BEFORE THE WASHINGTON STATE

UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND ) DOCKET NO. UE-140188

TRANSPORTATION COMMISSION ) DOCKET NO. UG-140189

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 Complainant, )

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v. )

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AVISTA CORPORATION )

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 Respondent. )

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DIRECT TESTIMONY OF

CHARLES M. EBERDT

REPRESENTING THE ENERGY PROJECT

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

**I. INTRODUCTION**

**Q. Please state your name, address, and employment.**

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

**Q. Please outline your relevant background for this matter.**

A. I have been working in the field of residential energy efficiency since the mid-1970’s from being trained to install solar hot water systems and building houses to educating homeowners, code officials, and builders about energy efficient building construction and systems for the Washington State Energy Office. In 1993, I began working in energy policy as it affects low-income households on behalf of Washington’s community action agencies in their provision of energy services funded by the Washington Department of Commerceand local utilities. I have been a Board member of the National Center for Appropriate Technology (NCAT) and A World Institute for a Sustainable Humanity (A W.I.S.H.) since 1996. I have participated in several proceedings before this Commission over the last nineteen plus years, including general rate cases for all the energy utilities that this Commission regulates. A brief resume is attached hereto as Exhibit No. \_\_\_ (CME-2).

**Q. On whose behalf are you testifying in this proceeding?**

A. I am testifying on behalf of the Energy Project which works on issues impacting low-income energy bills and usage all across the state, primarily energy efficiency and bill assistance, but also consumer protections or other issues that will affect access to service.

**II. Energy Project Concerns**

**Q, What are your concerns in the current rate case?**

**A.** Our concerns are for the effect that the proposed increases in rates and charges will have on low-income households who do not have additional funds to pay more to the utility and for the ongoing need to reach deeper into the eligible population for low-income energy assistance and energy efficiency.

**Q. How have you addressed this situation in previous rate cases?**

**A.** Historically, we have addressed it in two ways. First we have tried to reduce the impact of rate increases on low-income households by providing energy efficiency measures to reduce their usage. While reducing the need for energy is cheaper over the long term and therefore the preferred approach, the provision of this service is complicated by a number of factors, such as the need for repairs and/or health and safety measures, the cost of those items on top of the cost of efficiency measures, and the renter/landlord split incentive. The result is that hundreds of houses are served with efficiency, when the rate impact affects tens of thousands of low-income households in Avista’s service territory.

**Q. Have you requested increases in the low-income energy efficiency program budget**?

**A.** Yes, in the past increase a small increase was provided to two of the rural agencies. Currently, the largest agency, the Spokane Neighborhood Action Partnership (SNAP), has indicated to me they could handle an additional $400,000 of work over the next year.

**Q. What is the second way you address the effect of rate increases on low-income customers?**

**A.** Recognition of this shortfall led to the creation of the Low-Income Rate Assistance Program (LIRAP) over twelve years ago (UE-010436 and UG-010437). For the most part, this program mimics the federal Low-Income Home Energy Assistance Program (LIHEAP) by assisting the qualified customer in paying their electric or gas bill based on the number of people in the household, the total income of the household, and the size of their bill.

**Q. Has this program been successful?**

**A.** It has been a big improvement in many ways. In each of the last two program years over 12,500 customers received some form of assistance who otherwise might not have been able to pay the bill and could have been disconnected.[[1]](#footnote-1) In the last five years, more than 32,000 households received assistance for a single year and 80% of instances in which low-income program participants received disconnect notices were able to avoid disconnection due to an assistance payment.[[2]](#footnote-2) The Spokane Neighborhood Action Partnership (SNAP) looked at their clients who received assistance with their heating bills and found that their “energy burden” – that is, the share of the of the household’s income that was needed to pay the electric and/or gas bill - was reduced between 39-53%. When you realize that the poorest of these households, those at or below 50% of the federal poverty level (FPL) are spending over 25% of their household income to pay the electric and/or gas bill, reducing that to 11-13% is a significant help to the household.[[3]](#footnote-3)

**Q. Does this benefit other rate payers?**

**A.** I believe it does. Without this assistance, these customers are more likely to be disconnected. If they are disconnected, they are likely to see additional costs. Some of these are obvious, such as the cost to reconnect, but also other costs like the loss of food in the refrigerator, increased medical costs due to loss of heat, the exorbitant cost of “payday loans” to get reconnected, and so forth. All of these just make it more unlikely that the household will have funds to pay their bills going forward. If the bill appears insurmountable, it is only natural to use what limited funds one has to pay a bill that one can make some headway on instead. Other ratepayers also benefit because this keeps more households connected to the utility system that otherwise may have “fallen off” the system into a disconnect status, and sometimes homelessness. When households “fall off” the system and cannot pay for fixed distribution costs to maintain the system, the remaining customers have to pick up the slack and costs.

**Q. Are there other ways the program is successful?**

**A.** Yes, I think another way this program is successful is that it has more than one offering to address different needs. In addition to the program addressing heating needs (LIRAP Heat), there is an emergency assistance component and a Seniors program. Those can address sudden needs, particularly when they occur after the LIRAP Heat program closes for the year. The Seniors program can serve households at a slightly higher income level, up to 200% FPL.

**Q. Yet, you believe there are still ways the program can be improved?**

**A.** Yes, I do.

**Q. Can you describe how you would like to see the program improved.**

**A.** First, let me say that I think the program works pretty well, as far as it goes. In the previous rate case (UE-120436/UG-120437) Avista was directed to investigate the LIRAP program and file in this rate case any changes that they determined were needed. After meeting in that process and subsequently in the workshop held here at the Commission on May 29 of this year, Avista’s has not included any proposed changes in their filing; I assume they agree that the existing program works well. At the same time, they are remiss in filing for a rate increase without any increase in the funding for LIRAP.

**Q. If they were to increase the LIRAP funds a percentage equal to the residential rate increase, would that suffice?**

**A.** No.

**Q. Why not?**

**A.**  Because at that rate someone who participates in the program is still going to have to pay more for their utilities. They are going to see a higher burden, making LIRAP’s task more difficult. We are talking about families at the bottom of the income scale. Even if a participant’s benefit rises commensurate with the rate increase, they will be paying more out of pocket for the part of the bill the benefit does not cover. Neither the LIRAP nor the LIHEAP benefit covers the total bill, so there is always an increase that isn’t covered. On top of that, the increase in the basic charge is not offset at all.

**Q. Is trying to maintain the reduction in energy burden for participants the only reason the program funding should be increased?**

A. No, it should be increased to allow more eligible customers to receive benefits of the program as well.

**Q. What proportion of the eligible population currently participates in LIRAP?**

**A.**  As census data on poverty has become more difficult to retrieve, I have not run the numbers to ascertain the current program penetration. A few years ago, Avista and SNAP co-sponsored a study that indicated the combined LIHEAP and LIRAP funds were reaching about 30% of the eligible population.

**Q. Is that sufficient?**

**A.** No, because as good as that is, 70% of the eligible population still is not being addressed. Certainly, not all who are eligible will apply. Some are difficult to reach because of language or other barriers. Agencies report that Seniors often don’t want to take advantage of the program because they think it should be used for young families “who need it more” because they are “trying to get on their feet.” Yet, even with such exceptions, there will still be many households who need assistance.

**Q. How would you suggest addressing this?**

**A.** I suggest that LIRAP funding be increased by twice whatever residential rate increase is, but even if there is no rate increase LIRAP should be increased by at least 10%.

**Q. Avista is asking for an 8.6% increase to residential electric rates, including making permanent the 3% increase they received in the last case. If that were allowed, what would you expect to see according to the above?**

**A.** I would expect to see that the 3% increase we got in the last case would be doubled, since I believe that was a temporary increase as the rate increase was. Add to that the new 5.6% increase they are requesting in this case, for a total of 8.6% doubled, or 17.2%, on the electric side. On the gas side the increase would be calculated similarly, using the numbers appropriate to those revenue increases.

**Q. Why did you choose the 10% floor?**

**A.** Because I think we should strive to serve more of the 70% who need assistance.

**Q. If this isn’t more than a temporary resolution, what do you propose?**

**A.** I believe the utility, their ratepayers, their low-income customers, and the entities that serve them would benefit from a more careful, studied examination of what a more appropriate penetration rate would be, how to develop a program or programs to achieve that penetration, and the funding adequate to do so. I suggest the Commission instruct interested parties to work through a collaborative to carry out this task and return to the Commission with a proposal, similar to what occurred when the creation of an investor-owned utility energy assistance program was first undertaken as a result of UE-991832. Though the Energy Project does not have the funding for sponsoring such a collaborative we would be very interested in leading or co-leading such an effort should adequate resources be made available to do so.

**Q. Why do you say a “careful, studied examination” is needed – isn’t simply raising the funding enough?**

**A.**  It is tempting to simply raise the funding, but if we are going to achieve a higher penetration rate with programs that are effective, I think a more circumspect approach is warranted. Not all low-income households are the same, deal with the same problems, or will respond to the same offerings. These programs don’t exist in a vacuum. What works well for one group of low-income customers may not work at all for another. A program design that looks simple for the utility to implement may in fact result in unforeseen consequences for their partners. Different parties might have different priorities. While the most important thing to the Energy Project might be keeping households connected to vital services, for another it might be reducing arrears for the utility or changing payment behavior. The agencies see clients with significantly different needs; Metaline Falls is 22% colder than Spokane in degree days and there is no natural gas service. One agency might use more LIRAP Heat, while another uses more LIRAP Share. In addition to differing client needs, agencies have somewhat differing resources to apply; they need the flexibility to be able to put the combination of their resources to the best use. The current LIRAP program works in that context; any further developments need to be carefully planned to do so as well.

**Q. What is the difference between LIRAP Heat and LIRAP Share?**

**A.** There are a couple of differences between the three programs that LIRAP provides. LIRAP Heat emulates LIHEAP, provides the benefit based on heating load, household income, number of people in the household, and type of housing. LIRAP Share emulates the Share program that is funded by voluntary donations from multiple sources including ratepayers and Avista employees, but generally provides a lower level of assistance only in emergency cases, such as when the loss of a job leads to potential disconnection. A third program is addressed to Seniors, who might be on fixed incomes that make it difficult for them to pay the bill, but could be of a higher income level than is served by LIRAP Heat. Neither of the last two programs require the documentation that the HEAT program requires, both are less expensive to implement, but both augment or complement the Heat program.

**Q. Do you think there are other ways to “augment” the existing program that parties will agree on?**

**A.** I certainly hope so. For example, Avista’s response to Staff DR 154 indicates 10,647 customers who received assistance in two consecutive years. Some of these customers could possibly be qualified for eligibility for two years instead of requiring them to return both years. This would save on the implementation cost of the program. Staff suggested such an adjustment in the current PacifiCorp Low-Income Bill Assistance program. The LIBA agencies responded by searching to identify households whose income circumstances are unlikely to change and enrolled them in LIBA for two years. This seems to be working.

**Q.** **Then why not simply institute that now?**

**A.** Because Avista’s basic program is different from PacifiCorp’s and several different agencies deliver it. It is important to make sure there won’t be any unforeseen negative consequences for the agencies charged with implementing the change. We are interested in finding ways to address specific problems or characteristics of the population that will let us get assistance to more households, while at the same reducing the impact on other ratepayers by reducing the program cost or increasing the likelihood of participants to pay on their bills. We believe, for example, that an arrearage management program has that potential. Regardless, it would be key to take the time to thoroughly plan whatever adjustments we want to employ.

**Q. Does that conclude your testimony.**

**A. Yes.**

1. LIRAP 2012-2013 Annual Summary Report, p. 8. [↑](#footnote-ref-1)
2. Avista’s first response to Staff DR # 154. [↑](#footnote-ref-2)
3. LIRAP 2012-2013 Annual Summary Report, p. 10 [↑](#footnote-ref-3)