percentage of the household income that must be dedicated to pay the energy bills) the household has to overcome.
* Reduce disconnections.
* Reduce accumulation of bad debt.
* Improve bill payment behavior.
* Provide a long term plan for meeting the greater need while being sensitive to the rate impact on other ratepayers.
* Simplify enrollment without losing the ability to target assistance to those most in need.

Q. That’s quite a list. Is it possible to do all of these things?

A. We are very aware that balancing these different interests is no simple task. Serving a greater number of people may conflict with providing a level of assistance meaningful enough to keep people connected or to reduce disconnections. Providing such meaningful assistance to a greater number of households quickly pushes against the rate impact other ratepayers can bear. These are important considerations. Figuring out a viable approach will require careful consideration from an appropriate cast of key stakeholders with adequate time and resources to end with a credible and effective outcome. We would be happy to plan such a process with the Company, Commission Staff, and an independent third party facilitator.

Q. Why do you think it would be harmful to change the program design in this current rate case?

A. We believe that any prospective change must be carefully considered and deliberated. Remember the LIRAP program and Avista rate payers benefit from the coordination the agencies provide with the federal LIHEAP program to reach as much of the population as they do. Yet, there is substantial uncertainty about future of federal funding that makes it unwise to make major program changes at this time. Congress only recently passed a continuing resolution that funds LIHEAP for this coming year (CR 239-91). The program year begins Oct. 1, in less than two weeks, but it is unlikely the funds will be released at that time. Furthermore, the CR only covers the program through March 27, 2013. The strong synergy between the federal funds and the LIRAP program argue for careful consideration before changing the program structure.

Q. Isn’t the need for bill assistance reduced by the provision of energy efficiency in low-income homes.

A. Generally speaking, yes, but retrofitting energy efficiency measures is not as simple as qualifying an household for bill assistance. The dwelling must be assessed to determine whether there are sufficient savings to be gained from working in the building, to make sure that the need for repairs isn’t too costly, and to make sure that the health and safety of the occupants can be properly safeguarded. Additionally, there is only a small percentage of households served with the energy efficiency budgets compared to the far greater number each year for the energy assistance programs. So even though energy efficiency retrofits should reduce the need for energy assistance relative to another household that has not received energy efficiency retrofits, at current funding levels it would take many decades to retrofit the eligible dwelling units.

Q. Are you recommending that Avista make changes to their low-income energy efficiency program?

A. Yes, but we are recommending only a modest increase in light of other discussions that surround Avista’s low-income energy efficiency efforts.

Q. Specifically, what is your recommendation?

A. We believe an aggregate increase of $100,000 should be made available in the following counties: Adams, Asotin, and Whitman.

Q. What are the “other” discussions that are affecting your consideration of the low-income energy efficiency funding.

A. There are two that can significantly affect the agencies’ abilities to use Avista funds. During the course of this rate case, Avista filed to close down all of their natural gas energy efficiency programs. Subsequently, the Commission opened a rulemaking regarding natural gas conservation. The Energy Project believes that shutting down the programs is short sighted and will de-leverage other benefits that accrue to low-income households and the community. If Avista’s low-income natural gas conservation program is shut down, SNAP, the agency that serves the Spokane area and the greatest number of low-income households, will have to reconfigure their program. Facing this uncertainty, SNAP does not want to take on additional resources to serve more electric customers at this time.

SNAP’s situation is further complicated by the second discussion. During Avista’s energy efficiency stakeholder advisory group this year the question was raised whether the way we have been measuring cost-effectiveness is appropriate for the low-income program. There is recognition of benefits that the cost tests used to evaluate the other conservation programs do not account for. This was briefly discussed by a few parties but has been on hold while other matters, such as this rate case, have taken precedence. It isn’t clear at this point how that might affect the program and whether that might allow agencies to deliver benefits to more customers.

Q. Please explain what mean by your statement regarding “de-leveraging benefits”?

A. In the low-income program the provision of energy efficiency is frequently accompanied by some attention to health and safety measures or the need for some repairs in the dwelling. When improving the insulation package in a home is coupled with providing better bathroom ventilation or attention to controlling moisture, we often see a reduction in mold and mildew. This can have a very beneficial impact on occupant health, particularly when asthma is involved. In the case of repairs, sometimes a small “weatherization related repair” is needed to protect the installation of a measure. Patching a roof leak so that attic insulation can be installed is a good example. This not only protects the insulation, but also improves the longevity of the structure. At other times, agencies have access to funds from other funding sources that allow more substantial repair work. This preserves affordable housing in the community. Healthy homes are good for our communities. Often these non energy benefits are paid for with other resources, though Avista does allow some expenditure for them when they facilitate the installation of energy measures. This is one of the benefits of coordinating the program through the agencies. Not only do they have the skills to recognize and address these sorts of problems, they can bring other resources to bear. The point is that, were it not for the provision of energy efficiency in the dwelling, these other funds would not be available. The Avista customer/occupant would not see the benefit; the community Avista is serving might not see the benefit.

Q. Why is this important to the low-income program?

A. Largely because the low-income energy efficiency program is the main way Avista’s low-income customers get access to energy efficiency services. Since they lack any discretionary funds, low-income households are not able to take part in conservation programs that require them to pay a substantial share of the cost. In many cases, the landlords, since they do not pay the energy bills and will not see the savings, are unwilling to make the investment to make the homes more energy efficient. Yet all low-income customers pay for the conservation tariffs when they pay their bills. It is critical to have a low-income energy efficiency program that addresses their needs.

Q. Does the Energy Project have any concerns other than LIRAP and low-income energy efficiency?

A. Yes, we have some concerns about the Smart Grid aspects of the case.

Q. What are your concerns about the Smart Grid element of the case?

A. Our chief concerns involve the cost and implementation of Smart Meters. Our concerns are the same as those described in four exhibits to my testimony: two articles from AARP (Exhibit No. \_\_\_\_\_(CME-4) and Exhibit No. \_\_\_(CME-5)), one jointly from the National Consumer Law Center, AARP, Public Citizen, Consumers Union, and the National Association of State Utility Consumer Advocates (NASUCA) (Exhibit No. \_\_\_(CME-6)), and a resolution passed by NASUCA (Exhibit No.\_\_\_(CME-7)). Rather than reiterate the details from those exhibits in my testimony, we incorporate their analysis by reference. These four documents demonstrate that the Energy Project is not alone in our concerns about these matters.

Q. Could you please identify your overall concern about smart meters?

A. Our concerns center around cost and how the meters could be employed in ways that will be detrimental to low-income households.

Q. What are your concerns about cost?

A. We are concerned that the cost to install this technology will be very high and there is no track record for the durability of the meters. We have not seen any reports that establish the durability of this equipment. We do have experience with other cyber-based equipment, such as computers and cell phones. This experience suggests that smart meter equipment may have a useful life that is far shorter than the 30 plus years that electro-mechanical meters are known to last. Then again, even if the equipment itself has good durability, how long will it take before its capabilities are no longer sufficient and require “upgrading”? How does this, in turn, affect the cost? No small part of the cost-effectiveness equation depends on occupants behaving differently after the meters is installed. If occupants don’t or can’t change behavior, will this cost be justified?

Q. Please explain why customers wouldn’t change behavior?

A. This gets into how the meters are implemented, or changes in policies that they could lead to. Leading proponents of the meters often extol how they will enable utilities to institute time of use rates and send a clearer price signal to customers. Our thirty years promoting energy conservation leads us to question how much customers really want to watch price signals on a daily or hourly basis and to appreciate how difficult it is to get people to value investing in energy conservation. Nevertheless, we recognize the value that shifting load off peak can have for the utility and its customers. Still, we question whether smart meters are really needed on every home to accomplish the bulk of the benefit. We are very concerned that low-income households might not be able to shift load, while households that can afford newer appliances or afford systems that can respond to signals from the meter will see the benefit. Without knowing how the low-income load profile will be affected by the particular structure of the rates, we can’t know whether low-income household will get to foot the bill for households who can afford the technology.

Q. Are there any other reasons you are concerned about Smart Meters?

A. Yes. We suspect that they will lead to an increased number of disconnections. The facility of remote connection/disconnection has some cost savings by avoiding the necessity of a visit to the home, but we believe there are some risks to that as well. Often that visit is the vehicle that triggers the crisis payment on the bill to avoid disconnection. Such a visit can also result in the utility person recognizing a person in distress and putting them in contact with assistance. Avista in fact has such an effort that they call the Gatekeepers Program (Kopcynski, p. 43, l. 25-31). In general, utilities issue far more disconnect notices than they ever act on. Will this change since the utility won’t have to experience the cost and effort involved in scheduling a visit to disconnect?

Q. Is there any other way disconnections might increase?

A. Yes. Since smart meters have come on the scene we have seen a large uptick in interest from utilities and energy providers in prepayment of utility bills. Previously, in order to require prepayment, the utility had to install a meter specifically for that purpose, which was expensive. Since the smart meter is being justified for a number of reasons, the prepayment application no longer looks that expensive. Our concern is that this will legitimize utilities creating a second class of service that results in automatic disconnection without any consideration of consumer protections, health, or safety issues. This could include forcing low-income customers to choose between a prepayment contract or paying a very high deposit in order to be connected. This really isn’t a fair choice.

New terminology is already being used to soften what is actually happening. A disconnection is no longer a disconnection, but a “self termination,” suggesting that it is an active choice the customer makes. We are already aware of parties claiming prepayment contracts result in increased conservation without making any distinction between true energy conservation and deprivation that results from “self termination” when the customer doesn’t have the funds to pay the bill, a credit card to make an online payment, or the ability to get to a payment kiosk.

Q. Would you summarize your concerns about Smart Meters?

A. The Energy Project is concerned that:

* we don’t know the what the real cost of the meters will be over time;
* smart meters could lead to time of use rates that result in higher utility bills for low-income customers;
* the rate of disconnections will increase, particularly affecting low-income customers;
* low-income households will be forced into prepayment contracts, and no longer see the benefits of the consumer protection statutes that protect other customers.

Q. What are your recommendations to the Commission in this rate case?

A. The Energy Project recommends that:

1. The LIRAP program funding be increased by 10% more than whatever the approved residential rate increase in this case.
2. Funding for the Low-Income Energy Efficiency program be increased by the sum of $100,000 to be used in Adams, Asotin, and Whitman Counties.
3. Before the WUTC allows revenue recovery for the smart meter component of the Smart Grid Demonstration, the Company should provide justification that the investment is both used and useful and that low-income households will not be unduly harmed by policies or programs that are instituted to take advantage to the smart meter capabilities.

Q. Does this conclude your testimony?

A. Yes it does.