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A P P E A R A N C E S

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I N D E X

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WITNESS	DIRECT	CROSS	REDIRECT	RECROSS	EXAM
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TOM DEBOER	219	235	297		251
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E X H I B I T S

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(No exhibits were marked or admitted)

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P R O C E E D I N G S

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ALJ MOSS: Let's be on the record. Good afternoon, everyone. My name is Dennis Moss. I'm an Administrative Law Judge for the Washington Utility & Transportation Commission.

I'm assisting the commissioners at the Bench this afternoon in the proceedings styled amended petition of Puget Sound Energy, Inc. for an order authorizing the use of the proceeds from the sale of renewable energy credits and carbon financial instruments, Docket No. UE-070725.

I want to first take appearances, and then I want to talk for a couple minutes about the purpose of our proceedings this afternoon, as previously outlined in our notice and then we will talk a little bit about the presubmitted exhibits and take it from there. Let us begin with the appearances and we'll start of course with Ms. Strom.

MS. STROM: Good afternoon, Sheree Strom Carson representing Puget Sound Energy.

ALJ MOSS: Mr. Roseman?

MR. ROSEMAN: My name is Ronald Roseman. I'm an attorney at law representing the energy project.

MR. JOHNSON: David Johnson, representing the Northwest Energy Coalition, and with me also representing the coalition is Daniel Dixon.

ALJ MOSS: Thank you.

MR. TROTTER: Donald T. Trotter, Assistant Attorney General representing WUTC staff.

ALJ MOSS: On the bridge line, Mr. Sanger I believe is present for the ICNU.

MR. SANGER: Yes, Your Honor. This is Irion Sanger representing the industrial customers of Northwest Utilities.

ALJ MOSS: And I had a phone message from public counsel. Is public counsel entering an appearance today? Apparently not.

The communication I had from public counsel was to the effect that the issues before us today are not issues they have addressed on brief and they did not intend to participate.

Is there anyone else on the bridge line who wishes to enter an appearance? Apparently not.

That being done then, we gave notice of today's hearing on June 29th. While I'm just now seeing that we put the incorrect style of the case, we did note the correct docket number. So I think that everybody who is interested is probably here.

1 The purpose of our hearing is limited today,
basically two-fold.

2 One is to reopen the record for the purpose of
3 taking additional evidence to aid in the determination
4 of specific questions relating to the commission's
5 decision in order 3 to allow PSE to expend \$4.57 million
6 in renewable energy credit which I'll refer to as REC
7 proceeds to underwrite the capture of additional cost
8 effective conservation during the company's low-income
conservation program for the 2010/2011 program period.

9 As we stated in the notice we were particularly
10 interested in learning more about the specific funds
11 available to the energy project and other organizations
12 that are expected to receive funds for the purposes I
13 just indicated.

14 And specific additional information concerning
15 the amounts of cost effective conservation that can be
16 achieved during the development period, the amount and
17 sources of funds available to achieve it.

18 We expressly excluded additional evidence and
19 argument on other subjects that have come up during the
20 course of this proceeding. We want to limit ourselves
21 today to the material that we gave notice. The notice
22 also gave parties the opportunity to present one or more
23 witnesses.

24 And it's my understanding that the parties who
25 are supporting the low-income conservation program
intend to put on a panel of three witnesses, while the
staff proposes to put on one witness.

 We had previously filed a number of exhibits that
are responsive to the notice. I appreciate that. We
have had an opportunity to review those internally. I'm
sure we'll hear more about them today.

 I want to ask at this juncture if there are going
to be any objections to any of these exhibits. And I
should say one further word with respect to staff's
exhibits, Mr. Trotter has pointed out to me that those
exhibits I marked as MPP3 or that exhibit I marked as
MPP3 is actually a duplicate of what has been marked by
the joint applicants as J20. And Mr. Trotter also
indicated another later response that duplicates a joint
Exhibit Number 17. So we won't be separately marking
MPP3 or the other exhibit. We have do however have what
we've marked for identification as MPP2 which is PSE's
estimates of low-income conservation for the 2010/2011
program period.

 Again, are there any objections to the exhibits
today? Or can we stipulate to them?

 MR. TROTTER: Your Honor, staff has an
objection to Exhibits J18, J19 and the second page of

1 J23. I can make that briefly if you wish.

2 ALJ MOSS: Should we take that up now,
Ms. Carson?

3 MS. CARSON: That would be fine.

4 ALJ MOSS: Let's hear your argument.

5 MR. TROTTER: Very briefly, Your Honor, you
mentioned that the scope of this hearing was limited to
the relevant period. According to the notice, that
relevant period is the 2010 to 2011 program period.
That's on page 2, the top several sentences of that
page.

6 The exhibits that I have identified, J18 and J19
7 and the second page of J23 go to the 2012 and 2013 time
period. That's within the scope of the petition of the
8 energy project but is outside the scope of the notice.
So I object on that basis.

9 ALJ MOSS: On all three the same?

10 MR. TROTTER: Yes.

11 ALJ MOSS: Well, I don't really need to hear
from you, Ms. Carson, on that. I'm going to overrule
the objection. I think it's within the scope of what
we're talking about here. We need, of course, to take
12 the party's proposal into consideration. To the extent
these exhibits talk about those things, that remains the
proposal for relieve, if you will, on reconsideration.
13 So I think that is appropriate to consider and we will
consider that. But thank you, your objection is well
14 taken otherwise.

15 All right. Then we'll admit as marked J17
through J23 and MPP2. I can furnish our court reporter
16 with a copy of the full exhibit list with all of the
appropriate notations and so forth by electronic means,
17 if that's acceptable.

18 COURT REPORTER: That would be great, thank
you.

19 ALJ MOSS: I wanted to offer the opportunity
today to counsel today if they wish to do so to make
opening statements.

20 Ms. Carson, did you wish to do so?

21 MS. CARSON: No, I had not planned to make
an opening statement.

22 ALJ MOSS: Mr. Trotter, did you have an idea
that you would like to have an opening statement?

23 MR. TROTTER: We would like to proceed to
the evidence, Your Honor.

24 ALJ MOSS: All right. I'll give you another
opportunity at the end of the day to make closing
statements and so we'll see where the hearing goes, but
25 why don't we have our panel be sworn in.

Do each of you solemnly swear or affirm under the

1 penalty of perjury that the testimony you give in this
 2 proceeding will be the truth, the whole truth and
 nothing but the truth?

WITNESSES: We do.

3 ALJ MOSS: Ms. Carson, please proceed.

MS. CARSON: Thank you.

4 Whereupon, the following proceedings were had, to-wit:

* * * * *

5 TOM DEBOER, SANDY SIEG, CHUCK EBERDT

Having been first duly sworn

6 on oath were examined and

testified as follows:

7 DIRECT EXAMINATION

8 BY MS. CARSON:

9 Q. Could each of you state your name and position
 10 and spell your name for the court reporter?

11 A. (Ms. Sieg) My name is Sandra Sieg. I'm employed
 12 by Puget Sound Energy. I'm the program manager for
 13 PSE's low income weatherization program. I'm appearing
 14 here on behalf of PSE. The spelling of my name is
 15 S-A-N-D-R-A, Sieg, S-I-E-G.

16 A. (Mr. DeBoer) Tom DeBoer, director of federal and
 17 state regulatory affairs for Puget Sound Energy. I'm
 18 also appearing on behalf of PSE.

19 A. (Mr. Eberdt) My name is Charles Eberdt,
 20 E-B-E-R-D-T. I am the director of the energy project.
 21 I work with all the community action agencies in
 22 Washington state.

23 Q. Have each of you reviewed the June 29, 2010
 24 notice in this docket requiring additional evidence and
 25 information relating to funding of additional of cost

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1 effective conservation from low income customers?

2 A. (Ms. Sieg, Mr. DeBoer, Mr. Eberdt) Yes.

3 Q. Are you able to provide additional information
4 concerning the specific funds available for the purpose
5 of capturing cost effective conservation from low income
6 customers in PSE's territory?

7 A. (Mr. Eberdt) Yes, I'm probably the one that had
8 some of that information anyway. The community action
9 agencies that operate energy efficiency programs for
10 Puget Power are -- there are eight agencies that do this
11 work. They are a variety of structures and sizes, mix
12 of rural and urban conservation.

13 Five of the agencies are community action
14 agencies, that makes them private nonprofits 501C3s,
15 that would be the community action council of Lewis,
16 Mason and Thurston County serving Puget and Thurston,
17 the Kitsap Community Resources in Bremerton, the Olympic
18 CAP or community action programs for at least a few
19 years more serving Puget customers in Jefferson County.
20 The Kittitas agency is called Hope Source over on the
21 east side of the mountains and then the opportunity
22 council of Whatcom County serving both Whatcom and
23 Island Counties Puget customers.

24 Two of the agencies are municipal corporations
25 under the statutes that govern housing authorities in

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1 Washington state. That would be the housing authority
2 of Skagit County and King County housing authority.

3 And the remaining agency is a county government.
4 A section of county government, Pierce County community
5 action programs. So you have eight agencies that have
6 fairly different structures. They all have discreet
7 financial and fiscal operations and governing boards and
8 all of those things.

9 The energy project is independent of all of these
10 agencies in that regard. The funding for the energy
11 project comes entirely from federal funds and any of the
12 work that the energy project does advocating on behalf
13 of these agencies or their constituents, the people that
14 they serve, if there is a result where funding is
15 increased for the work that these agencies do, none of
16 that funding is ever communicated in any way to the
17 energy project. It doesn't come into our budget at all.

18 At the same time because there are different
19 fiscal and governmental sort of organizations, I have,
20 the energy project has no oversight over their operation
21 either.

22 So that can make getting information somewhat
23 difficult at times.

24 That said, the funding that is available to these
25 eight agencies in serving Puget's electric customers

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1 from the Department of Energy weatherization assistance
2 program for the year 2010 is roughly \$743,000. The
3 funding that's available from the ARRA funds is
4 available for 3 years 2009 through 2011. And that
5 amounts to \$16.7 million.

6 The funding that's available from the Lahey
7 weatherization program for 2010 alone again is
8 \$1.5 million. And then the other resource -- those are
9 primarily federal resources that are focused entirely --
10 almost entirely on energy efficiency. Their goal is to
11 get energy efficiency.

12 The other two resources that agencies have
13 traditionally resorted to for repair of funds basically
14 as well as some energy efficiency have been HUD funding
15 called -- home repair and rehabilitation program or
16 HRRP is the way we refer to it, or the state funded
17 energy matchmaker program.

18 Those two programs have been collapsed into a
19 single program for the 2010/2011 budget years which is
20 now called matchmaker. The budget for that program
21 that's available in 2010 and 2011 is in the Puget
22 service territory alone is \$2.5 million.

23 The other thing I should note about all of those
24 funds is these funds aren't available simply to Puget
25 for their electric customers. These funds cover all the

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1 administrative costs, health and safety, energy related
2 repair as well as energy efficiency measures.

3 They are also funds that can be used by the
4 agencies to cover Cascade natural gas customers, Puget
5 customers, PUD customers from Kittitas, Cle Elum, a
6 couple of other PUDs, but there are four PUDs in the
7 service territory as well. Peninsula Light. The city
8 of Ellensburg and a handful of smaller municipals like
9 Blaine, Sumas, Ruston. So those funds while they seem
10 like a lot actually are covering quite a few different
11 utility areas.

12 Q. Thank you, Mr. Eberdt.

13 Is the panel also able to provide information
14 about the funds that PSE administers for low income
15 customers?

16 A. (Ms. Sieg) Yes. The funds that PSE administers
17 are the following, tariff electric funding. We also
18 have a funding source called the shareholder funding.
19 This is in compliance with the 2002 stipulation
20 agreement.

21 The company provides \$300,000 a year on an annual
22 basis to support the low income weatherization program.
23 Finally there is the Enron money in 2010. In accordance
24 with the contract set up with the Attorney General's
25 Office.

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1 Q. Is there an exhibit that demonstrates these
2 sources of funding that PSE administers for the
3 2010/2011 biennium?

4 A. (Ms. Sieg) Yes. J-17, which is number 35, page
5 7 does outline these various funding sources that I just
6 mentioned. In addition we also have REC proceeds added
7 to that list.

8 Q. Have you seen any changes in the level and source
9 of funding for low-income conservation over the past few
10 years?

11 A. (Mr. Eberdt) The one funding source that you may
12 be least familiar with is the Lahey weatherization
13 funding source. The federal regulations on Lahey allow
14 a state to transfer some of the funds that are actually
15 allocated for bill paying assistance over to the
16 weatherization agencies to do energy efficiency measures
17 on the understanding that that has a longer term
18 benefit.

19 In 2009 and 2010 because the Lahey budget was
20 increased by so much in those two years by congress the
21 funding that gets transferred over on the Lahey
22 weatherization is larger than it had been in previous
23 years. I think -- actually, I don't have the numbers
24 right in front of me. I don't know what the individual
25 agency's funding was in previous years. But statewide

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1 we're looking in -- I can't recall those numbers. I'm
2 sorry. But there was a substantial increase in 2009 and
3 2010.

4 The ARRA funding again in 2009 and 2010 is a
5 substantial increase in funding. In 2009 the
6 DOE weatherization assistance program saw a little bit
7 of an increase. It had typically over the years been in
8 \$4-1/2 to \$5-1/2 million range statewide. And the
9 statewide funding in 2009 was up around \$7 million. In
10 2010 it was dropped down to just around \$4 million. So
11 we have seen movement up and down with the
12 weatherization assistance program.

13 The thing that most concerns me is that the
14 funding that's available from the energy programs has a
15 small amount of money that's available for energy
16 related repair. That has generally been inadequate for
17 the needs that the agency sees when they go out to
18 houses.

19 So they have turned to using what I referred to
20 earlier as the home repair rehabilitation program funds
21 from HUD and the State energy matchmaker funds to
22 augment the needs they have for repair. That's where we
23 see the substantial decrease in the funds that were
24 available for repair.

25 If we look at the 2006/2007 biennium the HRRP and

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1 energy matchmaker funds combined were over \$19 million
2 for that biennium. For 2010 and 2011 the replacement
3 funding, the collapsed funding that's now called
4 matchmaker is \$6 million. So that's a substantial
5 increase.

6 Again, those are statewide numbers, but
7 proportionately you can -- the Puget service territory
8 probably gets somewhere less than half of that money
9 because of population distribution. So it's probably in
10 about 40% range but they are experiencing corresponding
11 decreases.

12 Q. What is your understanding of the availability of
13 these funds in the future?

14 A. (Mr. Eberdt) That's a good question. We have no
15 idea what the federal budget for the weatherization
16 assistance program or the Lahey program will be in 2011.
17 That's just not determined yet.

18 The ARRA funding for 2011 is expected to be much
19 less than it is currently.

20 The commerce budget for statewide again for ARRA
21 indicates an expenditure of around \$32 million in 2010
22 and \$5 million in 2011. And with the money that was
23 allocated or planned to be allocated in 2009 that takes
24 care of all of the ARRA funds. Commerce actually
25 intends to have the ARRA funds spent by the end of June

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1 of 2011. The federal government indicated the end of
2 the year was when that money had to be expended.

3 I already mentioned that the repair dollars had
4 decreased from well over \$19 million to \$6 million over
5 the next biennium.

6 Q. Can you provide additional information about the
7 Enron funds that are available for repair and for what
8 time period those funds will be available?

9 A. (Ms. Sieg) Yes. The Enron funds must be
10 disbursed by December 31, 2010. To date we have spent
11 \$1.4 million of the Enron funds and \$1.2 million of
12 those funds has been allocated toward the low income
13 electric program.

14 Q. You've previously described low income repair
15 funding as adequate, diminishing, subject to increasing
16 competition from other purposes and insufficient to
17 address the need.

18 Is that still an accurate description of repair
19 funding given the addition of Enron funds and ARRA
20 funding?

21 A. (Mr. Eberdt) This is Chuck Eberdt again. I
22 would affirm that opinion. I think the decrease in the
23 energy matchmaker funding and HRRP funding that the
24 agencies rely on for so much of the additional repair
25 work is really what it comes down to.

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1 The \$2 million dollars of the Enron funds that
2 are available will be gone by the end of this year.
3 They probably don't make up the difference that the
4 agencies serving Puget see.

5 Even if you take 50% of the funds, drop from
6 \$9 million down to \$2-1/2 million is a lot more than the
7 \$2 million dollars that the Enron money makes up.

8 Q. Will PSE use all of the allocated Enron funds by
9 the end of 2010?

10 A. (Ms. Sieg) Yes, PSE expects to disburse all the
11 funding by the end of 2010. Our current projections are
12 showing approximately \$1.7 million would be allocated to
13 the electric program but that number could go down
14 because agencies in combined electric and gas service
15 territory could shift some of that funding to the gas
16 program.

17 Q. Are there conditions on the use of the Enron
18 funds?

19 A. (Ms. Sieg) There are conditions but minimal
20 conditions. The money must be used to support low
21 income households. In this case the money is being used
22 to support the low income weatherization program. It
23 cannot be used to supplant our existing program. It
24 cannot be applied to administrative costs. It can only
25 be applied to labor and materials only.

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1 As I mentioned before, it must be disbursed by
2 December 31st, 2010. However, there's nothing in the
3 contract that specifies that the spending need a certain
4 level of cost effectiveness.

5 Q. Has PSE analyzed the additional cost effective
6 conservation that can be achieved using REC proceeds?

7 A. (Ms. Sieg) Yes, it has. It's looked at two
8 different scenarios. One scenario is if the REC
9 proceeds must be spent in the 2010 and 2011 biennium.
10 In this particular scenario we are presenting that we
11 would spend half of the proceeds commencing in 2011.
12 And the reason why we did that is because we are in to
13 August of 2010.

14 And the window of spending the money in the
15 biennium has decreased which would mean that we would be
16 spending at a greater rate per month than we originally
17 anticipated. That concerns us because we might not be
18 able to optimize our total resource cost test if we
19 disburse the funds at that rate.

20 We also looked at a three-year scenario spreading
21 the funding over three years instead of just the current
22 biennium. The reason why we did that is because we
23 could spend the full \$4.57 million and meet the total
24 resource cost test and the additional feasible cost
25 effective conservation that we had originally proposed.

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1 It also secures a stable funding source for a
2 longer period of time. It does mean that we could avoid
3 overlapping Enron and REC proceeds in the same funding
4 year.

5 Finally, it does have an added advantage of
6 allowing us some time to evaluate our application of the
7 Enron funds so that we can provide very specific policy
8 guidance to the agencies prior to sending the REC
9 proceeds.

10 Q. Ms. Sieg, I believe you said that if the REC
11 funds are used in this biennium only you may not be able
12 to optimize PSE's total resource cost. And I want to
13 make sure I understand that.

14 Are you saying that you could not manage those
15 funds cost effectively?

16 A. (Ms. Sieg) That's my concern that we may -- we
17 may achieve savings but would they be feasible cost
18 effective savings in the end.

19 I don't feel comfortable saying that because our
20 original analysis did assume spending throughout a
21 calendar year. So when we said that we would spend
22 \$2.2 million and then in the final order it would be
23 \$2.8 million, our implementation plan would be to spend
24 January through December in a year so that we don't
25 infuse too much money into a spending month. Because we

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1 need to make sure that we leverage cost effective
2 conservation as we spend those repair dollars.

3 So if we spend repair dollars at a rate that is
4 greater than the rate of conservation coming in we could
5 miss the total resource cost test.

6 Q. So you have described two different ways that you
7 have analyzed the cost effectiveness of the REC funds.

8 A. (Ms. Sieg) Yes.

9 Q. Can you tell me the results of your analysis?

10 A. (Ms. Sieg) Okay, there's really one fundamental
11 difference between the two analyses. And I would like
12 to get to that first.

13 In the -- the first analysis when we look at cost
14 effective conservation in the 2010 and '11 biennium, we
15 are achieving half of the feasible cost effective
16 conservation, it's 425,000 approximately kilowatt hours
17 because we're only spending half of the proceeds.

18 In the three-year projection we would be able to
19 spend the full \$4.57 million and achieve the full -- or
20 the minimum, minimal 850,000-kilowatt hour savings as we
21 had proposed in our original testimony.

22 Q. Did the joint parties originally plan to begin
23 spending REC funds in 2010?

24 A. (Ms. Sieg) No. It has been the position of the
25 joint parties to commence spending in January 1st, 2011.

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1 The reason why that's so is because the original hearing
2 was scheduled in March. We didn't really know at that
3 time when the final decision would be issued and what
4 the conditions of the final decisions would be. We did
5 have the Enron funding.

6 As a program manager I did not want to overlap
7 the spending of Enron with REC. So we thought it made
8 sense if we were allowed to use the REC proceeds for the
9 long-term weatherization program to commence spending on
10 January 1st, 2011.

11 Q. Is there an exhibit or exhibits that demonstrate
12 the additional cost effective conservation that can be
13 achieved?

14 A. (Ms. Sieg) Yes. J-17, page 19, I believe,
15 outlines cost effective conservation that can be
16 achieved in the 2010-11 biennium. Then J-23, pages 1
17 and 2 outline the three-year plan for cost effective
18 conservation.

19 Q. Does PSE's tariff allow for the use of schedule
20 120 funds for weatherization repairs?

21 A. (Mr. DeBoer) PSE's current tariffs are silent on
22 spending the schedule 120 funds for repairs. It doesn't
23 say whether we can or we can't.

24 However, our historical practice has been that we
25 do not. The company does not spend the schedule 120

0230

1 funds for repairs. That's a historical artifact.

2 Mr. Eberdt probably knows more of the origins of this.

3 But going back years ago when the avoided costs
4 were much lower, and the repairs just didn't make sense.
5 It didn't meets the cost effectiveness tests. So that
6 has carried on through the years.

7 When we first began talking about the process
8 back in 2008, the company operated under the assumption
9 that repair dollars had to be evaluated as a standalone,
10 had to be cost effective on their own, which of course
11 they're not because they in and of themselves don't
12 generate any savings.

13 It's only through this process and questions with
14 the parties and staff that we started to relook at that
15 policy and why we were doing it that way. With the
16 increase in avoided costs when we finally started
17 looking at the analysis of looking at both repairs and
18 the accompanying conservation together, it actually is
19 cost effective. But the tariff is completely silent on
20 how we would do that, and it's purely the company's
21 policy.

22 A. (Mr. Eberdt) I began working with Puget in this
23 capacity nearly 18 years ago. That is kind of
24 frightening to realize that.

25 But the fact of the matter was at that time the

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1 avoided costs that Puget logged were so low that it was
2 difficult to get any measures that we could fund. The
3 policy of Puget at that time was if the utility avoided
4 costs didn't cover the installed costs of the measure
5 they didn't pay anything. So it really limited what we
6 could do to a great extent.

7 It's -- it has been, you know, almost a crusade
8 over 20 years to work with all the utilities getting low
9 income programs funded that can provide a lot of
10 assistance to the households that need it.

11 With each utility you take up the issues that are
12 ripe with that utility that you think you can go
13 somewhere with. And the repair dollars just wasn't one
14 that we ever tried to ever convince Puget to work
15 differently.

16 It wasn't until the REC funds came along that the
17 proposal came up that we got together with Puget and
18 said how could we use this money to benefit low income
19 get together with Puget.

20 MS. CARSON: Thank you. I have no further
21 questions.

22 ALJ MOSS: Thank you.

23 Mr. Trotter?

24 MR. TROTTER: Thank you, Your Honor.

25 CROSS-EXAMINATION

0232

1 BY MR. TROTTER:

2 Q. Mr. DeBoer, regarding your testimony on tariff,
3 you're referring to schedule 83; is that right?

4 A. (Mr. DeBoer) Yes, that's correct.

5 Q. And the bedrock principle in that tariff, that
6 conservation that is acquired by PSE be cost effective
7 and meet both the utility cost tests and the total
8 resource cost test, correct, as defined in that tariff?

9 A. (Mr. DeBoer) Actually, I'll defer that to
10 Ms. Sieg to answer.

11 A. (Ms. Sieg) Can I hear the question again?

12 Q. Mr. DeBoer conceded that he was referring to
13 schedule 83. I was simply asking that the underlying
14 and stated principal in that tariff is that any cost
15 effective conservation that PSE acquires must meet with
16 both the utilities cost test and the total resource cost
17 test; is that correct?

18 MS. CARSON: I'm going to object to that
19 question. It calls for a legal conclusion and the
20 document speaks for itself.

21 ALJ MOSS: Well, we had some over talking
22 there but we'll just carry on from here. The objection
23 is noted, but I won't rule on it since she answered the
24 question.

25 BY MR. TROTTER:

0233

1 Q. Was Mr. DeBoer correct when he said that PSE can
2 acquire cost effective conservation that includes repair
3 dollars, let's ignore the issue whether the tariff
4 allows it or disallows it or whether it's silent or not.
5 But it's possible to acquire cost effective conservation
6 when the project includes some repairs; is that right?

7 A. (Mr. DeBoer) I'll take it back now. I'm sorry.
8 That's correct. The analysis that we submitted in these
9 exhibits demonstrates that.

10 Q. Has this panel testified to the problem of the
11 overlap between REC dollars and Enron dollars in this
12 docket before today?

13 A. (Mr. DeBoer) I don't believe so.

14 Q. Your counsel Ms. Carson, she's not the counsel
15 for some of you, I believe quoted from your direct
16 testimony regarding the status of repair money and asked
17 you if that was still an accurate description, that was
18 one feature of that testimony she didn't ask you about.
19 And that was the annual funding for repairs was
20 \$300,000.

21 Is that a correct figure? That's page 15 of
22 exhibit J, or joint 1-T.

23 A. (Ms. Sieg) You were referring to shareholder
24 dollars, I believe?

25 Q. The \$300,000 is not identified, it's just

0234

1 identified as annual funding of \$300,000. It doesn't
2 say where it's from.

3 A. (Ms. Sieg) It's PSE.

4 MS. CARSON: I'm going to object to the
5 characterization of the testimony. That's not what it
6 says. On page 15 it says, for example, PSE's low income
7 energy efficiency program currently funds energy related
8 repairs through a shareholder funded account.

9 BY MR. TROTTER:

10 Q. So this is referring to the shareholder dollars,
11 Ms. Sieg?

12 A. (Ms. Sieg) Yes.

13 Q. It does not refer to the Enron money; is that
14 correct?

15 A. (Ms. Sieg) That amounts does not.

16 Q. And it does not refer to the money available
17 under the federal programs or other programs that
18 Mr. Eberdt testified to; is that correct?

19 A. (Ms. Sieg) It is not included.

20 Q. I recall in the press reports I reviewed that the
21 total Enron related grant to PSE was \$2.1 million.

22 Is that a correct figure?

23 A. (Ms. Sieg) That is a correct figure.

24 Q. And so you're proposing in this docket to using
25 \$1.7 million of that; is that right?

0235

1 A. (Ms. Sieg) On the electric program.

2 Q. The remaining \$400,000 would go to GAF?

3 A. (Ms. Sieg) That's our projection currently, yes.

4 Q. Is that required by the grants?

5 A. (Ms. Sieg) No, the grant requires that the money
6 serve low income households.

7 Q. You refer to ARRA money in your testimony,
8 \$32 million in 2010 and \$5 million in 2011, when were
9 those funds first made available? That category of
10 funds, I should say.

11 A. (Mr. Eberdt) This is a history of how not to run
12 a program in the sense that the first announcement that
13 ARRA funds would be made available was in early 2009. I
14 don't recall exactly what month in 2009 it became clear
15 how that money would be allocated across all the states
16 but somewhere in the course of the next nine months it
17 was indicated that we learned that the allocation for
18 Washington state for the three-year period would be
19 roughly \$59 million.

20 The ability to start spending that money however
21 didn't occur until sometime late in 2009. There were a
22 number of issues regarding labor, wages, Davis Bacon
23 issues that had to be worked out with the Department of
24 Labor, between the Department of Energy and Department
25 of Labor.

1 This was actually quite a furor nationally for
2 committee action and the folks who were doing low income
3 weatherization because they were told they had all this
4 money to spend and they needed to start spending it, but
5 they didn't know what the guidance or rules were for how
6 they were going to be able to spend it. They were also
7 told to go ahead and pay people.

8 And if it was later turned out to be the case
9 that they didn't pay them enough they could just
10 retroactively go back and make up the difference, but
11 you can imagine what an administrative headache that
12 would have been.

13 Q. So going back to the question.

14 A. (Mr. Eberdt) The question was when was what?

15 Q. When it started, when the funds were first made
16 available; do you know?

17 A. (Mr. Eberdt) I guess I'm not clear how one
18 defines "made available."

19 Q. I'm moving on.

20 Can the ARRA funds be used for repair?

21 A. (Mr. Eberdt) A small percentage of the funds
22 can be used for repair just like with the DOE
23 weatherization program.

24 Q. Define "small."

25 A. (Mr. Eberdt) 15% can be used for energy related

0237

1 repair. Generally that has not been adequate.

2 Q. You testified, Ms. Sieg, to PSE's proposal to use
3 the \$4.57 million in REC money over a four-year period
4 and you said that's in Exhibit J-23; is that right?

5 A. (By Ms. Sieg) The applications of the proceeds
6 would actually be in the three-year period. Because we
7 are proposing that we commence spending in 2011.

8 Q. That's in Exhibit J-23?

9 A. (Ms. Sieg) That's in Exhibit J-23.

10 Q. Would you turn to that exhibit, please?

11 A. (Witness complies.)

12 Q. According to page 1 this covers the 2010 to 2011
13 period; is that correct?

14 A. (Ms. Sieg) It is correct, however the
15 application for the REC proceeds would not commence
16 until 2011.

17 Q. I would like to focus first on the first two
18 lines of the data, and look at the total KWH savings
19 column and the total utility cost column.

20 Do you see that?

21 A. (Ms. Sieg) I do.

22 Q. And am I correct that the total KWH savings on
23 the first two lines would be the savings that would be
24 generated under schedule 83 all by itself?

25 A. (Ms. Sieg) Yes. Those were schedule 120 moneys.

0238

1 Q. They are not moneys, are they?

2 A. (Ms. Sieg) Well, they are kilowatt hours savings
3 associated with the spending of schedule 120 moneys so
4 it's tariff electric.

5 Q. Am I correct that the total KWH savings column
6 contains numbers that reflect KWH?

7 A. (Ms. Sieg) Yes.

8 Q. Am I correct that total utility cost column
9 contains dollars associated with those KWH?

10 A. (Ms. Sieg) Yes.

11 Q. So if we add the total utility cost dollars in
12 the first -- in the total utility cost column you get
13 the total of \$5.6 million; correct?

14 A. (Ms. Sieg) That's correct.

15 Q. And that would be used to generate the total KWH
16 savings on the first two lines which total 4,034,432
17 KWH; correct?

18 A. (Ms. Sieg) Can you say that number again,
19 please?

20 Q. 4,034,432 KWH.

21 A. (Ms. Sieg) Where is that number that you're
22 referring to?

23 Q. The total of the two figures on the first two
24 lines of the total KWH savings column.

25 A. (Ms. Sieg) Can you repeat the question?

0239

1 MR. TROTTER: Could the reporter read it
2 back?

3 (Requested testimony was read.)

4 BY MR. TROTTER:

5 Q. Those dollars we just talked about, the
6 \$5.6 million and the four million KWH, those are all
7 associated with the current tariff before the
8 application of Enron money or REC money?

9 A. (Ms. Sieg) Yes. Well, actually, no. I want to
10 strike that.

11 Q. Okay. I'll retract the question because it's an
12 important point we'll get to in a minute, but I don't
13 want to confuse it at this point. Thank you. We'll get
14 to it.

15 Now let's go down in the total KWH column to the
16 next figure which is 294009 KWH.

17 Do you see that?

18 A. (Ms. Sieg) Yes, I do.

19 Q. If we look over to the third party cost column,
20 the first two figures there, the 1,000,386 and the
21 \$346,000, those two total up to the amount of Enron
22 money that is associated with that \$294,000 KWH;
23 correct?

24 A. (Ms. Sieg) That is correct.

25 Q. Finally, in the total KWH savings column, we see

0240

1 a figure of \$283,533 KWH, and that savings is associated
2 with the REC dollars in the third party cost column, the
3 \$1.114 million figure, and the 408,000 figure; is that
4 right?

5 A. (Ms. Sieg) Yes.

6 Q. Then we'll get to the point that I think we both
7 want to talk about.

8 A. (Ms. Sieg) Okay.

9 Q. To do that I would like to go to Exhibit MMP-2.

10 Do you have that before you?

11 ALJ MOSS: I think it's MPP-2.

12 BY MR. TROTTER:

13 Q. The question was:

14 Do you have it before you?

15 A. (Ms. Sieg) Yes, I do.

16 Q. Did you have a chance to review this exhibit?

17 A. (Ms. Sieg) Yes.

18 Q. You recognize the figures taken except for those
19 in parentheses are from your Exhibit J-17?

20 A. (Ms. Sieg) Yes, I did check the numbers and they
21 do reflect the numbers in the exhibit.

22 Q. Okay. Now scenario A is just the existing tariff
23 without any REC funding or Enron funding, and PSE under
24 its existing program with that assumption to generate
25 about \$3 million KWH; correct?

0241

1 A. (Ms. Sieg) Yes.

2 Q. And the tariff writer would generate
3 approximately \$4.8 million, correct, shown on line 2
4 there?

5 A. (Ms. Sieg) The spending?

6 Q. Yes.

7 A. (Ms. Sieg) Yes.

8 Q. And then scenario B asks you to assume that \$4.57
9 million in REC funds was available, but no Enron funds.

10 And you can see on line 8 that you're not showing
11 that you can spend all of that. But you do show that on
12 the REC funds you can spend or on line 8 you would get
13 425,299 more KWH; right?

14 A. (Ms. Sieg) Yes.

15 Q. In this scenario the tariff writer generates the
16 same amount as in the first scenario; right?

17 A. (Ms. Sieg) The spending, is that what you're
18 referring to?

19 Q. Yes.

20 A. (Ms. Sieg) Yes.

21 Q. Now we go to scenario C which adds in the Enron
22 funds to scenario B. The additional KWH compared to the
23 second scenario is 1,335,441 KWH.

24 Do you see that?

25 A. (Ms. Sieg) I do.

0242

1 Q. And tariff writer, I think this is the issue you
2 wanted to get to; am I right?

3 A. (Ms. Sieg) it could be.

4 Q. The tariff writer in the first two scenarios
5 generated the same amount of dollars but in this
6 scenario it generates about \$800,000 more.

7 Could you explain why that is, why the addition
8 of Enron funds causes the share of tariff writer dollars
9 for the low income program to increase?

10 A. (Ms. Sieg) When we received the Enron funds we
11 had a meeting in January 2010. We had an a meeting with
12 the agencies. And during the meeting we discussed Enron
13 funds and the application of the Enron funds to this
14 program. This is a weatherization program so I
15 instructed the agencies that when you spend the Enron
16 dollars leverage conservation. I did not tell them at
17 that time to leverage tariff electric or to leverage
18 Enron. I told them to leverage conservation.

19 As the year progressed what we found is the
20 agencies were spending the repair dollars and they were
21 leveraging conservation. And what happened is they were
22 spending the tariff electric budget.

23 We had some agencies come to the company with a
24 request to increase their 2010 budget so they could
25 continue to achieve the feasible cost effective

0243

1 conservation. This was a decision by my management to
2 allow some of these agencies to amend the contract and
3 add some funding. So we added approximately \$800,000 to
4 the budget for low income in 2010. That's why you're
5 seeing the increase in tariff electric spending.

6 A lot of it is because I didn't specifically tell
7 them how to leverage the conservation. So they did what
8 they were told to do.

9 With REC our plan is different in the sense that
10 in our original proposal with REC, we proposed that a
11 portion of the proceeds would support the installation
12 of energy efficiency measures. This funding source
13 would be managed very specifically. So that the
14 additional savings generated for the program is
15 supported by REC conservation.

16 Now, I cannot guarantee you that agencies would
17 come to us with requests for more tariff funding because
18 REC because we're still analyzing the potential of the
19 funding source. But that is our implementation plan at
20 this point.

21 Q. Now going back to MPP-2 and we see the tariff
22 writer dollars of \$4.783 million, that's just the low
23 income program share, is that right, of the total tariff
24 writer dollars?

25 A. (Ms. Sieg) They are low income electric, yes.

0244

1 Q. The tariff writer generates a lot more money than
2 this; right? This is just the low income share of it;
3 right?

4 A. (Ms. Sieg) Yes.

5 Q. When you said you added \$8,000 to the budget, did
6 that mean that you added -- you increased the low income
7 share of the total tariff writer money by \$800,000?

8 A. (Ms. Sieg) Yes. The budget for the program was
9 increased by \$800,000 so it was schedule 120 money.

10 Q. Are you done?

11 A. (Ms. Sieg) I am.

12 Q. Did you increase the total PSE conservation
13 program by \$800,000 or did you take that \$800,000 from
14 other parts of the overall program?

15 A. (Ms. Sieg) Okay. I don't manage beyond the
16 scope of the low income weatherization program so I feel
17 that I'm walking in to territory that is more
18 appropriately addressed by the upper level management.

19 Q. Do you know where the \$800,000 came from?

20 A. (Mr. DeBoer) There's a certain amount of
21 flexibility within the schedule 120 funding. So we do
22 budgets for each program but as the year goes on there's
23 some flexibility in those budgets that when we go to do
24 the true up filing every year that gets trued up,
25 whether we overspend or underspend. So the \$800,000

1 that got shifted to the low income budget did come out
2 of the schedule 120 funds but whether that -- because
3 we're overachieving on electric conservation now the
4 entire budget will actually be up in our next filing.

5 Q. I'm talking just about the current budget period.
6 You took \$800,000 from other program under the ages of
7 conservation and gave it to the low income program?

8 A. (Mr. DeBoer) Yes. And we often shift among
9 budgets during the course of the year.

10 Q. So was that done because of the Enron money being
11 available?

12 A. (Mr. DeBoer) It was done because we had -- we
13 were trying to leverage the Enron dollars that were
14 doing the repairs. And as Ms. Sieg pointed out, we
15 didn't direct the agencies with enough specificity to
16 use -- we directed all the money to repairs rather than
17 some money to repairs and some money to conservation
18 measures.

19 Q. But there was no need to increase the budget by
20 the influx of REC funds, a portion of which would be
21 used for repairs; is that right?

22 A. (Mr. DeBoer) We haven't disbursed any REC funds
23 yet. So as she pointed out, when we do that we will
24 specify more how to spend that money. In other words,
25 the REC funds have not been disbursed yet to do any

0246

1 repairs.

2 Q. But Exhibit J-23 is the proposal of the company
3 for the use of REC money and it also includes the Enron
4 money; right?

5 A. (Mr. DeBoer) That's right.

6 Q. And we talked about the total utility cost being
7 \$5.6 million. Is that \$800,000 higher than it was
8 before the application of the Enron money?

9 A. (Mr. DeBoer) Yes.

10 Q. I'd like to isolate what I think is the impact of
11 the Enron money on the program, and can I get that
12 impact if you look at page 1 of Exhibit J-23 you show
13 the total KWH savings of \$4.6 million KWH.

14 Do you see that?

15 A. (Ms. Sieg) I was paging to the attachment, could
16 you repeat your question?

17 Q. Exhibit J-23, total KWH savings column, last line
18 you show a total KWH savings of \$4.6 million KWH.

19 A. (Ms. Sieg) Yes.

20 Q. If we subtract out the REC related KWH, the
21 \$283,533, and then we will subtract out from Exhibit
22 MMP-2 the 2,992,800 KWH, that you would have got without
23 these funds, would we get the KWH impact of the Enron
24 funds?

25 A. (Ms. Sieg) I believe you are referring to

0247

1 1.3 million kilowatt hours.

2 Q. Yes. That would be the effect?

3 A. (Ms. Sieg) A significant portion of that effect
4 is from Enron.

5 Q. I calculated that and did the math and got
6 \$1,335,441.

7 A. (Ms. Sieg) I'm going to go back to your Exhibit
8 MP-22.

9 What was that number again, please.

10 Q. \$1,335,441.

11 A. (Ms. Sieg) I'd like to do it subject to check.

12 Q. So the impact of the Enron money was not only to
13 increase the overall budget for the low income program,
14 but to also increase KWH savings and it was
15 approximately \$1.3 million more KWH savings in
16 2010/2011; is that right?

17 A. (Ms. Sieg) Yes.

18 Q. Changing subjects slightly, and I'm still on the
19 first page of J-23.

20 We discussed that the REC related KWH on this
21 page is the 283,533 figure; correct?

22 A. (Ms. Sieg) Correct.

23 Q. And on the next page on the same column, total
24 KWH savings, third figure, you show 567,085 KWH. That's
25 also associated with REC money, but in the 2012/2013

0248

1 period; correct?

2 A. (Ms. Sieg) Yes.

3 Q. And if we totaled those two figures, we get the
4 850,000 KWH that you referred to in your testimony and
5 the commission referred to in its order?

6 A. (Ms. Sieg) Yes.

7 Q. So is it fair to say that if the commission
8 allows this program to go over or through 2013, that
9 850,000 KWH will be acquired?

10 A. (Ms. Sieg) Yes, that is our minimum estimate of
11 what would be acquired.

12 MR. TROTTER: I have nothing further. Thank
13 you.

14 ALJ MOSS: Thank you, Mr. Trotter.

15 Well, let's go to the Bench, and then if you have
16 any follow-up it would encompass both.

17 MR. TROTTER: Let's do that.

18 ALJ MOSS: Chairman Goltz?

19 EXAMINATION

20 BY MR. GOLTZ:

21 Q. Mr. Eberdt, forgive me if I ask questions that
22 were covered last time.

23 When the money goes from Puget Sound Energy to
24 the eight agencies that you described; correct?

25 A. (Mr. Eberdt) Yes.

0249

1 Q. And from there it goes to what types of
2 dwellings?

3 A. (Mr. Eberdt) Actually, all types of dwellings.
4 Depends on the agency and what's available in their
5 service territory. But they do single family stick
6 built homes, mobile homes and multi family.

7 Q. Are some of the dwellings actually owned by the
8 agencies?

9 A. (Mr. Eberdt) That's an interesting question. I
10 don't know, I can't answer that absolutely. I know in
11 the case of the smaller agencies it's not likely to be
12 the case. I'm not sure about King County Housing
13 Authority.

14 Generally speaking, at least in the past, the
15 rule was that they couldn't work on their own buildings.

16 Q. Okay. Then are -- so I gather the rest are owned
17 by private citizens?

18 A. (Mr. Eberdt) Or they could be owned by other
19 non-profits. A lot of the housing trust fund buildings
20 are subject targets for energy efficiency.

21 Q. Those that are owned by private individuals, is
22 there some sort of agreement to provide those owners in
23 exchange for the funds would make their houses available
24 for low income housing?

25 A. (Mr. Eberdt) If it's a rental housing there's

0250

1 usually a rental agreement that has to go along with it.
2 There's a landlord/tenant agreement that the landlord
3 would agree to rent to low income. There are usually
4 rent freezes involved.

5 If it's a low income owner occupied building,
6 there's usually a stipulation if you sell it within a
7 certain amount of time that the money has to be paid
8 back.

9 Q. Those are measures in place to ensure that
10 somebody would get their house fixed up, and then they
11 don't take the money and run?

12 A. (Mr. Eberdt) Yes, sir.

13 Q. So I gathered from your motion for
14 reconsideration was to spread the amount of money.
15 Instead of having it all spent by the end of 2011, have
16 it spent by the end of 2013?

17 A. (Mr. Eberdt) Yeah. The original proposal that
18 we had made was a multi-year proposal. One of the key
19 elements to that for us was smoothing out or evening out
20 the funding stream rather than having these huge spikes
21 and then big valleys or droughts. So that was part of
22 the intention.

23 I also wanted to make sure that the agencies,
24 like Ms. Sieg mentioned, I also wanted to make sure that
25 the agencies that use this money optimize it and use it

0251

1 to the best possible use in terms of gaining energy
2 efficiency.

3 We're used to a fairly unfortunate occurrence of
4 use-it-or-lose-it-funding. We are oriented to use it,
5 and I just want to make sure they use it in the best
6 possible way.

7 Q. If we were to decide to reduce the amount of
8 funding and have the reduced amount be spent by the end
9 of 2011, then the remainder of that money, whatever that
10 money would be, would be returned to rate payers in some
11 way, I would assume?

12 A. (Mr. Eberdt) That's what I assume.

13 Q. Let's assume that's the case, and then for the
14 2012/2013 biennium, wouldn't given Puget's obligation to
15 attain all cost effective conservation, wouldn't the
16 Puget's conservation budget then go up to accomplish the
17 same end?

18 A. (Mr. Eberdt) Well, as I recall the statute, it
19 says all cost effective conservation, but it doesn't
20 necessarily say they have to acquire it in 2012 and
21 2013.

22 So I don't know how it would effect their budget,
23 and I don't know how they would deal with it.

24 Q. Maybe I can ask Mr. DeBoer that.

25 A. (Mr. DeBoer) It's Tom DeBoer. It's possible

0252

1 that those are the discussions that would had with the
2 CRAG. We set our budget based on consultation with the
3 CRAG.

4 If the CRAG ultimately bought off on that was the
5 appropriate way to spend the money, or they agreed that
6 we could increase our budget, we are tied to our budgets
7 which are collected through the schedule 120, I mean, in
8 the abstract, yes.

9 If we had an unlimited access to funds to fund
10 our conservation programs, we would go out and acquire
11 that. But we're constrained by a lot of things that are
12 part of the discussions with the CRAG. What's the
13 appropriate level of increase in the conservation --

14 Q. What I'm trying to figure out is, what difference
15 does it make if you take the total amount and spread it
16 over to the next biennium. Let's say it's \$2 million
17 that would go into the next biennium, what is the
18 difference between returning that \$2 million to
19 ratepayers in the present biennium and then Puget
20 increase with the CRAG's concurrence increasing its
21 conservation budget in the next biennium or carrying
22 over that \$2 million thereby obviating the need for
23 increasing the conservation budget in the next biennium.

24 What's the difference in those two scenarios for
25 the conservation expenditures?

0253

1 A. (Mr. Eberdt) I'm not sure how the company would
2 see it differently. From an agency point of view the
3 difference is planning, the difference is having a sure
4 sense of funds that are going to be available that you
5 can use over that time period.

6 The agencies largely because of the pressure for
7 production that has come about because of ARRA have
8 reoriented their focus to a great extent to do a lot
9 more multi-family. And when you're dealing with large
10 multi-family projects those projects come in really
11 chunky ways and they can flip in really chunky ways. So
12 if you don't have the ability to plan on those and know
13 you'll have the funding to be able to do them it makes
14 it difficult to do the work.

15 Q. I guess from a rate perspective I think you're
16 right. I think the difference is if it comes in as REC
17 money the customers aren't seeing a bill change because
18 they never paid it so it doesn't have to come out. If
19 it becomes part of the tariff writer, assuming all
20 things being equal, that would be an incremental
21 increase to the schedule 120 rate and they would see an
22 increase.

23 So in the first scenario where the money would be
24 returned to ratepayers there would be more lumpiness is
25 what you're saying?

0254

1 A. Right.

2 Q. I had a couple questions for Ms. Sieg.

3 When you said all this technical sorts of
4 questions, you said that all the funds had to be
5 disbursed by a certain date?

6 My question is:

7 What do you mean by "disbursed"? To get them
8 from Puget to the agency or actually get them by the
9 agency and the work is done?

10 A. (Ms. Sieg) That the work is completed, and that
11 we have made payment to the agency for the work
12 completed.

13 Q. So the money isn't disbursed until the work is
14 completed?

15 A. (Ms. Sieg) It's not disbursed until the work is
16 completed.

17 CHAIRMAN GOLTZ: That's all the questions I
18 have.

19 MS. SIEG: Chairman, can I add to your
20 original question? I want to express a concern that I
21 have as a program manager for the low income
22 weatherization program because the question was asked,
23 could PSE increase the budget and kilowatt hour savings
24 in 2013.

25 My concern as a program manager is that if

0255

1 we don't have the repair funding to achieve those
2 conservation savings, we could increase our 120 budget
3 and our goals, but my concern is we might not be able to
4 meet them if we don't have access to repair funding.

5 And my major concern is the decrease in the matchmaker
6 funds because PSE is a sponsor of that program.

7 And historically repairs that leverage
8 conservation was funded through the program in addition
9 to shareholder dollars. And bearing in mind that our
10 past budgets and goals were smaller. So now we have the
11 diminishing matchmaker funds. If we in turn increase
12 budgets and goals without some funding source for
13 repairs I'm not 100% confident we can meet those goals.

14 CHAIRMAN GOLTZ: Maybe I misunderstood
15 something else before this then. I understood from our
16 past hearings that there was a real distinction between
17 repair funding and other funding, conservation funding.

18 I thought Mr. DeBoer said you had
19 reinterpreted your tariff and are now of the opinion
20 that contrary to past practice, repair funding is
21 authorized on your tariff.

22 BY MR. GOLTZ:

23 Q. Did I misunderstand you?

24 A. (Mr. DeBoer) I think that's right. Although --

25 Q. That's right but I misunderstood you?

0256

1 A. (Mr. DeBoer) That's a correct interpretation of
2 what I said.

3 Q. Okay.

4 A. (Mr. DeBoer) The wrinkle there is, of course
5 when you start adding in repair costs as part of the
6 measure, your cost effectiveness goes down so you can't
7 do as much conservation, all else being equal.

8 If the dollars are the same under the schedule
9 120 you have got less dollars to do the conservation.

10 Because normally in the past we have always had
11 outside schedule 120 dollars to do the repairs.

12 Q. Right, but I have read your reinterpretation as
13 giving the utility and agency more flexibility so you
14 don't have to worry about which pot of funds the repair
15 moneys are coming from.

16 A. (Mr. DeBoer) Right, but again if those dollars
17 are calculated into the cost effectiveness which means,
18 and maybe Sandy can explain this better than I'm
19 bumbling along here, you can do less conservation
20 because your cost effectiveness is going down because
21 you have got less savings for the same amount of
22 dollars.

23 Q. Is that because some of the other buckets of
24 money for repairs don't require a strict application of
25 the cost effectiveness test?

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1 A. (Mr. DeBoer) Right. Well, that is an open
2 question, I think. Maybe Sandy will want to elaborate
3 on that. I think we've done it different ways in the
4 past on whether those separate dollars, non-tariff
5 dollars will be used to calculate in the cost
6 effectiveness or not.

7 A. (Mr. DeBoer) There is no expectation from HUD
8 that any of the money that we use for repairs from the
9 HRRP program would have any energy savings to them at
10 all. So that doesn't effect the cost effectiveness
11 tests in my sense. They expect repairs to do repairs.

12 The statute governing the matchmaker program was
13 changed in the last, maybe it was the 2009 legislature,
14 to make it clear that the funds from that funding
15 source, that repairs are an allowable cost. That's one
16 of the targets for those moneys to be used for. So I
17 don't see how that would apply to the energy cost
18 effectiveness expenditure in that way since the repairs
19 are a legitimate reason to use the money.

20 Q. Any final word?

21 A. (Ms. Sieg) Perhaps it's where I'm located in the
22 company, but right now we don't use schedule 120 moneys
23 to fund repairs. I know that Mr. DeBoer said that there
24 could be some flexibility there but I'm still taking.
25 When you ask me a question about 1213, I still take a

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1 conservative position on that just because we haven't
2 used schedule 120 moneys like that in the past.

3 So at this point as a program manager in PSE I
4 would definitely want some assurance that the commission
5 supports that as well.

6 CHAIRMAN GOLTZ: Thank you.

7 EXAMINATION

8 BY MR. OSHIE:

9 Q. My question is for Mr. DeBoer.

10 This has been an interesting conversation, if you
11 will, between the witness panel and people asking
12 questions?

13 One thing it would help to clarify your position.

14 Is it the understanding of the company that the
15 \$4.5 million that our order referred to as being
16 dedicated to low income spending was only to go to
17 repair work to enable other moneys from the schedule 120
18 tariff to be devoted to do energy efficiency fees?

19 A. (Mr. DeBoer) I'll let Ms. Sieg follow up after
20 I'm done, but our proposal was to use the REC proceed
21 dollars for predominantly and in our original
22 application and I forget the exact percentages we had
23 proposed, the bulk of it went to low income
24 weatherization, part of it went to low-income
25 conservation and then the renewable piece.

1 We interpreted the commission's order as we would
2 use those dollars for both, obviously not for the
3 renewables because that was out. But predominantly for
4 weatherization -- or repairs and then some for
5 conservation. Which is what I think Ms. Sieg was
6 alluding to when she was talking about when we get ready
7 to disburse those dollars we will have the agencies
8 spend some on repairs and some on conservation so we
9 don't end up with this \$800,000 budget increase.

10 Short answer, no, we thought we would use them
11 both for repairs and for conservation measures.

12 Q. What percentage would you use, just
13 hypothetically then you're thinking of \$4.57 million,
14 what percentage would be dedicated to efficiency
15 conservation, if you will, and what percentage to
16 repairs?

17 A. (Mr. DeBoer) Well, over what, are you talking
18 about 2010 or 2011 biennium?

19 Q. I'm talking about a bigger broader picture. When
20 you read the order and thought, well, it's devoted to
21 these two particular purposes, how was going to be
22 distributed to achieve both of those objectives?

23 A. (Ms. Sieg) Our attachments highlight some of
24 those numbers.

25 Q. I'm just speaking generally. I mean obviously --

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1 A. (Ms. Sieg) What the split is.

2 Q. Perhaps it would be good -- I mean there will be
3 an opportunity to clarify what we meant. But if the
4 interpretation is to be used and I don't know if it's
5 primarily for the purposes of repair.

6 That seems to be Mr. DeBoer's testimony
7 initially. And I -- so there's no -- there's no --
8 maybe better said there was no real determination after
9 the issuance of our order as to how the company with its
10 belief that it would be used for repairs, the
11 \$4.57 million, how it would be allocated between repair
12 and energy efficiency?

13 Is that fair to say?

14 A. (Ms. Sieg) Yes, that's very fair to say,
15 Commissioner.

16 Q. Okay.

17 A. (Ms. Sieg) Roughly speaking, our estimate is
18 about 75% of those moneys would fund repairs and about
19 25% would fund the additional conservation. Some of the
20 very specific calculations that we employed are in some
21 of our original DRs, I believe it was -- actually I
22 apologize, I'm not sure what the exhibit number is. But
23 we highlighted some of the assumptions that we were
24 making. My recollection is it's about a 75/25 split.

25 Q. Can I proceed?

0261

1 A. (Ms. Sieg) Sure, of course.

2 Q. Because there's a question with regard to that
3 split.

4 If the split is 75% of the \$4.7 million is
5 allocated to repair and 25% to efficiency, were all of
6 those endeavors and measures, if you will, that would be
7 undertaken, given that split, cost effective?

8 A. (Ms. Sieg) Okay. I think I see the assumption
9 and let me answer it this way:

10 The additional conservation that we proposed in
11 the original proceeding was to fund units that we would
12 walk away from. So there was a recapture rate. And
13 there was also an expectation that we would be able to
14 more comprehensively weatherize units.

15 Q. Ultimately I think that we would -- I would like
16 to see -- I can't speak for my other commissioners, but
17 it would seem like a foundation for activity in the
18 energy efficiency conservation arena is cost
19 effectiveness.

20 Mr. Trotter asked a few questions about both
21 utility cost tests and total resource costs. And so I
22 think from your answer I'm -- it appears or my
23 understanding based on your answer is no. That if we
24 split it 75% for repairs and 25% for conservation, then
25 those measures undertaken, given that split, that at

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1 least some of those would not be cost effective but you
2 don't know what exactly that percentage would be?

3 A. (Ms. Sieg) The application of the repair dollars
4 would be to accomplish the additional conservation but
5 also it would be leveraged to meet our program goals as
6 well.

7 So that's why we laid the repairs against the
8 entire program. We looked at all the savings achieved
9 by the tariff program and by REC when we originally laid
10 out our cost effectiveness test with that in mind.

11 So we looked at the cost effectiveness of the
12 program as a whole.

13 Q. Could we assume then based on your answer that if
14 we looked and found that if so long as the repair to
15 efficiency ratio was 75/25 that that would meet the cost
16 effectiveness test for your program?

17 A. (Ms. Sieg) Yes, yes, program-wide. So 75% of
18 the funding would fund repairs for the program.

19 Q. Basically the change is that if we were to --
20 right now there's no schedule 120 funds that go into the
21 conservation program for the low income customers.

22 So now the change would be -- let me restate
23 that.

24 For repairs there are no 120 funds that are
25 dedicated to low income customers.

1 And now what I'm hearing is that if we allocate
2 75% of those total dollars to repair, the program would
3 still be cost effective?

4 A. (Mr. DeBoer) I don't think that's what she was
5 saying. I think she was referring to the REK's dollars,
6 not tariff dollars.

7 Q. Not to argue, but it seems to me that the
8 dialogue, if you will, between the chairman and the
9 panel has been there's no real difference between the
10 dollars, whether they come from the REC fund which we
11 found necessarily in large percentage to be dedicated to
12 the rate payers, or whether it comes out now or comes
13 out later. It's the same pot of money essentially and
14 the same dollars. So it seems like the same rules would
15 apply.

16 Anyway, Mr. DeBoer, you look like you're ready to
17 say something.

18 A. (Mr. DeBoer) I think I know what you're asking.
19 Let me try.

20 This goes back to the issue I raised earlier
21 about how we historically looked at repair dollars,
22 where we looked at them on a measure by measure basis
23 and tried to determine whether if you go into a house
24 and do a repair and then do a measure of that house,
25 that had to stand alone as cost effective. And that's

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1 sort of where we started and why we said repair dollars
2 isn't cost effective.

3 What Ms. Sieg I think was saying on a program
4 basis, a low income program basis when you take both the
5 outside dollars, these REC proceed dollars and the
6 schedule 120 funds on a program level using 75% of the
7 REC dollars for repairs is cost effective. But it
8 wouldn't be if you just took 75% of the REC dollars and
9 did repairs and only used the 25% you did for
10 conservation. That would not be cost effective.

11 Is that what you were trying to ask?

12 Q. I'm not trying to distinguish between the 120
13 dollars and the REC moneys.

14 In other words, I think what our order, at least
15 my interpretation of it, let's put it that way, is that
16 the use of the REC funds was supported in low income
17 program opportunities that were cost effective but not
18 funded and going forward.

19 And so it was an injection of money that would
20 only need to be short term, given the fact that if they
21 were cost effective they would be funded in the
22 long-term by the general program. That's at least how I
23 read our order.

24 So it's interesting for me to hear the
25 interpretation of the company which is we want to

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1 allocate this money for this particular purpose.

2 Because the testimony in the record was that if we did
3 these things with this additional fund it would be cost
4 effective.

5 I think the percentage was .94, a little lower
6 than what you would like to see but the whole program
7 was still cost effective. If we take that and pushed it
8 forward in the future years it appeared to at least me
9 that then there would be -- you don't need to have this
10 injection of new funds. If they are cost effective they
11 are cost effective.

12 I'm a little taken aback by we have to take it to
13 the CRAG to get permission because that certainly wasn't
14 on the original petition that it had this condition on
15 it when the company and the parties asked for \$10
16 million for conservation moneys for low income, it
17 didn't say anything in there that says so long as the
18 CRAG says yes. But that's another question I guess I
19 didn't ask to have answered.

20 COMMISSIONER OSHIE: At any rate, I think
21 the parties explained it well enough their understanding
22 of it. I don't have any further questions, Your Honor.

23 ALJ MOSS: Thank you, Commissioner.

24 COMMISSIONER JONES: Do you want to take a
25 break?

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1 ALJ MOSS: My watch says it's 3:00 o'clock.

2 Let's come back at 3:15 by the wall clock.

3 (Off the record.)

4 ALJ MOSS: All right. I think we are ready
5 to go back on the record.

6 Commissioner Jones, I believe you had some
7 questions.

8 COMMISSIONER JONES: Yes, I do. Thank you,
9 Judge.

10 EXAMINATION

11 BY MR. JONES:

12 Q. Ms. Sieg, if you could turn to J-17, start with
13 pages 6 and 7. Just a couple questions there.

14 On page 6, the testimony says the Enron
15 settlement proceeds have played a role in enabling
16 additional cost effective conservation in the tariff
17 program.

18 What do you mean by, give me some concrete
19 examples of what you mean by enabling.

20 A. For instance, well, in buildings but in
21 particularly low income buildings, many buildings run
22 into grading conditioning. They have, for instance, a
23 mold and mildew problem.

24 If we go in and tighten the building with
25 inflation measures and other measures such as air

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1 sealant, it's going to exacerbate the mold and mildew
2 problem unless that's addressed. And one way that it's
3 addressed is by the addition of mechanical ventilation
4 to the unit.

5 That is an example of how we would spend the
6 repair dollars so that the mechanical and ventilation
7 would enable the insulation of weatherization measures.

8 Q. Further in that paragraph and I think you stated
9 in that testimony saying that with the Attorney General
10 settlement there's no requirement that any of that
11 spending be cost effective. So you really don't track
12 those measures in terms of cost effectiveness?

13 A. (Ms. Sieg) It is correct that the contract does
14 not have a particular requirement for cost
15 effectiveness.

16 What we do is we track the measures and the
17 payments that we've made for those measures.

18 And we do have the ability to analyze the program
19 cost effectiveness with those expenses incorporated if
20 we choose to do that.

21 Q. Okay.

22 A. (Ms. Sieg) Even though they aren't required to
23 meet a certain level of cost effectiveness.

24 Q. So you're saying is the data is there if you need
25 to do a cost effectiveness test, either a TRC or utility

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1 cost test. You can do it but the Attorney General
2 settlement agreement doesn't require you to do a report
3 and submit that sort of data?

4 A. (Ms. Sieg) It does require us to submit reports
5 but not of that nature. They just want us to know how
6 we spent the money.

7 Q. I'm going to turn to the next page, page 7, and
8 I'm just going to do some math there like Mr. Trotter
9 was doing with you.

10 If you look at the table, is it correct to say
11 that if you take those columns, the funding amount and
12 the repair amount, you have approximately \$9,889,000.
13 And this is for the total biennial period, correct, 2010
14 and 2011?

15 A. (Ms. Sieg) Yes.

16 Q. So the total funding, tariff electric, REC,
17 Enron, is that \$9,889,000; correct?

18 A. (Ms. Sieg) Correct.

19 Q. And of that \$3.279 million is related to repairs;
20 correct?

21 A. (Ms. Sieg) Yes.

22 Q. That's about 33% is my math.

23 A. (Ms. Sieg) Yes.

24 Q. If we could turn to, I think we were talking
25 about that earlier but turn to page J-19 and if you go

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1 to your Exhibit J-19, page 2. Here in response to a
2 question from public counsel we're talking about the
3 disbursements over a 36-month period, if that decision
4 were to be made of these REC funding.

5 Basically what you did is you allocated pretty
6 much evenly \$2.19 million per year; correct?

7 A. (Ms. Sieg) Yes.

8 Q. It's heavily weighted in the September through
9 December period, as you say in your testimony, because
10 of the heating season issue; correct?

11 A. (Ms. Sieg) Yes. And how I arrived at those
12 numbers is I actually went into the 2009 program and I
13 tracked the monthly spending and I projected from that.

14 Q. Okay.

15 A. (Ms. Sieg) Because we answered that DR in I
16 think it was January. So it was just -- it was based on
17 spending trends.

18 Q. What I'm trying to get a sense of, especially for
19 2011, well, for those three years, is it a correct
20 assumption or a realistic assumption to assume that you
21 would continue to spend roughly 33% of the total program
22 tariff plus Enron plus electric, roughly 33% of that for
23 repairs for those projected years or not?

24 A. (Ms. Sieg) You mentioned Enron because that's
25 going to be gone at the end of 2011.

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1 Q. So that will go away, so we're just left with
2 tariff plus REC?

3 A. (Ms. Sieg) Yes.

4 Q. Do you have any idea what the repair related
5 amount would be for these three years?

6 A. (Ms. Sieg) In total?

7 Q. Yes. In total -- no, excuse me. What I'm
8 driving at is what your total program might be.

9 Your total program needs that would correspond to
10 the \$9 million, the nine point -- the \$9.889 million in
11 the previous exhibit.

12 A. (Ms. Sieg) Okay. I'm going back to the other
13 exhibit because I want to make sure I'm keeping the
14 numbers straight. Okay, I'm looking at it now.

15 Q. Have you made any projection of what the total
16 program funding would be for 2011, '12 and '13, or is
17 that all dependent on, as Mr. DeBoer said, the CRAG
18 process and where you're going to be in those three
19 years?

20 A. (Ms. Sieg) For our assessment for J-23, when we
21 assessed the three-year period we assumed 2010 and '11
22 funding amount for the 1213 period. The reason why we
23 did that is we don't expect the low income budget to go
24 down. We expected it to be even to that number or so.
25 So since the 10/11 budget is what we have to work with

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1 today, we just projected it into 1213.

2 Q. Then I think you had an exchange with
3 Commissioner Oshie and you gave some rough
4 approximations of repair versus conservation.

5 If you use that rough approximation, can you
6 apply it to this. 2.198 amount as well? On a going
7 forward basis that roughly 75% each year would be spent
8 on repairs and 25% on conservation probably, rough
9 numbers?

10 A. (Ms. Sieg) That was the original estimate that
11 of the REC funding on an annual basis. But I do want to
12 say this though:

13 That's provided that we're meeting the total
14 resource cost tests.

15 Q. Okay.

16 A. (Ms. Sieg) Because there's a lot of variables
17 that can affect the cost effectiveness of a program,
18 including, housing stock, types of measures that are
19 installed.

20 So it was always our plan to reassess throughout
21 the course of the year to make sure we're meeting the
22 cost effectiveness test for the program.

23 Q. Okay.

24 A. (Ms. Sieg) So that number could change.

25 Q. Sure.

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1 A. (Ms. Sieg) Depending on the implementation
2 results of the program.

3 Q. Sure. Just so I'm clear on your TRC on your cost
4 effectiveness test goal or expectation. It would be in
5 J-23 in those graphs that you prepared for us, either
6 the 1.14 or 1.02, somewhere in that range?

7 A. (Ms. Sieg) Somewhere in that range.

8 Q. Would be the TRC?

9 A. (Ms. Sieg) Yes.

10 Q. Overall, okay.

11 A. (Ms. Sieg) The only thing I'd like to add though
12 is we're dealing with the -- the Enron goal results are
13 -- they are a combination of actuals and a forecast.
14 And then when we did the REC forecast, that was
15 obviously a forecast.

16 And what we did when we generated the REC
17 forecast is we discounted those savings a great deal
18 because we knew that there were variables that could
19 affect the ultimate cost effectiveness.

20 We presented a range of savings that could be
21 achieved and it was between 850,000 and 1.6 million
22 kilowatt hours. We went with that very low range
23 because I wanted to make sure we didn't suggest a higher
24 TRC than should be.

25 So I just wanted to -- the Enron results

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1 concerned me a little bit because those are actuals and
2 they have not been subject to a rigorous implementation
3 analysis for 2010 yet. So with that in mind, that TRC
4 associated with Enron might not be as accurate as the
5 forecasted REK TRC.

6 Q. I understand. A couple questions about the
7 commencement of the program in your testimony in January
8 of 2011.

9 As I understand it, the primary reason why you
10 would start the program in January 2011 as you say in
11 your written testimony and in response to questions is
12 you don't want to comingle the funding of Enron and the
13 REC proceeds.

14 A. (Ms. Sieg) That was one of the reasons, yes.

15 Q. I want to probe a little bit further into that.

16 Is that because the Enron funds can be -- there's
17 no cost effectiveness test? You use it for different
18 purposes than it would be for the REC funds? Or is it
19 more of an audit and tracking issue?

20 For you as a program manager, it's just more
21 difficult to -- if you have a -- if you have an Enron
22 pot of money and you're spending money on these measures
23 in this, I think Don Trotter pointed out in some of his
24 questions they are quite expensive. The total cost is
25 quite high.

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1 And then the REC proceeds funding TRC may be a
2 little bit better. You're going to have more direct
3 management over those programs. So why do we need to --
4 or why do you need to as a program manager separate the
5 two so distinctly?

6 A. (Ms. Sieg) Okay. There were several reasons.
7 When we submitted the proposal for the application of
8 the REC proceeds we very specifically said that we would
9 achieve a result. Additional kilowatt hours saved, cost
10 effective feasible conservation and we would achieve a
11 particular TRC.

12 Now the analytical side of me didn't want to in
13 implementation introduce a compounding variable which
14 would be Enron. Because we knew it was very important
15 to report the actual impacts of the REC proceeds and it
16 just was -- frankly it was cleaner to do it that way.

17 Another reason is one of our goals was to create
18 stable funding over a longer period of time. The
19 original proposal was seven years.

20 In my mind as a program manager it just made
21 sense to start spending it in January of 2011. So we
22 wouldn't infuse a large amount of money into the low
23 income weatherization program all at once with the
24 combination of the two funding sources. I thought that
25 was a bit counter to our original goal.

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1 Q. But it is possible to put them together in a
2 couple of spreadsheets as you did here; right?

3 A. (Ms. Sieg) That's very simplified, yes.

4 Q. But you're saying both for reasons of tracking
5 and for program administration and for the issue, as I
6 think Mr. Eberdt has raised, too much money too quickly,
7 resources, hiring, recruiting contractors, and doing all
8 these things. It's just too much and -- it's too much
9 too quickly basically.

10 A. (Ms. Sieg) It just made management sense to me
11 as a program manager.

12 Q. But could it be done let's say if the commission
13 were to issue an order in the next few weeks, would it
14 be possible to perhaps ramp up the spending in September
15 or October of this year prior to January if you felt it
16 could be done?

17 A. (Ms. Sieg) The agencies have production plans in
18 place. They are going into their fourth quarter. So to
19 tell them to spend a significant amount of money in the
20 fourth quarter that they hadn't planned to spend would
21 concern me as a program manager to met the TRC that we
22 had indicated. In the fourth quarter it's a timing
23 issue, Commissioner, to infuse the money at that point.

24 When we got the Enron dollars, and we knew at the
25 end of 2009 that we had received the Enron dollars. So

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1 I was able to meet with the agencies early in January.
2 We developed some general instructions on how to spend
3 the money. We did it quickly albeit.

4 I learned quite a bit during the course of the
5 year because we moved quickly. And we had been able to
6 achieve full expenditure we think of the funding by the
7 end of 2010.

8 But my experience is when you move quickly like
9 that you also learn very quickly.

10 I just didn't want to put the program into the
11 position of having results that we weren't satisfied
12 with and then having to clean it up later in the year.

13 So my conservative approach would be to learn as
14 much as we can from the application of Enron, and
15 develop very specific policies and procedures for the
16 agencies to apply these funds, and then start spending
17 it in January of 2011.

18 Q. Mr. Eberdt, can I hear from you on this one?

19 A. (Mr. Eberdt) I would be hardpressed to give you
20 a very clear answer about that. I can't give you a
21 blanket yes or no.

22 We have got agencies as large as King County
23 Housing Authority that take some months to bring large
24 projects in and agencies as small as Hope Source and
25 Kittitas which is lucky to get work done at home in some

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1 ways, depending on whether they can find contractors.

2 So it's a tough one. The general rule that I can
3 tell you is that agencies focus on what moneys have to
4 be spent first. And that's what they're going to do
5 because they want to maximize the use of what they have.
6 They have grown to be pretty adept at juggling budgets.
7 But it's always which is the money I have to get spent
8 first in order to maximize the use of all the funds. So
9 my inclination is to say I don't know how much money
10 would actually get spent this year.

11 Q. So you're saying the Enron settlement deadline of
12 December 31st, 2010 is a real action forcer on the part
13 of those community action agencies, everybody knows that
14 they have to get the money out of the door spent?

15 A. (Mr. Eberdt) Yes, and the ARRA funds as well
16 because that's a huge number and there's not a lot of
17 time left on that. So that's going to be a high
18 priority.

19 The agencies always mingle, or I shouldn't say
20 always mingle but try to blend funding sources partly
21 because they need to tap into different repair dollars
22 that are available from different funding sources in
23 order to get job done. But ARRA is the elephant in the
24 room.

25 Q. One last question for you, Mr. Eberdt. I think

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1 the last time you were up here I asked you a question
2 about concerns I think I had and you had expressed in
3 your testimony about recruitment, training of a skilled
4 work force, contractors, both on the repairs and
5 weatherization programs.

6 Do you still have those concerns, i.e. and I ask
7 that in light of perhaps could you -- could you answer
8 it two ways, one, if the commission were to require you
9 to spend all of these moneys in the next 18 months, that
10 would be option A, and the other option would be to
11 string it out in a little bit more into '12 or '13.

12 A. (Mr. Eberdt) I do have concerns about the
13 training of contractors and the quality of the work that
14 is going to get done. When you have such a huge influx
15 of money and the pressure is on productivity of getting
16 units counted, something slips.

17 Washington has done well in terms of responding
18 to those demands from the federal government and from
19 our governor as well in getting our production up. But
20 there's a -- I am still concerned about the quality of
21 work that's going on out there. Monitoring is a key
22 issue. There's a lot of training going on. There are
23 people being trained to monitor who actually have never
24 spent much time in buildings, yet they're going out to
25 check quality control. I'm concerned about that. And

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1 I'm also concerned about what happens at the end of 2011
2 if all of this funding disappears.

3 Because we have just then tried to train an
4 incredible work force for jobs that don't exist. That's
5 -- that's a concern as well. That's a flip side of what
6 you were asking, but it's out there.

7 You know --

8 Q. That's -- to be specific, that's one of my
9 concerns. There are a number of initiatives in the
10 region now, as you know. There's different community
11 colleges as part of the NEET process to try to train
12 conservation workers at community colleges, and get them
13 trained up and ready to go. Oftentimes these people are
14 in their 20s and 30s, and they are looking for a future
15 for sustainable work.

16 So I hear that part of your concern is that if
17 the funding goes away too quickly, and we make a big
18 effort to hire and get these people out there, and all
19 of a sudden the funding goes away.

20 That's one of your big concerns?

21 A. (Mr. Eberdt) Yes.

22 COMMISSIONER JONES: Okay.

23 ALJ MOSS: Commissioner Oshie?

24 COMMISSIONER OSHIE: Thank you, Judge. I
25 just have a clarifying question for Ms. Sieg.

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1 EXAMINATION

2 BY MR. OSHIE:

3 Q. When you were testifying to the breakdown of 75%
4 repair and 25% conservation spending, I wasn't clear at
5 least to this point, and you can help clarify that.

6 What you were saying is that, if you had the 75%
7 allocated for repair from a separate fund like the REC
8 fund, then the 25% from your schedule 120 dollars, the
9 conservation dollars, would be cost effective.

10 Is that what you are saying? Or are you saying
11 the combined 75 plus 25, the combined dollars were cost
12 effective, given the analysis of the possible
13 opportunities out there in the low income market?

14 A. (Ms. Sieg) Okay. I think the answer to that
15 question is:

16 The additional savings that we project in our
17 analysis is not from, in our original analysis is not
18 from schedule 120. It is from REC proceeds.

19 The REC proceeds would be spent in two different
20 ways. To fund repairs and to fund additional
21 conservation, above and beyond the projected goals of
22 the schedule 120 program. So that's what I had intended
23 to say.

24 Q. So let me ask the question again.

25 A. (Ms. Sieg) Okay.

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1 Q. Let's say hypothetically that you were going to
2 draw all your funds from the REC fund, let's use that.
3 You're going to implement a measure or you have a
4 program in mind and program is probably easier. If you
5 were to use only the REC funds for the program, that
6 program would still be cost effective -- if 75% of your
7 spending was on repair and 25% was on conservation, is
8 that what you're saying?

9 A. (Ms. Sieg) On a program scale, yes.

10 Q. Program meaning the low income program? Your
11 program or the entire portfolio?

12 A. (Ms. Sieg) No, low income electric.

13 ALJ MOSS: I'm getting repeatedly confused
14 here. If I may interject the question, Commissioner
15 Oshie.

16 COMMISSIONER OSHIE: Yes.

17 ALJ MOSS: If we were to take all of the low
18 income funding, regardless of the source, all of the low
19 income funding that's associated with Puget, all right,
20 we are not supposing to use 75% of that for repairs.

21 Is that what you're asking?

22 BY MR. OSHIE:

23 Q. No. What I'm asking is, the testimony was that
24 it is still cost effective if we spend 75% on repair and
25 25% on efficiency, and I'm just trying to figure this

0282

1 out in light of the policy of the company to spend zero
2 on repairs and everything for conservation, and I just
3 -- I can't --

4 A. Yeah.

5 Q. -- meld the two together. I'm just trying to
6 figure out where --

7 A. May I see if this makes any more sense.

8 Q. It may or may not.

9 A. I think what the state was trying to describe is
10 if we have all of the funding from the tariff and the
11 savings that are available from that funding and we have
12 the funding from the REKs, 25% of which is producing
13 savings, all added together it's cost effective.

14 Is that different from what you understood, or is
15 that what you understood?

16 A. That's slightly different because we've -- you're
17 saying if -- I think I understand.

18 Basically you're saying if we continued the
19 existing policy the company has in place we could take
20 25% of the REC money and allocate it for energy
21 efficiency and it would be cost effective and what do we
22 do with the 75% for repair?

23 What we're really talking about here is breaking
24 down and distinguishing between these two objectives and
25 what the company seems to be saying now is that we could

0283

1 combine those objectives and still be cost effective.

2 And yet what you just said is, I guess it sort of gets
3 there.

4 My question is can we or can't we? How do we --
5 again, the fundamental foundation of energy efficiency
6 spending is cost effectiveness. If it's not cost
7 effective it's not in the program.

8 Q. Right. I agree with you.

9 The -- I think that we're looking at this money
10 and program design from two very different sides.

11 I'm not sure where the miscommunication is
12 occurring. But our intention was to have a funding
13 source that could be used for repairs. By doing those
14 repairs we would be able to leverage savings dollars --
15 kilowatt savings that we would walk away from, that we
16 would never get. That would involve some energy dollar
17 expenditure as well.

18 But the net when it all gets added up together is
19 cost effective.

20 BY MR. OSHIE:

21 Q. The fundamental, still within that analysis if
22 there's a substitute for schedule 120 moneys would be
23 applied to measures that aren't cost effective; is that
24 correct?

25 A. (Ms. Sieg) Energy efficiency measures that

0284

1 aren't cost effective, yes.

2 Q. Yeah, that are not cost effective. You have to
3 walk away because the combination of spending for
4 repairs and conservation will make that measure not cost
5 effective or exceed some threshold that the company has
6 established for that particular measure or that
7 particular location; is that correct?

8 A. (Mr. Eberdt) I don't think that's what I was
9 saying. I was saying that if we didn't have the dollar
10 to spend on repair we would have to walk away.

11 Q. That's exactly my point. If you didn't have it,
12 now let's talk about if you did have it and so I think
13 we're on the same page.

14 A. (Mr. Eberdt) I hope so.

15 Q. If you didn't have the money you would have to
16 walk away.

17 A. (Mr. Eberdt) Right.

18 Q. And I think that's Mr. Trotter and the staff's
19 point is that if unless the money, unless the total
20 dollars are cost effective then it shouldn't be funded
21 with ratepayer dollars.

22 A. (Mr. Eberdt) You would have to walk away because
23 we couldn't install a measure unless we knew that
24 measure was going to stay there and it was going to be
25 protected and it wasn't going to cause a health and

0285

1 safety problem. Not because it wouldn't get the energy
2 savings if we spent the energy dollars. In some sense
3 --

4 Q. That's -- that's it's a little different in terms
5 of the explanation of it.

6 I think my first question has got to be answered
7 in -- I think I do understand it. But you can't spend
8 75% -- you can't walk in to a location. This may be
9 rare. Let's say you got a \$10,000 job, spend \$7,500 on
10 repairs and \$2,500 on some measure and then meet the
11 cost effectiveness test.

12 A. (Mr. Eberdt) I don't think that's what we're
13 proposing at all.

14 Q. That wouldn't happen, would it?

15 A. (Ms. Sieg) No.

16 CHAIRMAN GOLTZ: Could I ask one more
17 question so I can understand this?

18 ALJ MOSS: Yes.

19 EXAMINATION

20 BY MR. GOLTZ:

21 Q. I'm going to hypothesize three types of
22 structures. One type of structure only needs
23 conservation dollars and no repair dollars. That's type
24 A. Type B needs conservation dollars and repair
25 dollars. Type C needs only repair dollars, no

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1 conservation dollars. I'm assuming there's no type C
2 structures in the program; right?

3 A. (Mr. Eberdt) Yeah. We wouldn't use utility
4 money.

5 Q. Okay. So let me add that type A which is just
6 conservation dollars and type B that has conservation
7 dollars and repair dollars.

8 A. (Mr. Eberdt) Uh-huh.

9 Q. Just looking at the type B buildings, is that
10 cost effective, or do you need to have both type A and
11 type B buildings to pass the cost effectiveness test?

12 A. (Ms. Sieg) The answer to that question is you
13 are going to have more projects that are more cost
14 effective than others. For a program TRC to be what we
15 proposed, .94, we are going to have projects that have
16 leverage conservation. So repairs have been spent in
17 order to enable the weatherization.

18 Then we're going to have some units that have a
19 combination of -- you know, it could be units that
20 require no repairs or it could be units that require
21 little repairs and they can still leverage a lot of --
22 it's going to follow a whole gamut of scenarios. But
23 what we are saying is the program as a whole could be
24 cost effective.

25 Q. That includes those structures were there are

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1 only conservation dollars spent and no repair dollars?

2 A. (Mr. Eberdt) Chairman Goltz, I think the answer
3 to your question is yes.

4 A. (Mr. DeBoer) In the low income household market
5 we're not going to find a whole lot of house savings.

6 ALJ MOSS: At the risk of flogging this,
7 here we go.

8 EXAMINATION

9 BY ALJ MOSS:

10 Q. At the risk of flogging this, and for my own
11 clarification, looking at page 7 of Exhibit J-17 we have
12 a scenario C, and there's a table there showing
13 \$9.9 million funding total, and of that \$3.3 million
14 being spent for repairs.

15 And that, as I understand it, the analysis is
16 you're performing using those numbers results in a UC
17 test of 1.91, and a TRC 1.08, if I'm reading the
18 scenario correctly; right?

19 A. (Ms. Sieg) Correct.

20 Q. Now in deriving the 1.91, are you looking at the
21 amount of conservation achieved measured against
22 \$9.9 million or against \$6.6 million?

23 A. (Ms. Sieg) For the utilities cost test?

24 Q. First I'm going to ask you about the other one
25 too.

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1 A. (Ms. Sieg) So you're asking about the utility
2 cost test.

3 Q. First. I want to ask about both. I want to know
4 how the ratio is determined, is it measured against the
5 full funding amount of \$9.9 million kilowatt savings
6 measured against that or is the kilowatt savings
7 measured against the amount that's spent on conservation
8 which I take to be 6.6?

9 A. (Ms. Sieg) It's the amount spent on conservation
10 so it's schedule 120 moneys that we have used to
11 determine the utility cost test.

12 Q. It's the 6.6 roughly?

13 A. (Ms. Sieg) I'm looking at 5.6.

14 Q. Well, the total amount of funding in the program
15 -- I'm looking at all the program dollars is
16 \$9.9 million, right? That's the total amount of funding
17 in the program. We have been talking about we should
18 look at this on a program basis, not just on a --

19 A. (Ms. Sieg) Yes.

20 Q. I'm saying of the \$9.9 million --

21 A. (Ms. Sieg) Uh-Huh.

22 Q. -- total funding amount of these programs from
23 whatever source, about \$3.3 million is spent on repairs.
24 Leaving \$6.6 million presumably spent on efficiency
25 measures.

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1 A. (Ms. Sieg) I'm just trying to be careful here.

2 Q. Sure. I'm just trying to clarify things.

3 A. (Ms. Sieg) To determine the utility cost test we
4 only applied the schedule 120 moneys for utility cost
5 tests.

6 Q. Okay.

7 A. (Ms. Sieg) And that was \$5.6 million to
8 determine the utility cost test.

9 Q. What's the other part of the ratio? This is a
10 ratio; right? The UC is 1.91, that's a ratio between
11 \$5.6 million and something?

12 A. (Ms. Sieg) It's the savings attributed to the
13 tariff electric program.

14 Q. Okay.

15 A. (Ms. Sieg) So it would be over 3 million
16 kilowatt hours.

17 Q. So if we do it on that basis then what would be
18 the UC test if it bought the REC moneys that show in the
19 table there? Would it pass the UC test?

20 A. (Ms. Sieg) When we apply it to the REC money?

21 Q. Right. Would it be measuring against the 2.285,
22 or would it be measuring against the 2.285, less the
23 1.671 in terms of the kilowatt savings, or how would we
24 make that calculation?

25 A. (Ms. Sieg) I want to answer it this way:

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1 When we applied the REC proceeds to the analysis,
2 we applied it to the total resource cost test.

3 Q. Only.

4 A. (Ms. Sieg) Yes.

5 Q. Now, if you isolated it as I just suggested and
6 applied the UC test, would it pass?

7 A. (Ms. Sieg) Well, it depends on the scenario that
8 we're looking at but in our original proposal I'm not
9 sure. Because schedule 83 does not expressly address
10 the UC of low income programs. It does address the TRC
11 of .667.

12 Q. All right. Fair enough.

13 A. (Ms. Sieg) So it all depends on what that is.
14 It has been a little unclear, frankly.

15 Q. What I'm trying to figure out here, I'm just
16 trying to figure out how you do these measurements, what
17 you're measuring against what, kilowatt savings versus
18 expenditures. And the basic question is, when are you
19 looking at the expenditure part of that equation are you
20 counting in the repair cost or just the cost spent on
21 conservation?

22 A. (Ms. Sieg) For the utility cost tests we are not
23 calculating the repair costs as an impact to the utility
24 cost tests.

25 Q. Okay.

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1 A. (Ms. Sieg) I'm applying the same logic that the
2 company applies to all of its programs. Because the
3 utility cost test usually encompasses the schedule 120
4 program.

5 Q. Okay.

6 A. (Ms. Sieg) It's the money that's required to run
7 our tariff program.

8 Q. Okay.

9 A. (Ms. Sieg) Any other approved funding sources
10 traditionally have been applied to the resource cost
11 tests because they are used to supplement the program,
12 and not supplant the tariff program.

13 Q. Okay.

14 A. (Ms. Sieg) So the repairs, for instance, are
15 considered a cost outside of what we would normally fund
16 a schedule 120 because it's repair.

17 Q. Right.

18 A. (Ms. Sieg) In another PSE program, for instance,
19 that might be considered a customer cost because the
20 utility in the past wouldn't pay that. So we're
21 treating it with the same pattern of logic of our
22 programs.

23 Q. I followed you on that one.

24 Now, let's turn to TRC, and maybe my question
25 makes more sense in that context.

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1 A. (Ms. Sieg) Okay.

2 Q. Looking at the total resource cost tests, we are
3 looking at the overall program, aren't we, not just the
4 electric tariff writer or the shareholder or the REC,
5 we're looking at the total, the \$9.9 million that I
6 started this question with. And we're looking at the
7 \$3.3 million in repair.

8 So when you say there in item 4 on page 7 of 22
9 in this analysis the estimated result of the UC is 1.91
10 and the estimated result of TRC is 1.08?

11 A. (Ms. Sieg) Yes.

12 Q. What numbers are you comparing to what numbers?
13 What's the ratio, what's the formula there? The total
14 kilowatt savings as measured against \$6.6 million or as
15 measured against \$9.9 million?

16 A. (Ms. Sieg) Against the full 9.9 because we're
17 looking at the spending in the tariff program but in
18 addition to the other approved funding sources that we
19 have laid out in the analysis.

20 Q. It was painful because of my questions but we got
21 there.

22 Now, the other thing and you already talked about
23 this a little bit and answered it in part, but I'm going
24 to state the question anyway, maybe we can gain
25 additional clarification. Help me understand the

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1 relationship, if you can, between tariff -- the tariff
2 schedule 120 and tariff schedule 83.

3 What is the relationship between those two, or
4 the differences? How do they work together, if you can?
5 Maybe the question is nonsensical. You can tell me that
6 too.

7 A. (Mr. Eberdt) No, that is a very logical
8 question.

9 The schedule 120 lays out the rate that is
10 applied to all the other schedules to collect the amount
11 of money needed to implement the programs under the
12 umbrella which is schedule 83. And there's many other
13 schedules that sort of fall under that but schedule 83
14 lays out the basic program and schedule 120 just
15 collects -- it's rates that apply to all the other
16 schedules, different classes of service.

17 Q. Rates of service. Great. Perfect. Thank you
18 very much. Oh, I had one further question.

19 That is looking at MPP-2, and I know this is not
20 your exhibit, but it's taken from your exhibits.

21 I was looking at the shareholder funding under
22 scenarios A, B and C, and I noticed it moves around a
23 little bit, from \$420,000 in A, to \$210,000 in B, and
24 then \$259,000 in C. I'm curious about what effects
25 that, if you can tell me.

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1 A. (Ms. Sieg) Typically, with shareholder funding
2 we use it to support our electric and gas program. If
3 we were allowed to apply the REC proceeds to the
4 electric program. We had anticipated shifting the
5 shareholder funds to the gas program.

6 And the reason why we were thinking in those
7 terms is in the past PSE has done that before, has
8 applied shareholder dollars to gas only. It's when we
9 had BPA dollars available for the electric program. So
10 just following historical decision making.

11 ALJ MOSS: Well, I believe that's all I
12 have.

13 Is there anything further from the Bench?

14 Let's turn back to Ms. Carson.

15 REDIRECT EXAMINATION

16 BY MS. CARSON:

17 Q. Commissioner Oshie referenced a TRC score of .94
18 that was in the record previously and was recognized by
19 the commission in its final order.

20 Does that TRC of .94 represent the TRC for the
21 program as a whole, or for individual measures?

22 A. (Ms. Sieg) It represents the TRC for the program
23 as a whole, not individual measures.

24 Q. Where in the record did that come from, do you
25 recall, the .94 TRC for the program as a whole?

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1 A. (Ms. Sieg) It was in response to a data request,
2 it was data request number 13.

3 Q. Is that Joint 4, J-4?

4 A. (Ms. Sieg) Yes, it was Joint 4. And the
5 question was, please submit any and all cost effective
6 analyses that you have conducted.

7 So what we did is we analyzed what the impact of
8 the REC proceeds would be on the program as a whole,
9 provided that we use a portion of the funding for
10 repairs and a portion to leverage the additional
11 conservation beyond the projected goals of a schedule
12 120 program. So that's where we came up with it.

13 We took and ran queries on the database and in
14 our system to get a sense of what kind of savings could
15 we achieve? We looked at units that had not received
16 shell measures and compared -- and we looked at the
17 savings on average of those units versus the ones that
18 had not received shell measures. Shell measures being
19 things like insulation, air sealant, and things that
20 treat the shell. Because those are typically the
21 measures that are enabled by repairs.

22 So we looked to see what kind of savings could we
23 achieve if we were able to treat more units with more
24 shell measures because we had repair dollars? And what
25 would the program cost effectiveness be if we were

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1 allowed to do that. We were weighing the impact of REC
2 on 120 program as well as the impact of the proceeds and
3 additional savings. We weren't looking at the TRC and
4 applying the procedures in isolation.

5 Q. Thank you. Have you analyzed in the exhibits
6 here or since the time the final order came out, have
7 you analyzed what the TRC would be if the REC funds are
8 spread out over 2011 through 2013 as proposed in the
9 petition for reconsideration by the energy project?

10 A. (Ms. Sieg) Yes. In Exhibit J-23 we conducted
11 that analysis.

12 Q. And what's the result?

13 A. (Ms. Sieg) Okay. For the 2010 and 2011 program,
14 the projected TRC was a 1.14. And for the 2012/2013
15 program, the projected TRC is 1.00.

16 Q. Again that's on a programmatic basis?

17 A. (Ms. Sieg) It's on a programmatic basis, yes.

18 Q. There were a lot of questions back and forth and
19 there may have been a suggestion that the \$4.57 million
20 of REC funds could just be added to the schedule 120
21 funding to double the schedule 120 funding and used f
22 or energy efficiency as opposed to repairs.

23 In what situation would be the result? Would you
24 be able to use those funds?

25 A. (Ms. Sieg) No, not without repair dollars, given

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1 the condition of low-income dwellings to try to capture
2 double our savings without repair dollars would not be
3 feasible. I don't -- we couldn't even capture our
4 current program savings without repair dollars. It's
5 just a necessity in the low-income weatherization
6 program in order to achieve goals, whatever those goals
7 might be.

8 Q. Okay. I want to turn your attention to Exhibit
9 J-19.

10 A. (Ms. Sieg) Okay.

11 Q. You were asked questions about the \$2.2 million
12 for 2011 through 2013 on this exhibit.

13 I would like you to clarify what this exhibit is.

14 A. (Ms. Sieg) This is a response to public counsel
15 data request number 38 and they asked please provide the
16 estimated distribution of total net proceeds to low
17 income program under PSE's proposal for each of the next
18 36 months. On page 2 that's in fact what we did is we
19 projected what we thought the monthly expenditures would
20 look like over a 36-month period starting in 2011.

21 Q. Just to clarify, is this the same proposal that
22 the energy project has made for using the funds for 2011
23 through 2013?

24 A. (Ms. Sieg) Yes, they have requested that funding
25 be spread through 2013.

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1 Q. But is that what's being showed here in terms of
2 the dollars? This data request response was prepared in
3 January?

4 A. (Ms. Sieg) No. It's not because the total is
5 \$6.3 million total. So no, this does not reflect our
6 current proposal because we are applying \$4.57 million.

7 Q. So is it correct to say that this demonstrates
8 the party's intent in January to begin using REC
9 proceeds in 2011; is that right?

10 A. (Ms. Sieg) Yes, when we answered this question
11 we went through the thought process, when are we going
12 to start spending the money? The answer was in January
13 of 2011. That's why we started the analysis at
14 January 2011.

15 Q. But it's not the \$4.57 million.

16 A. (Ms. Sieg) It's not the \$4.57 million. At the
17 time we were requesting approximately \$2.2 million over
18 the course of seven years. So it's 2.2 million a year.

19 Q. Let's take a look at J-23.

20 A. (Witness complies.)

21 Q. I think we've gone over this a few times but just
22 to be clear, if you could point out the funding, the REC
23 funding for repairs shown on this chart and the REC
24 funding for energy efficiency, non-repairs on this
25 chart.

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1 A. (Ms. Sieg) The REC funding for repairs, if you
2 look at the column, third party costs. The REC funding
3 for repairs is approximately \$1.1 million. The funding
4 for the additional conservation was approximately
5 \$408,000 for a total of \$1.5 million which is 30% of the
6 \$4.57 million.

7 Q. That is for the 2010 to 2011 period; correct?

8 A. (Ms. Sieg) Yes.

9 Q. Turning to the next page for 2012/2013, can you
10 also identify the funds for repair and energy efficiency
11 from the REKs?

12 A. (Ms. Sieg) Again is you look at the third
13 party's cost column, the figure two point --
14 approximately \$2.2 million is the money that would be
15 allocated to repairs and the \$817,000 figure is money
16 allocated for additional cost effective conservation.

17 Q. Mr. Trotter asked you I believe if there was any
18 testimony regarding the overlap between REC and Enron
19 funds.

20 In the original proposal was there overlap
21 between REC and Enron funds?

22 A. (Ms. Sieg) No, it was never our intent to
23 overlap the funds.

24 MR. TROTTER: I'll object, Your Honor. It
25 was not the question that was asked. The question that

0300

1 was asked was whether this issue had been raised at all,
2 the Enron funding and the REC funding was raised at all
3 in the prior proceeding, and her answer was accurate in
4 saying it was not.

5 ALJ MOSS: We'll let the transcript clarify
6 that question.

7 BY MS. CARSON:

8 Q. Mr. Trotter also asked a question about the
9 tariff and whether PSE's programs were required to meet,
10 low income programs were required to meet both the
11 utility cost test and the TRC.

12 Can one of you clarify for low income programs
13 what the tariff requires?

14 A. (Ms. Sieg) Schedule 83 allows the low income
15 program to have a TRC of .667. It doesn't address the
16 utility cost test.

17 ALJ MOSS: Something from you, Ms. Roseman?

18 MR. ROSEMAN: Yes, Your Honor. In what
19 fashion are my questions?

20 ALJ MOSS: Yes.

21 MR. ROSEMAN: They will be brief.

22 ALJ MOSS: Ms. Carson has taken the lead in
23 joint panel. I normally don't allow tag team
24 questioning.

25 MR. ROSEMAN: We thought this was a more

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1 efficient way to do it, to have a panel. I have some
2 follow-up questions as a result of the questions to the
3 panel. Our other option was, anticipating someone's
4 concern, was we could have done one witness at a time
5 which I think would have been a longer process.

6 ALJ MOSS: I will let you go ahead,
7 Mr. Roseman. In the future when we're going to proceed
8 in a fashion that's out of the ordinary I would
9 appreciate being told up front. So let's go ahead.

10 MR. ROSEMAN: Thank you, Your Honor.

11 EXAMINATION

12 BY MR. ROSEMAN:

13 Q. Mr. DeBoer, there were some questions from the
14 chairman regarding, I don't recall exactly what he said,
15 but regarding maybe a change of approach on the repair
16 moneys within the tariff program or the company's
17 receptiveness to spending, allowing the spending of
18 repair dollars.

19 Do you recall that?

20 A. (Mr. DeBoer) Yes.

21 Q. Are you familiar with what the rule is for the
22 other two electric investor owned -- well, the other two
23 major utilities in the state, Avista and Pacific Corp.
24 as regarding repairs?

25 A. (Mr. DeBoer) Very generally. I know they have

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1 commission orders that allow them to use a portion of
2 their low income funding specifically for repair. I
3 don't recall the percentages. They have an actual
4 commission order authorizing them to do so, whereas PSE
5 does not.

6 MR. ROSEMAN: Thank you, Your Honor.

7 ALJ MOSS: Thank you, Mr. Roseman.

8 Mr. Trotter, anything further?

9 MR. TROTTER: No, Your Honor.

10 ALJ MOSS: Anything further from the Bench?

11 All right. With that we can release our
12 panelists and we thank you very much for your testimony
13 today.

14 Mr. Parvinen, you may take the stand.

15 MICHAEL PARVINEN

16 * * * * *

17 Having been first duly sworn
18 on oath was examined
19 and testified as follows:

20 ALJ MOSS: Mr. Trotter, you may proceed.

21 MR. TROTTER: Thank you, Your Honor.

22 DIRECT EXAMINATION

23 BY MR. TROTTER:

24 Q. Would you please state your name and spell your
25 last name for the record?

A. My name is Michael P. Parvinen. Spelling is

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1 P-A-R-V-I-N-E-N.

2 Q. Are you the same Michael Parvinen that provided
3 testimony earlier in this docket?

4 A. Yes, I am.

5 MR. TROTTER: Your Honor, can we go off the
6 record?

7 ALJ MOSS: Sure. Off the record.

8 (Off the record.)

9 BY MR. TROTTER:

10 Q. Mr. Parvinen, could you start by summarizing
11 staff's recommendation based on what you learned in the
12 hearing today and in the preparation for the hearing
13 today?

14 A. Well, let me say that my overall recommendation
15 based on what the notice had stated is that staff
16 recommends still that no proceeds, no REC proceeds be
17 used for the low income program. That's simply because
18 of the Enron funds.

19 The use of the Enron funds has enabled the
20 company to be able to achieve an additional 1.3 million
21 kilowatt hour savings which is beyond what the
22 commission was trying to achieve through its order.

23 That being said and also addressing the notice
24 that if the commission still chooses to apply some of
25 the REC moneys for low-income conservation and doing the

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1 repairs that that amount be limited to \$1.52 million,
2 and that number is derived from the first page of
3 Exhibit J-23.

4 Q. Do you recall from commission order 03 in this
5 docket that the commission was concerned about
6 low-income conservation that would be stranded?

7 A. Yes, I do.

8 Q. Does staff have a concern that the REC related
9 conservation KWH shown on Exhibit J-23 will be stranded?

10 A. I really don't -- I really don't believe it will
11 be stranded. That comes from things we have heard
12 today. The schedule 83 does not prohibit the use of
13 schedule 120 funds for repairs as long as those funds
14 are cost effective.

15 You have heard the other two companies Avista and
16 Pacific Corp. do have that type of funding mechanism
17 within their programs.

18 So assuming that you get past the preferential
19 treatment argument, if the company can do the repairs
20 and achieve cost effective conservation that they are
21 required to under the I-937 law.

22 Q. Did you hear Mr. DeBoer testify that both Avista
23 and Pacific Corp. use under their conservation tariff
24 moneys generated by that tariff for repairs?

25 A. Yes.

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1 Q. Is that consistent with your understanding?

2 A. Yes, it is.

3 Q. Do you recall your direct testimony in this case
4 where you suggested that PSE's current energy efficiency
5 program could incorporate repairs to a customer's living
6 unit?

7 A. Yes.

8 Q. Do you recall the company rebuttal stating,
9 quote, Mr. Parvinen is incorrect, PSE's current tariff
10 does not allow for the funding of repair measures no
11 matter how cost effective the program is, unquote.

12 Do you recall that?

13 A. Yes, I do.

14 Q. Do you remember agree with Mr. DeBoer's testimony
15 today that the application of schedule 83 or schedule
16 120 dollars for repair is purely a matter of PSE policy?

17 A. Yes.

18 Q. Is a pure matter of PSE policy a justification in
19 your mind for you to use REC dollars to fund repairs?

20 A. No.

21 Q. In paragraph 61 of the commission's order 03,
22 over what period of time did the commission ramp PSE for
23 \$4.57 million in REC proceeds for low-income
24 conservation?

25 A. The 2010 and 2011 program period.

0306

1 Q. Could you briefly describe what a program period
2 is?

3 A. A program period is basically the company files
4 its conservation program with the commission and that
5 conservation plan has a two-year period associated with
6 it. So every two years they file that plan and that
7 plan incorporates a two-year period.

8 Q. Did you mention that that plan was developed in
9 consultation with the CRAG?

10 A. It is. There's a long process that goes into
11 developing that plan. There's a lot of consultation
12 with the conservation resource advisory group occurring,
13 and so it's well vetted and well put together. It's
14 almost a settlement type proposal where you have a lot
15 of various interest groups including the CRAG to get to
16 that.

17 Q. In what docket did the commission establish the
18 2010/2011 program period?

19 A. UE091859.

20 Q. What will be the next program period after the
21 2010/2011 period?

22 A. 2012/2013.

23 Q. Has that program period been established by the
24 commission yet?

25 A. No. That plan hasn't come before the commission

0307

1 yet. It would be almost two years from now.

2 Q. Should the commission allow the current program
3 to be extended into the 2012 to 2013 period for
4 low-income conservation only?

5 A. Could you rephrase that question?

6 Q. You understand the proposal of PSE based on
7 Exhibit J-23 which is the proposal. The energy project
8 which is to allow the REC funds to be used outside and
9 inside the 2010 and '11 program period and beyond that
10 period.

11 Do you understand that?

12 A. That's correct.

13 Q. Should the commission allow them to use the funds
14 outside the current program period?

15 A. No, I don't believe so. The reason for is that
16 is, one, the 2010/2011 period has already been vetted by
17 the CRAG and approved by the commission. The 2012 and
18 2013 has not been brought forward to either CRAG or the
19 commission. And by allowing the REC dollars to go and
20 achieve an additional level of conservation is kind of
21 prejudging the whole process.

22 But that I believe is the appropriate forum to go
23 forward with is through the CRAG process or that
24 two-year plan to continue with that conservation that's
25 achievable during that period.

0308

1 Q. I'd like you to turn to Exhibit J-23, page 1, and
2 Judge Moss helpfully held us in on the numerators and
3 the denominators of the utility cost test and the total
4 resource cost test. I want to focus you on the third
5 party, what PSE has called the third party cost column.

6 I believe on redirect is Ms. Carson elicited the
7 response that the \$1.114 million figure and the \$408,000
8 figure represented REC money.

9 Is that consistent with your understanding?

10 A. That's correct.

11 Q. Are the REC dollars appropriately categorized as
12 third-party costs in your opinion?

13 A. In my opinion, no. Primarily because I look at
14 this chart a little differently. The utility cost
15 column I view which is the company's identified as the
16 schedule 120 money which comes from customers. I also
17 view the REC money as coming from customers. The
18 commission's order said that the REC dollars are
19 basically customer dollars.

20 So for a proper presentation the REC dollars
21 should be included in that utility cost column.

22 However that being said, from a cost
23 effectiveness standpoint it doesn't have a big impact.
24 It's more for presentation purposes.

25 It would lower the utility cost ratio but it

0309

1 would still be above one.

2 Q. Would it be included in the denominator for both
3 the utility cost test and the total resource cost test?

4 A. Yes. Those dollars are -- under this
5 presentation are already in the total resource cost
6 test.

7 Q. But they weren't for the utility cost test?

8 A. That's right.

9 Q. But you're saying if PSE had correctly
10 categorized those as the utility costs for the purposes
11 of the utility cost test it would reduce the cost
12 effectiveness ratio but not below one?

13 A. That's correct.

14 Q. There was some question about schedule 83 which
15 is Exhibit J-9 in this docket and reference was made to
16 the .667 ratio.

17 Is that applicable to the total resource cost
18 test, the utility cost test, or both?

19 A. That's strictly for the total resource cost test.
20 From the utility cost standpoint, the measure still has
21 to achieve a one or better.

22 MR. TROTTER: Those are all my questions,
23 thank you.

24 ALJ MOSS: Thank you, Mr. Trotter.

25 Why don't we turn next to the Bench.

0310

1 EXAMINATION

2 BY MR. GOLTZ:

3 Q. Mr. Parvinen, looking at Exhibit 23, as I
4 understand it, the energy projects in Puget's proposal
5 would be to, rather than to spend \$1.52 million in the
6 2010/2011 period and the remainder in the 2012/2013
7 period, is that your understanding?

8 A. Yes.

9 Q. One of the options, if that were to happen then
10 that would be approximately slightly over \$3 million
11 that would be spent of this REC money in the 2012/2013
12 period?

13 A. That's correct.

14 Q. And am I understanding correctly that \$3 million
15 is less than the biannual budget for this biennium?

16 A. That's correct, yes.

17 Q. So getting back to my questions I've asked the
18 panel, what difference -- what's the real difference if
19 we granted their petition and moved that \$3.05 million
20 from this period into the 1213 period, that would go
21 into the budget. It can be spent for repairs under
22 their new interpretation of the tariff with which I
23 gather you agree, and then the overall the budget would
24 be set, and that would be sort of money that would go
25 into that budget.

0311

1 What's wrong with that?

2 A. The real world presentation is simply
3 transparency for customers.

4 The REC money by doing this process is the
5 customers don't see that the REC money coming in to the
6 facilities that generated it. They would not see that.
7 So under staff proposal they would see that as part of
8 the refund that they would get and then correspondingly
9 schedule 120 would ultimately go up to pay for that same
10 \$3 million and customers would see that on their bills
11 through schedule 120. So it's more a transparency
12 issue, real world impact.

13 Q. So they would get it back in late 2010 and then
14 in 2012 it would go away or there would be an extra
15 charge in 2012 that they otherwise might not have?

16 A. Yes, if the overall schedule 120 went up to
17 include that and again that would be part of that
18 vetting process that happens with the CRAG and
19 development of the programs, but yes.

20 Q. Any other differences than just the transparency?
21 Can you see any other differences in the end result?

22 A. The only thing that comes to mind based on
23 testimony I heard earlier would be the peaks and valleys
24 associated with that. The REC money would go back
25 sooner and the customers would see that increase later

0312

1 rather than flattening out.

2 Q. That would cut in favor spreading out the REC
3 money, whereas the transparency was against it?

4 A. Yes. Staff is in favor of transparency and
5 customers actually seeing the benefits derived from
6 paying for the win facilities and getting those back at
7 the appropriate time and paying for conservation as the
8 conservation is being acquired.

9 ALJ MOSS: Commissioner Oshie?

10 COMMISSIONER OSHIE: Thank you, Judge.

11 EXAMINATION

12 BY MR. OSHIE:

13 Q. Staff seems to be treating the 2010/2011
14 conservation program as prior -- as it was approved
15 prior as cut in stone. I want to ask you a few
16 questions about that.

17 Once -- isn't it possible -- how would staff view
18 the company coming back in for a period that would begin
19 on January 1, 2011, and say now that we have a change of
20 heart about or some enlightenment about using schedule
21 120 dollars to fund repairs then this opens up these
22 doors to a program and we want to make a modification.

23 Isn't it possible given how we treat these
24 programs, why wait until 2012 to kick it off if we could
25 do that immediately?

0313

1 A. I believe that is allowed under the process that
2 takes place. The company develops its two-year plan.
3 That's based on the knowledge it knows at the time that
4 the plan was developed through the CRAG. After one year
5 an ongoing budget is presented at the time that the true
6 up is done when schedule 120 is put in place. Schedule
7 120 is done annually so there is a true up budget done
8 each year at that time where things that change over
9 that year can be incorporated.

10 Q. So there's no regulatory impediment to making the
11 kind of change you've been talking about to incur in
12 2012 could actually happen earlier?

13 A. My only hesitation is I'm not sure how long it
14 would take to get the CRAG involved and up to speed on
15 the data to make the decisions but other than that, yes.

16 Q. That's understood that the process would have to
17 be vetted.

18 COMMISSIONER OSHIE: I have no further
19 questions.

20 ALJ MOSS: Any questions from Commissioner
21 Jones?

22 COMMISSIONER JONES: No questions.

23 EXAMINATION

24 BY ALJ MOSS:

25 Q. I believe you said at the outset that the

0314

1 addition of the Enron funds alone would result in an
2 additional about \$1.3 million.

3 Where did that number come from again, please? I
4 think you said that --

5 A. It shows up in a number of different places. On
6 MPP-2 it shows up on line 10.

7 Q. That is why I was confused. Because I thought
8 that was showing the Enron funds plus the REC funds, the
9 savings there.

10 A. It's the incremental amount.

11 Q. But it's on top of what's achieved with the REC
12 funds; right?

13 A. Yes.

14 Q. I guess I'm trying to isolate it that way
15 considering the earlier testimony about measuring things
16 on a program basis, there seems to be synergies going on
17 here.

18 The Enron funds alone is not what's representing
19 this 1.3 but the overall amount of program funding is
20 increasing. I could be wrong. It could be just the
21 incremental. Maybe Ms. Carson in consultation with the
22 witness can clarify that for us.

23 A. Maybe I can clarify that. The 1.3, it's not only
24 the direct amount associated with the Enron dollars but
25 it's efficiencies under the plan. You heard a lot of

0315

1 testimony from the company earlier on when they allowed
2 the agencies to go out and spend the money and that they
3 weren't clear on the definition so they were going
4 beyond their budgets and that's what's represented so
5 they went beyond their budgets to get a higher level of
6 conservation.

7 Q. My concern was I was looking at the scenario A
8 which was tariff writer and shareholder funds and then
9 when we went to scenario B adding \$2.3 million of REC
10 funds we achieved an additional 425. Then when we go to
11 scenario C we add a smaller amount \$1.7 million
12 incremental but we nearly triple the amount of
13 additional conservation. So that's why I was kind of
14 confused about whether there was a 1 to 1 relationship
15 there.

16 A. Right. You're right, there really is not.

17 Q. So if we sort of flipflop this. If we did a
18 scenario D that instead of adding the REC funds added
19 the Enron funds, did you do that calculation at all?

20 A. Well, this gets into how the company described
21 how they presented theirs. The REC dollars are being a
22 little more controlled on how they are being acquired.
23 So it wasn't presented as being a change in the program,
24 just using those dollars to be able to achieve -- what
25 would they be able to achieve and do in repairs in a

0316

1 smaller amount.

2 ALJ MOSS: If this is an alternative
3 scenario B that would represent just the addition of the
4 Enron dollars. Let's scenario D. Let's call it that
5 the commission says zero REC funds, but you still have
6 the Enron money, what would be the conservation savings?
7 And maybe staff can come up with a figure, or maybe the
8 company can come up with a figure. I'll just open it to
9 you all to give me whatever answers you can with
10 whatever caveats are appropriate.

11 MS. CARSON: We can do that.

12 MR. TROTTER: Your Honor, I believe this was
13 covered in the cross examination, but I think we can
14 supply that.

15 ALJ MOSS: Good. If you all can get that to
16 me early next week.

17 The reason I say that is as you recall our notice
18 provides for an order on reconsideration by the end of
19 this month. I can always slip that date if I need to
20 but I would just as soon get this wrapped up.

21 With that then I think we can go to any
22 cross examination. And I'll start with Ms. Carson.

23 MS. CARSON: Thank you, Your Honor.

24 BY MS. CARSON:

25 CROSS-EXAMINATION

0317

1 Q. Mr. Parvinen, is it staff's position that PSE can
2 use schedule 120 funds for low-income repair as long as
3 the low income program is cost effective, is that what I
4 understood you to testify?

5 A. The current schedule 120, no. Because current
6 schedule 120 recovers the program as defined under
7 schedule 83 and the other associated programs. Once
8 it's vetted through the CRAG and the CRAG agrees that
9 that conservation can be achieved cost effectively then
10 120 can recover those costs.

11 Q. But you -- so long as the CRAG supports using
12 additional surcharge funding for REC repairs staff will
13 not oppose that; is that correct?

14 A. There is a fundamental question that I think will
15 be clarified in this order in regards to preferential
16 treatment.

17 MS. CARSON: I'm going to object to that. I
18 thought that was no longer an issue.

19 ALJ MOSS: Part of the staff's argument on
20 that reconsideration petition has to do with its undue
21 preference points. In our order on reconsideration we
22 will have to address that point. I think that explains
23 the witness's hesitation. It's conceivable although we
24 chose not to address it today that the commission could
25 rule in favor of staff on that which leads to

0318

1 Mr. Parvinen's hesitation. So I think that's where we
2 are on that and where we'll have to remain since I'm not
3 going to rule on behalf of my commissioners at this
4 point in time.

5 MS. CARSON: I was siding to the notice that
6 no evidence will be taken on that issue.

7 ALJ MOSS: Right, but he's just explaining
8 why he can't answer your question.

9 I think I got that right, didn't I?

10 WITNESS: I think so.

11 BY MS. CARSON:

12 Q. So assuming the commission rules there is no
13 undue preference here, staff is not going to oppose the
14 use of tariff surcharge funds for repairs as long as the
15 programs are cost effective; is that right?

16 A. If it's demonstrated as cost effective we would
17 support it and it's consistent with what we're doing.

18 Q. And just to clarify, if it's demonstrated as cost
19 effective on a programmatic basis you won't oppose it;
20 is that correct?

21 A. That's correct.

22 ALJ MOSS: Mr. Roseman, anything?

23 MR. ROSEMAN: No, Your Honor.

24 ALJ MOSS: Mr. Johnson?

25 MR. JOHNSON: No, Your Honor.

0319

1 ALJ MOSS: Mr. Sanger?

2 MR. SANGER: No, Your Honor.

3 REDIRECT EXAMINATION:

4 BY MR. TROTTER:

5 Q. You were asked what your position would be in the
6 future.

7 Do you know what -- you don't know what the
8 tariff is going to read like in the future necessarily,
9 do you?

10 A. No, I do not.

11 Q. And does the commission have discretion in
12 regards to setting parameters of schedule 83 and the
13 accompanying surcharge tariffs?

14 A. Yes.

15 Q. Will staff attempt to implement as much as it can
16 with the direction the commission gives with regard to
17 the structuring of tariff schedule 83 as it is in its
18 current iteration and future iterations?

19 A. Yes.

20 Q. Does schedule 83 have an expiration date?

21 A. It does expire at the end of the program period.
22 So at the end of 2011.

23 Q. The beginning of the questioning, Chairman Goltz
24 asked a question regarding what difference does it make,
25 and I believe he was asking what difference does it make

0320

1 if REC money is used for the purposes PSE proposes or
2 the tariff schedule 83 -- or excuse me -- tariff writer
3 rate is increased to do the same thing.

4 Is that how you understood the question?

5 A. Yes.

6 Q. And am I correct that you mentioned transparency,
7 but is principal another reason why staff opposes using
8 REC money for a particular economic class?

9 A. Yes. I would say those are, at least on my mind,
10 the interchangeable words for that question.

11 Q. You mentioned that REC dollars belong to all
12 ratepayers.

13 Did the commission say that in their word?

14 A. Yes. In paragraph 59.

15 Q. If PSE uses schedule 83 money, the surcharge
16 money through schedule 83 to do conservation measures
17 that include a repair element, is it your understanding
18 that that repair element would be limited to low income
19 or would it be available to all customer classes?

20 A. Again, it would depend on the programs that were
21 developed. I would assume the same parameters would
22 hold true for other conservation as well.

23 If repairs were available, you can be contracted
24 through the CRAG process.

25 Q. Do you have in mind today the specifics of such a

0321

1 program?

2 A. No, I have no idea.

3 Q. So if schedule 120 were increased to fund a
4 program that includes repairs, do you know what repairs
5 would be funded and at what level?

6 A. No.

7 MR. TROTTER: That's it.

8 ALJ MOSS: Mr. Roseman?

9 MR. ROSEMAN: I just have one -- I have
10 one question.

11 CROSS-EXAMINATION

12 BY MR. ROSEMAN:

13 Q. You referenced the repair programs that were
14 being used with Avista and Pacific Corp.

15 Do you know whether those programs currently
16 allow any repair dollars to be used for other programs
17 in the low income program?

18 A. I don't believe there is anything in there, no.

19 MR. ROSEMAN: Thank you.

20 MS. CARSON: I did have one follow-up
21 question.

22 ALJ MOSS: All right.

23 RECROSS-EXAMINATION

24 BY MS. CARSON:

25 Q. Mr. Trotter asked you about whether or not you

0322

1 knew what a future tariff would say.

2 I just want to clarify, it's my understanding
3 that it's staff's position THAT under the current
4 unchanged tariff, the way it is now, funds can be used
5 for repair for low income provided that the program is
6 cost effective; is that correct? And you will not
7 oppose that in the future?

8 MR. TROTTER: I object, that was asked and
9 answered. He has already testified that this has to be
10 processed through the CRAG. It's not a free ride and
11 the staff is not going to be --

12 ALJ MOSS: Don't go beyond what the witness
13 testified, Mr. Trotter. Just a caution.

14 MR. TROTTER: I do not want staff to be
15 challenged later or impeached later based on this
16 testimony because that would be wholly inappropriate, so
17 I will object.

18 ALJ MOSS: I do think it was asked and
19 answered.

20 MS. CARSON: I guess the nuance is that
21 Mr. Trotter's question that we don't know what a future
22 tariff would look like but it's my understanding that
23 staff's position is that under the current tariff PSE
24 could simply go through the steps to have the surcharge
25 amount increased for repair funds rather than using the

0323

1 REC funds for repair.

2 ALJ MOSS: I think we did cover that point
3 before. I'll let the transcript speak to that. I think
4 we've clearly vetted that point. So I'm going to
5 sustain the objection to that extent. Okay.

6 All right. I did say at the outset I would give
7 counsel the opportunity for closing arguments.

8 Do you have any argument you would like to make,
9 Mr. Trotter? I have to ask at this point that they be
10 brief.

11 Anything from you?

12 MR. TROTTER: I do have an argument. If you
13 wish me to go first, I don't have the burden but I am
14 happy to do so if that's your wish.

15 ALJ MOSS: If you prefer some other order we
16 can do that but I'm happy to have it either way.

17 MR. TROTTER: As the commission is well
18 aware in this order 03 in this docket it approved \$4.57
19 million in REC funds to be used exclusively for low
20 income cost effective conservation for use in the
21 current program period. The witness Parvinen has given
22 you several reasons why that was limitations to the
23 program period is prudent and fully justified.

24 But the commission said in doing so that it was
25 exercising its discretion and that its concern was to

0324

1 address conservation that would be stranded for lack of
2 housing structure repairs. That's paragraph 60 of the
3 order.

4 And evidence today shows that that conservation
5 will not be stranded. So the fundamental premise for
6 the grant in our opinion has been removed or it will not
7 be stranded because the company in Exhibit J-23, you
8 recall my cross-examination of the panel said that that
9 \$850,000 of kilowatt hours of conservation the
10 commission identified in its order they project to be
11 collected over the 2010/2011 period plus the 2012 and
12 2013 period. So it can be collected over time. We're
13 not seeing a lost opportunity here.

14 The tariff does permit repair money. The only
15 impediment to it is the current policy of PSE. That is
16 insufficient basis for giving REC money that you in your
17 order said belonged to all ratepayers.

18 The evidence also shows that the Enron money will
19 provide a very specific benefit to ratepayers.

20 Not only does it call for justifying the
21 company's decision to up the funding budget by \$800,000
22 to acquire more conservation but the evidence shows it
23 will allow the company to acquire some 1.33 million
24 kilowatt hours of additional conservation. That the
25 commission was looking for in the \$4.57 million. There

0325

1 are some moving parts there but I recall from my
2 cross-examination of the panel that we were trying to
3 isolate the impact of the Enron money and that's the
4 number that came out.

5 So there's no problem that has been identified on
6 this record that can -- that must be addresses only with
7 REC dollars. The problem if there is one can be
8 addressed by PSE itself and cooperation with CRAG and
9 deal with this in a straightforward way.

10 The core of the energy project's position for
11 reconsideration is that they want to take the
12 \$4.57 million and spread it over two years. Two years
13 beyond the program period, I should say. And so they
14 are asking you to change your order in that regard.

15 As Mr. Parvinen explained, that program period
16 was set in a prior docket. That docket has not been
17 reopen and the petition doesn't ask for it to be
18 reopened. Schedule 83 terminates at the end of 2011.
19 There is no program after that until the commission
20 approves one.

21 Before you begin to implement a program for 2012
22 and 2013, that's only a piece of an overall program
23 which is piecemeal regulation in its finest form. We
24 don't know what conservation will be available in 2012
25 and 2013.

1 The time to examine that and the staff can vet it
2 and bring it before you for your own questions in an
3 open and public process. There is no reason to decide
4 prematurely what that program or one piece part of it
5 will be.

6 We also raised in our petition an issue of
7 credibility. They knew in January about the Enron money
8 and never mentioned it, never mentioned it once. The
9 testimony when they talked about repair money was
10 dealing only with shareholder money. They completely
11 ignored that. And that raised a big concern in our
12 mind. They tried to say, well, in the overall scheme of
13 things it is not a big deal. But that money needs to be
14 spent right away.

15 The other thing you should take into account in
16 this docket is what is not included in Exhibit J-23. I
17 believe Mr. Eberdt called it the elephant in the room,
18 the huge sum of money for ARRA dollars, 15% of which can
19 be used for repair and the other programs, the
20 matchmaker and so on, that can also be used for repair.
21 Those aren't on this exhibit but they have implications
22 for the conservation that PSE will be able to acquire.

23 The bottom line is that you don't need REC money
24 to achieve the conservation, the incremental
25 conservation that you wanted to achieve in your order.

0327

1 We acknowledge the commission's discretion but
2 there needs to be a sound we went through every single
3 justification that the proponents offered you in the
4 hearing and debunked every one. We have now debunked
5 the stranded conservation theory, and there is nothing
6 left.

7 So we strongly recommend that you reconsider your
8 order and give the \$4.57 million to the ratepayers to
9 whom it belongs which is all ratepayers based on the
10 manner in which they contributed to the assets that
11 generated the REKs in the first place.

12 The appropriate place to address
13 conservation policy is in the CRAG process and the
14 appropriate dockets that have been traditionally used
15 for that purpose. Thank you.

16 ALJ MOSS: Thank you, Mr. Trotter.

17 Ms. Carson?

18 MS. CARSON: Thank you, Your Honor. We
19 appreciate the opportunity to provide additional
20 evidence and information in support of the energy
21 project's petition for reconsideration. And we also
22 appreciate the commission's recognition of the
23 importance of low-income conservation including repair
24 funding as reflected in the May order.

25 There were two areas that the commission asked

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1 for additional evidence to be provided on. One was
2 specific funds available to the energy project and
3 agencies in the PSE service territory for capturing cost
4 effective conservation, and the second, the additional
5 amounts of cost effective conservation that could be
6 achieved.

7 In regard to the first issue, we have had
8 testimony here today from Mr. Eberdt and the panel
9 regarding the fact that repair funding is in fact going
10 down.

11 Even with the Enron funding and even with the
12 ARRA with its limited percentage allowed for repairs,
13 Mr. Eberdt testified there is still a shortage and
14 decrease in the repair funding. He gave the example in
15 the 2006 biennium there was \$19 million available for
16 repairs compared to \$6 million currently from the energy
17 matchmaker, and I believe it's HRRM funding combined.

18 So we are seeing a decrease in repair funding and
19 there in fact will be, continue to be stranded --
20 measures that will be stranded if we don't have this
21 repair funding to leverage into the energy conservation
22 funds.

23 It may be that it can be handled through the
24 tariff. That's an open question now. It has certainly
25 never been done, as Mr. Eberdt testified, for many years

0329

1 using tariff funding for repairs. It's not clear that
2 that's something that will be supported by the same
3 people who are arguing that that's the way it should be
4 done. So we are a little cautious in that regard.

5 I think it's important to recognize that while
6 there is a spike in the energy efficiency funds that are
7 available, at the same time the trajectory is going down
8 in term of the repair funding.

9 I would disagree with Mr. Trotter in terms of the
10 company being forthright about the repair funding.
11 There is evidence in the record about the matchmaker
12 funding going away and going down. And that even with
13 the Enron funding there is a decrease in overall repair
14 funds, which is what the original testimony referred to
15 was a decrease in repair funds.

16 The second issue is how much additional cost
17 effective conservation is feasible to achieve with the
18 \$4.57 million REC funds? The commission has ordered
19 that this amount, \$4.57 million can be used for
20 low-income conservation. The question is can it be used
21 over the current biennium or can it be spread out over
22 three years. There's no compelling reason why we can't
23 use it over three years. In fact, the evidence that's
24 been presented is that additional cost effective
25 conservation will result if it's used over three years

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1 as opposed to being used in the current biennium.

2 If we look at the energy independence act
3 mandate, it's to achieve all feasible cost effective
4 conservation.

5 We heard it's not feasible in this biennium to
6 use these funds but it will be feasible to spread them
7 out over three years.

8 Again, we appreciate the opportunity to come here
9 and provide this additional evidence, and we endorse
10 energy project's petition for reconsideration and ask
11 that these funds be allowed to be spent over the three
12 year time period so that we can achieve this additional
13 cost effective conservation.

14 ALJ MOSS: Thank you.

15 Mr. Roseman?

16 MR. ROSEMAN: Thank you, Your Honor. We
17 also appreciate the opportunity to go over these serious
18 concerns before the commission.

19 I guess my first point is, and I only have two or
20 three, is that for the other utilities that has been
21 repaired. It wasn't an automatic thing. There was an
22 approved settlement and order from the commission
23 allowing this. This is not something that is -- we have
24 been successful generally outside of a general rate case
25 in getting and accomplishing this repair money.

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1 My other point is Mr. Trotter seems to think
2 contrary ignoring Mr. Eberdt's testimony that there's
3 adequate repair dollars. There are, I think Mr. Eberdt
4 testified, up to 15% for ARRA money and there is a lot
5 of ARRA money. But because of the poor housing stock of
6 low income people who receive these energy efficiency
7 moneys there is a commensory amount of repair dollars
8 that must go in and if you don't have the repair dollars
9 you will strand those weatherization dollars. That's
10 the reality of this housing stock.

11 And the housing stock is in poor shape. The
12 worst thing we could do is go in and weatherize it and
13 make the house an unsafe house that leads to something
14 tragic.

15 So in order to spend the weatherization money
16 with these customers, one generally needs -- you heard
17 Ms. Sieg say to Chairman Goltz that there are no really
18 number one scenarios, they're all a combination of
19 repair and energy efficiency. I'm not trying to
20 overstate our position. But I am trying to give the
21 commission a clearer picture on this.

22 I guess the last point which is mentioned is I
23 was surprised and shocked by the allegations that we
24 were untruthful in any shape or form in revealing the
25 information. We thought this program was going to begin

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1 in 2011.

2 The Enron funds were required to be over in 2010.

3 As we know, there is multiple sources of funding coming
4 in to these programs from both federal and the states.

5 And they vary and change. Sometimes it appears on a
6 quarterly basis. You never know certainly on the
7 federal level what the dollar amount is going to be.

8 On the state level, as Mr. Eberdt testified and I
9 think it be borne out by review of the energy matchmaker
10 program, that's a program that the utility puts up money
11 to match it and the funds that they have will then go to
12 the utility to help with repair dollars.

13 While the shareholder money is \$300,000, de
14 minimis in the greater scheme of things, the energy
15 matchmaker money was at one time \$17 to \$18 million,
16 it's now down to \$16 million in the biennium. That is a
17 substantial reduction.

18 These REC funds will be a benefit to low income
19 customers in this state that happened to be also
20 ratepayers and customers of this company. Everyone
21 treats them like they are aside here. But they are in
22 fact people with families and people that are in
23 desperate need of reducing their energy cost and this is
24 one of the ways with weatherization that they can
25 effectively do that.

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1 Thank you very much.

2 ALJ MOSS: Thank you, Mr. Roseman.

3 Mr. Johnson, do you have something for us?

4 MR. JOHNSON: I do, Your Honor. Obviously
5 we haven't -- the coalition did not participate in
6 today's panel. We felt given the limited scope of the
7 proceeding today that it was most appropriate for the
8 energy project and PSE to speak to the issues that the
9 commission highlighted.

10 Now, having said that and having heard all
11 the evidence today, we continue to reiterate our support
12 for the energy project's petition for reconsideration
13 and the proposal that was made. We believe it is a good
14 proposal and more important, that it is designed to
15 increase available conservation for the benefit of the
16 low income sector which is the whole purpose of this
17 proceeding.

18 I do want to make a couple comments though
19 with regard to the proposal. We think that there was
20 earlier testimony, I believe by Mr. Eberdt, that this
21 would promote certainty going forward and spreading out
22 the program dollars over into the next biennium. We
23 think that's a critically important factor that the
24 commission needs to take into account. And one of the
25 reasons, not the only reason but one of the reasons that

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1 we support the energy project's proposal.

2 ALJ MOSS: Anything further from the Bench?

3 In that case I would like to thank you all
4 very much for being here today and presenting the
5 additional evidence and argument that the commission
6 requested by its notice. We should move up the time. I
7 suspect we could have that by Thursday. Let's target
8 that date for a response. If something delays you, just
9 let me know.

10 With that said, again thank you, and we'll
11 be closed. The record will be closed on this. Thank
12 you.

13 (The hearing was concluded at 5:15 p.m.)

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C E R T I F I C A T E

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I, JUDITH ANN ROBINSON, a Certified Court

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Reporter, do hereby certify that I reported in machine

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above-entitled cause; that the foregoing transcript was

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I further certify that I am not an attorney or

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counsel of any parties, nor a relative or employee of

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any attorney or counsel connected with the action, nor

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financially interested in the action.

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DATED at Federal Way, Washington this 27th day of

14

August, 2010.

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Judith Ann Robinson, CCR

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