

BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	DOCKET NO. UE-140188
TRANSPORTATION COMMISSION)	DOCKET NO. UG-140189
)	
Complainant,)	
)	
v.)	
)	
AVISTA CORPORATION)	
)	
Respondent.)	
.....))	

DIRECT TESTIMONY OF
CHARLES M. EBERDT
REPRESENTING THE ENERGY PROJECT
Exhibit No. ____ (CME-1T)

I. INTRODUCTION

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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 Commerce and 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.

1 **II. Energy Project Concerns**

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

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

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

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

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

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

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

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

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

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

¹ LIRAP 2012-2013 Annual Summary Report, p. 8.

² Avista’s first response to Staff DR # 154.

1 over 25% of their household income to pay the electric and/or gas bill, reducing that
2 to 11-13% is a significant help to the household.³

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

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

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

18 **A.** Yes, I think another way this program is successful is that it has more than one
19 offering to address different needs. In addition to the program addressing heating
20 needs (LIRAP Heat), there is an emergency assistance component and a Seniors
21 program. Those can address sudden needs, particularly when they occur after the

³ LIRAP 2012-2013 Annual Summary Report, p. 10

1 LIRAP Heat program closes for the year. The Seniors program can serve households
2 at a slightly higher income level, up to 200% FPL.

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

4 **A.** Yes, I do.

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

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

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

16 **A.** No.

17 **Q. Why not?**

18 **A.** Because at that rate someone who participates in the program is still going to have
19 to pay more for their utilities. They are going to see a higher burden, making
20 LIRAP's task more difficult. We are talking about families at the bottom of the
21 income scale. Even if a participant's benefit rises commensurate with the rate
22 increase, they will be paying more out of pocket for the part of the bill the benefit
23 does not cover. Neither the LIRAP nor the LIHEAP benefit covers the total bill, so

1 there is always an increase that isn't covered. On top of that, the increase in the
2 basic charge is not offset at all.

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

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

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

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

12 **Q. Is that sufficient?**

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

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

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

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

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

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

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

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

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

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

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

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

21 **A.** There are a couple of differences between the three programs that LIRAP provides.
22 LIRAP Heat emulates LIHEAP, provides the benefit based on heating load, household
23 income, number of people in the household, and type of housing. LIRAP Share

1 emulates the Share program that is funded by voluntary donations from multiple
2 sources including ratepayers and Avista employees, but generally provides a lower
3 level of assistance only in emergency cases, such as when the loss of a job leads to
4 potential disconnection. A third program is addressed to Seniors, who might be on
5 fixed incomes that make it difficult for them to pay the bill, but could be of a higher
6 income level than is served by LIRAP Heat. Neither of the last two programs require
7 the documentation that the HEAT program requires, both are less expensive to
8 implement, but both augment or complement the Heat program.

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

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

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

20 **A.** Because Avista’s basic program is different from PacifiCorp’s and several different
21 agencies deliver it. It is important to make sure there won’t be any unforeseen
22 negative consequences for the agencies charged with implementing the change. We
23 are interested in finding ways to address specific problems or characteristics of the

1 population that will let us get assistance to more households, while at the same
2 reducing the impact on other ratepayers by reducing the program cost or increasing
3 the likelihood of participants to pay on their bills. We believe, for example, that an
4 arrearage management program has that potential. Regardless, it would be key to
5 take the time to thoroughly plan whatever adjustments we want to employ.

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

7 **A. Yes.**