

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**CASCADE NATURAL GAS
CORPORATION,
Respondent.**

DOCKET UG-170929

**RESPONSE TESTIMONY OF
SHAWN M. COLLINS (EXH. SMC-1T)
DIRECTOR OF
THE ENERGY PROJECT**

Low-Income Issues

FEBRUARY 15, 2018

I. INTRODUCTION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

Q: Please state your name and business address.

A: My name is Shawn Collins. My business address is 3406 Redwood Avenue, Bellingham, WA 98225.

Q: By whom are you employed and in what capacity?

A: I am the Director of The Energy Project (TEP), a program working in association with the Washington State Community Action Partnership and housed at the Opportunity Council in Bellingham, WA.

Q: How long have you been employed by the Opportunity Council.

A: I have been employed by Opportunity Council since 2006. I have served as the Director of TEP since 2015.

Q: Would you please state your educational and professional background?

A: Attached as Exh. SMC-2 is a statement of my professional qualifications.

Q: On whose behalf are you testifying?

A: I am testifying for TEP, an intervenor in this proceeding, on behalf of the organizations that provide low-income energy efficiency and bill payment assistance for customers in the service territory of Cascade Natural Gas Corporation (Cascade), which include Community Action Partnership (CAP) agencies. These agencies are Community Action Connections, Blue Mountain Action Council, Community Action Council of Lewis, Mason & Thurston Counties, Coastal Community Action Council, Chelan-Douglas Community Action Council, Kitsap Community Resouces, Lower Columbia Community

1 Action Program, Northwest Community Action Program, Opportunities
2 Industrialization Center of WA, Opportunity Council, Community Action of
3 Skagit County, and Snohomish County Human Services Department.

4 **II. PURPOSE AND SUMMARY OF TESTIMONY**

5 **Q: What is the scope of your testimony?**

6 A: My testimony addresses the programs that provide weatherization assistance to
7 low-income customers in Cascade's service territory as well as the impact of the
8 proposed rate increase on Cascade low-income customers.

9 **Q: Could you please summarize your testimony?**

10 A: My testimony provides an overview of Cascade's low-income programs, proposes
11 modest modifications to the weatherization program to help remove barriers to
12 agency participation, and responds to Cascade's customer charge and rate spread
13 proposals.

14 **III. CASCADE'S'S LOW-INCOME PROGRAMS**

15 **Q: How would you assess the level of need for low-income energy assistance and
16 weatherization in Cascade's service territory?**

17 A: The settlement of Cascade's 2015 General Rate Case provided for a needs
18 assessment under which Cascade committed to conduct a study to identify the
19 number of households in poverty in its Washington service territory.¹ The study,
20 titled "Analysis of Low-Income Heating Assistance Programs Administered by

¹ *Washington Utilities & Transportation Commission v. Cascade Natural Gas Corporation*, Docket UG-152286, Order 04, ¶ 12. (July 7, 2016)(Cascade 2015 GRC).

1 Cascade Natural Gas in its Washington State Service Territory,” was conducted
2 by the Institute for Public Policy and Economic Analysis at Eastern Washington
3 University (EWU) and was filed with the Commission under the rate case docket
4 in December 2017.² Among other findings, the study determined that for the
5 period 2011-2015, there were over 34,000 households at or below 150 percent of
6 the Federal Poverty Level, or almost one quarter (24%) of all households.³ Of
7 these, 75 percent of the qualifying households were in the Bellingham,
8 Bremerton, Mount Vernon, and Yakima service districts.⁴ Households with
9 income at or below 150 percent of Federal Poverty Level are eligible for
10 Cascade’s Washington Energy Assistance Fund (WEAF).⁵

11 The EWU Study did not analyze the number of households at or below
12 200 percent of the Federal Poverty Level, the eligibility level for low-income
13 weatherization. Cascade does not have specific data about the number of
14 residential households that are eligible for CNG’s low-income weatherization
15 program,⁶ however, based on the EWU Study it is safe to conclude it is in excess
16 of 34,000 households.

17 Other surveys help provide a picture of the low-income population in the
18 service territory. The Self-Sufficiency Standard developed by the University of

² Cascade Response to TEP Data Request No. 4. (EWU Study).

³ This is the number of potential households qualifying for natural gas heat subsidies, after taking into account households using natural gas as a heating source. EWU Study at 1.

⁴ *Id.*

⁵ Cascade Schedule 303.

⁶ Cascade Response to TEP Data Request No. 3.

1 Washington is useful in this regard.⁷ In response to TEP Data Request No. 3a,
2 requesting the numbers of customers eligible for low-income weatherization,
3 Cascade referenced the third party evaluation of its decoupling pilot conducted by
4 H. Gil Peach & Associates.⁸ In reviewing Cascade low-income weatherization,
5 the Peach study concluded that the “best indicator of need” is the Self-Sufficiency
6 Standard.⁹

7 For Yakima County, for example, the Self-Sufficiency Standard, based on
8 the 2017 standard for a family of four consisting of two adults and two children
9 (one school age, one preschool), is \$51,321.¹⁰ The median household income for
10 Yakima County is \$45,700.¹¹ For a family of four, 200 percent of the 2017
11 Federal Poverty Level is approximately \$49,000. These data would indicate that
12 approximately half of the households in Yakima County earn less than the Self
13 Sufficiency Standard and would be also eligible for low-income weatherization.
14 This is consistent with the EWU study finding that at least 32 percent of the
15 households in Yakima County are at or below 150 percent of FPL.¹²

⁷ <http://www.selfsufficiencystandard.org/>.

⁸ Independent Examination of Cascade Natural Gas Corporation’s Washington Decoupling Mechanism, May 23, 2011, filed in Docket UG-060256, July 11, 2011. (Peach Study). The study did not estimate eligibility numbers using 200 percent of FPL.

⁹ Peach Study at 98.

¹⁰ <http://www.selfsufficiencystandard.org/Washington>, Self Sufficiency Standard Tables, County Data, Table 32 Yakima County.

¹¹ Census Quick Facts.

<https://www.census.gov/quickfacts/fact/table/yakimacountywashington/INC110216#viewtop>. Reviewed February 13, 2018.

¹² EWU Study at 8, Table 3.1c : Potentially Qualifying Households For Heating Assistance That Use Natural Gas.

1 **Q: Please describe the background of Cascade's current low-income programs.**

2 A: In prefiled direct testimony in this docket, Cascade witnesses Mike Parvinen and
3 Nicole Kivisto provided an overview of Cascade's low-income programs.¹³
4 Cascade's current programs were established as a result of an all-party settlement
5 in Cascade's 2015 General Rate Case. Parties to the settlement were Cascade,
6 Staff, Public Counsel, Northwest Industrial Gas Users, and The Energy Project.
7 The settlement adopted a five-year funding plan for Cascade's Washington
8 Energy Assistance Fund (WEAF), designed to gradually increase bill assistance
9 funding over the term of the plan. The settlement also provided that the Company
10 would, with its conservation advisory group and the CAP Agencies, investigate
11 the barriers to low-income weatherization within its Washington service territory
12 and develop a proposal for overcoming those barriers, to be filed December 31,
13 2016. The settlement was approved by the Commission in its final order in the
14 case.¹⁴

15 **Q: Please review the current status of the WEAF program.**

16 A: In June 2017, the Commission approved a request by Cascade to increase the
17 annual budgets for the five-year WEAF plan by 15 percent, with an additional 5
18 percent soft cap. The increase was triggered by the success of the program, with
19 Cascade exceeding the budget cap by 15 percent in the first year, and projecting
20 similar increases over the remaining four program years.¹⁵ Cascade filed its Annual

¹³ Parvinen, Exh. MPP-1T at 11:5-15:6, Kivisto. Exh. NAK-1T at 5:12-6:9.

¹⁴ Cascade 2015 GRC, Order 04, Exhibit A (Joint Settlement Agreement).

¹⁵ Cascade 2015 GRC, Order 05, ¶ 3.

1 Report for the 2016-2017 program year on January 25, 2018, reporting that during
2 the first full program year after the settlement more customers were served.¹⁶

3 **Q: Please generally describe Cascade's low-income weatherization program.**

4 A: As outlined in Cascade's 2018 Conservation Plan,¹⁷ there are two components to
5 Cascade's program. Since 2008, the Company has partnered with low-income
6 weatherization agencies to provide the Weatherization Incentive Program (WIP).
7 Beginning in February 2017, the WIP program has been supplemented by the
8 Enhanced Weatherization Incentive Program (EWIP).

9 The traditional Weatherization Incentive Program covered the installation
10 of certain energy efficiency measures following the completion of a home energy
11 audit performed by a qualifying low-income weatherization agency. Under the
12 Enhanced Weatherization Program, participating agencies are also eligible to
13 receive a rebate payment designed to bridge the gap between the avoided cost
14 payment and the amount of the total installed cost of the approved weatherization
15 measure(s). The total payment is capped at \$10,000 per project.¹⁸

16 **Q: Is Cascade proposing any changes to its low-income programs in this case?**

17 A: Cascade's initial testimony does not appear to be proposing any changes to its
18 low-income programs, however, the Company does state in its ACP that: "once a
19 full year of the EWIP program has been completed, Cascade will reassess the
20 program and determine the best pathway forward to serving more homes. We

¹⁶ Washington Energy Assistance Fund (WEAF) Program 2016-2017 Annual Report, at 4, January 25, 2018, filed in Docket UG-152286.

¹⁷ Cascade Natural Gas Corporation, 2018 Washington Conservation Plan (ACP), Docket UG-171159

¹⁸ ACP at 30-31. Cascade Schedule 301.

1 will continue to meet with our CAG and The Energy Project to address these
2 matters as appropriate.”¹⁹

3 **IV. RECOMMENDATIONS FOR THE CASCADE WEATHERIZATION**
4 **INCENTIVE PROGRAM**

5 **Q: Does The Energy Project have proposals to modify Cascade’s weatherization**
6 **program?**

7 A: Yes. The Energy Project recommends a limited set of targeted changes to the
8 weatherization program. The goal of these changes is to bring the program more
9 in line with other investor-owned utility (IOU) weatherization programs in
10 Washington and to increase penetration so that more eligible customers can
11 benefit.

12 **Q: Can you please identify the proposed program modifications that TEP is**
13 **recommending?**

14 A: There are three modifications that would be helpful. (1) Remove the \$10,000 cap
15 on individual weatherization projects; (2) modify the project coordination
16 allowance from a fixed to a percentage-based amount, and (3) allow the delivery
17 agency an “indirect rate” of a set percent for administrative costs.

18 **Q: What is the genesis of these recommendations?**

19 A: The twelve agencies delivering the low-income weatherization program in
20 Cascade’s service territory conform to the Washington State Department of
21 Commerce Weatherization Specifications which allow the program to operate

¹⁹ ACP at 37.

1 under a generally uniform model across a variety of utility service territories.
2 Consistency in program structure among investor-owned utilities provides the
3 agencies with the stability and predictability necessary to deliver the most
4 effective programs. Because of Cascade's broad service territory, it overlaps with
5 or has proximity to many other utilities. As a result, many agencies serving
6 Cascade customers also serve other utilities' customers. To the extent Cascade's
7 programs differ from those of other companies, it becomes more complicated for
8 an agency to plan, structure, and administer its weatherization programs.

9 The recommendations are based on feedback gathered by The Energy
10 Project from agencies in Cascade's service territory which identified issues that
11 are making it more challenging for agencies to deliver services to eligible Cascade
12 customers. Agency concerns were noted by the Company in its ACP and by The
13 Energy Project in response comments filed in the ACP docket.²⁰

14 **Q: What is the concern with the project expenditure cap?**

15 A: The project expenditure cap was originally adopted as a result of Advisory Group
16 work and the December 2016 recommendations to the Commission establishing
17 the EWIP program. As noted above, EWIP increased rebate payments to cover
18 the total installed cost of approved measures. Payments were capped at \$10,000
19 "to manage program costs and ensure as many homes as possible receive
20 weatherization services."²¹

²⁰ ACP at 35; Letter of Shawn Collins on behalf of TEP, at 2, December 15, 2017, Docket UG-171159.

²¹ Schedule 301, Low-Income Weatherization Incentive Program, UG-152286 Compliance Filing, December 29, 2016 (CNG/W16-12-01), at 3.

1 However, the cap has had the unintended consequence of limiting the
2 number of natural gas homes that agencies can work on. Because of the
3 combustion safety risk inside the home from natural gas heating and appliances,
4 additional health, safety, and ventilation measures are required to be incorporated
5 into the project to ensure the safety of the occupants. These measures add cost on
6 top of standard measures such as insulation, heating system upgrades and air
7 sealing. In some cases, these costs can exceed the \$10,000 project cap. As a
8 result, the project may be deferred due to insufficient funds. While this problem
9 occurs in a relatively limited number of projects, when it does arise it presents a
10 serious barrier. The Energy Project recommends this change to allow homes to be
11 served in the instances where more extensive work is required. Cost management
12 concerns should be minimal given the small number of projects completed
13 annually at this time. In addition, other requirements of Schedule 301 will
14 continue to apply to the projects, limiting the number of measures and activities
15 eligible for funding, and further reducing the risk of unexpected cost increases.

16 **Q: Can you elaborate on the need for modifications to compensation for agency**
17 **costs?**

18 A: As discussed above, providing for uniformity in funding structure is conducive to
19 more effective program delivery. The requested modifications will help bring
20 Cascade's programs more into line with other utilities by appropriately covering
21 the agency's costs of delivering the low-income weatherization program. Agency
22 administrative costs generally break down into two areas -- project coordination

1 and agency indirect costs. Project coordination expenses for weatherization work
2 are associated with direct coordination of the specific weatherization project, such
3 as the audit and inspection. Cascade currently allows a fixed amount for one
4 audit and one inspection for a project.²² Project coordination costs can be
5 significant for natural gas homes due to the additional health and safety issues
6 discussed earlier. For many of the projects completed for Cascade these costs are
7 not adequately covered by the fixed payment structure. A successful and proven
8 approach is to allow a percentage of the weatherization project budget to be used
9 for these costs. Other Washington utilities allow 15-20 percent of the total project
10 cost for this purpose. The second area of agency administrative cost is an agency
11 indirect rate which covers the general overhead costs of administering the
12 weatherization program (e.g. L&I insurance, human resources costs). A rate of 10
13 percent is reasonable for this element.

14 **Q: Please summarize The Energy Project's recommendations.**

15 A: The factors discussed above contribute to weatherization projects incurring more
16 administrative and project coordination costs than are recovered under the
17 existing program structure. Simply put, it is often more expensive and difficult to
18 implement low-income natural gas as compared to electric weatherization. While
19 agencies remain committed to increasing participation, the fixed project cap and
20 uncertainty about recovery of reasonable administrative costs are making it more
21 challenging for agencies to deliver increased weatherization projects in Cascade's

²² Cascade Schedule 301. The tariff allows for one audit fee of \$550 and one inspection fee of \$300.

1 service territory. The recommended changes are designed and expected to enable
2 the agencies in Cascade's service territory to deliver more projects to Cascade's
3 eligible customers as well as to continue to leverage state and federal funds for
4 that purpose.

5 **Q: Have these proposals been discussed by the Advisory Committee?**

6 A: Yes. The Energy Project and agencies have raised these issues at the Advisory
7 Committee. At this point, no resolution has been reached with Cascade, although
8 TEP believes that the other Advisory Committee members (Staff, Public Counsel,
9 NWIGU) are comfortable with the concepts being proposed here. The
10 modifications are therefore being presented in this GRC in an effort to make
11 progress on the issues with the Company.

12 **Q: What are Cascade's concerns as you understand them, and your response to**
13 **those concerns?**

14 A: Cascade has stated that it prefers to wait until a full year of the EWIP program has
15 been completed before reassessing and making changes to the program. A year
16 has now passed since the February 2017 implementation of EWIP. The issues
17 addressed here have been raised with the Company and the Advisory Committee.
18 Addressing the critical needs pertaining to utility affordability for a substantial
19 number of Cascade low-income customers is a priority and TEP believes it is
20 reasonable to address them in this proceeding with the Company and other parties
21 so that progress can be made in timely manner.

1 **Q: Why is The Energy Project not proposing changes to the weatherization**
2 **budget?**

3 A: It is TEP's understanding that Cascade is committed to providing adequate funds
4 for all the eligible projects that agencies are able to deliver annually. It does not
5 appear necessary, therefore, to address specific budget levels at this time. The
6 goal of TEP's recommendations in this docket is to address the concerns that
7 agencies have raised so that they have ability to serve more eligible low-income
8 households with weatherization services in Cascade territory.

9 **IV. RATE DESIGN/RATE SPREAD**

10 **Q: What other concerns do you have with the Cascade rate proposal in this**
11 **case?**

12 A: The Energy Project has two other areas of concern: (1) the customer charge; and
13 (2) Cascade's rate spread proposal.

14 **Q: What is The Energy Project's position regarding the proposed customer**
15 **charge increase?**

16 A: In this case, Cascade proposes to increase its residential monthly customer charge
17 by 50 percent, from \$4.00 to \$6.00 per month. As a general proposition, increases
18 to the customer monthly charge disproportionately burden low-volume natural gas
19 users, and reduce customers' incentive to pursue energy efficiency. For these
20 policy reasons, increases in customer charges should be avoided or minimized
21 where possible. In addition, in percentage terms, a 50 percent rate increase is a
22 substantial change for customers to absorb in a single increase. Even if Cascade

1 is found to have provided cost support for the increase, cost study analysis is not a
2 precise science. Regulators look at a range of factors in making rate design
3 decisions, including the principle of gradualism. Applying that principle here,
4 The Energy Project recommends that, should the Commission find support for an
5 increase, that the change be limited to a 25 percent (\$1.00) increase, for a new
6 customer charge of \$5.00.

7 **Q: What is The Energy Project's concern regarding Cascade's rate spread**
8 **proposal?**

9 A: Cascade's filing proposed to place the majority of burden of the rate increase,
10 over 75 percent, on residential customers, with none of the increase allocated to
11 commercial and industrial classes.²³ The Energy Project does not support this
12 approach. As Cascade's own cost of service expert testifies, one of the three
13 primary criteria for sound rate design is fairness to customers.²⁴ Cost of service
14 determinations involve substantial elements of judgment, and as Mr. Amen
15 testifies, involve both quantitative and qualitative information, including
16 economic, regulatory, historical, and social factors.²⁵ The Energy Project
17 recommends that a more fair approach in the case would be to allocate any rate
18 increase allowed on an equal percentage basis across all customer classes.

²³ Cascade Natural Gas Corporation, Attachment C, Summary of Request Natural Gas Rate Increase, Washington Jurisdiction, filed on August 31, 2017. The residential class is assigned \$4.6 million of the total \$5.8 million increase requested.

²⁴ Amen, Exh. RJA-1T at 32:1-4.

²⁵ *Id.*, at 33:8-15

1 **VI. CONCLUSION**

2 **Q: Please summarize your recommendations with regard to low-income**
3 **weatherization.**

4 A: Tens of thousands of households in Cascade's service territory are in need of low-
5 income weatherization services with only an extremely small fraction being
6 served annually. It is a priority of The Energy Project to see significantly more
7 households served annually and we believe that adopting the following
8 recommendations will further that goal. With regard to Cascade's weatherization
9 program, The Energy Project recommends that the Company:

- 10 • Remove the \$10,000 project cap;
- 11 • Allow a portion of the weatherization budget for project coordination at a
12 recommended level of 20 percent;
- 13 • Allow an agency indirect rate budget component at a recommended rate of
14 10 percent.

15 **Q: Please summarize your recommendations regarding the customer charge and**
16 **rate spread.**

17 A: The Energy Project recommends that any increase in the customer charge be
18 limited to \$1.00, for a maximum charge of \$5.00 per month. The Energy Project
19 respectfully recommends Cascade's rate spread recommendation be rejected, and
20 that any increase or decrease in revenue requirement be spread across all customer
21 classes on an equal percentage basis.

1 Q: Does this conclude your testimony?

2 A: Yes.