

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Division's Annual)
Annual Review and Evaluation of)
Electric Lifeline Program, HELP) Docket No. 03-035-01

In the Matter of HELP, Electric)
Lifeline Evaluation) Docket No. 04-035-21

**Direct Testimony of
Abdinasir M. Abdulle
Division of Public Utilities**

September 16, 2005

1 **Q: Please state your name, business address, and employer for the record.**

2 A: My name is Abdinasir M. Abdulle; my business address is 160 East 300 South,
3 Salt Lake City, Utah 84114; I am employed by the Utah Division of Public
4 Utilities (“Division”).

5 **Q: On whose behalf are you testifying in these proceedings?**

6 A: I am testifying on behalf of the Division.

7 **Q: Would you please summarize your educational background for the record?**

8 A: I have a Ph.D. in Economics from Utah State University. I have been employed
9 by the Division for about three years. I am also teaching at Weber State
10 University as an adjunct professor of economics.

11 **Q: What is the purpose of your testimony in these proceedings?**

12 A: The purpose of my testimony is to briefly discuss the background of HELP and to
13 address the basis for the Division’s support of the Stipulation and therefore the
14 continuation of HELP.

15 **Background**

16 **Q. Please briefly discuss the background of HELP.**

17 A. HELP was first proposed by the Salt Lake Community Action Program (SLCAP)
18 and Cross Roads Urban Center (CUC) in Docket No. 97-035-01. The
19 Commission did not adopt the proposal but set up a Low-Income Task Force to
20 study concerns surrounding the program. In addition, the Commission established
21 a set of criterion by which to judge the merits of the proposal. The criteria
22 included:

- 23 1. whether the program is in the public interest;
- 24 2. the need should be both real and unmet by direct payment programs;
- 25 3. the program must target only low-income households and it should not
26 raise rates for low-income households that consume above-average
27 amounts of electricity;
- 28 4. the benefits of the program should offset negative impacts on rate
29 making objectives.
- 30 5. the program should be easy and inexpensive to administer.

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32 On December 17, 1999, the Task force submitted to the Commission a report
33 containing detailed discussion and analysis of the above criteria and fully
34 addressed some of the other concerns surrounding the program. Subsequently, in
35 Docket No. 99-035-10, SLCAP and CUC filed a second proposal for a Home
36 Electric Lifeline Program (HELP), which the Commission adopted. In this
37 Docket, the Commission ordered the implementation of HELP. The program
38 consists of a lifeline tariff, Schedule 3, which provides qualifying customers a
39 monthly credit, and lifeline tariff rider, Schedule 91, which charges non-recipient
40 customers a monthly surcharge.

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42 In a subsequent order, the Commission adopted a Joint Stipulation of PacifiCorp's
43 lifeline rate, which detailed the implementation of the program. The Joint
44 Stipulation charged the Division with

- 45 1. Developing a set of measures and standards against which to evaluate
46 the lifeline program;
- 47 2. Evaluating the effectiveness and success of the program against
48 measures and standards; and
- 49 3. monitoring and auditing the program, and submitting, at a minimum,
50 annual reports to the Commission and other interested parties with a
51 comprehensive review after the end of Year 3.

52 **Q. Did the Division accomplish the tasks that the Task Force charged it with?**

53 A. Yes. With the help of R.W. Beck and other parties in the Task Force, the
54 Division identified measures and standards against which the effectiveness of the
55 program should be judged. The Division used these measures and standards to
56 objectively evaluate the effectiveness and success of the program. In each of the
57 first three years of the program, the Division reviewed the program using these
58 measures and standards and submitted to the Commission a report containing its
59 findings and recommendations. The third year report was comprehensive in that
60 it used all the information pertaining to the program up to that point.

61 **Q. What did the results of the evaluation indicate?**

62 A. In all three reports the Division concluded that, overall, the program met its
63 administrative goals, but because of attributability problems, the Division
64 reported that it was unable to determine whether the program met the defined
65 performance goals. However, in all three reports, the Division pointed out that
66 the ending account balance exceeded its proscribed standard balance and was
67 increasing. In all three reports the Division recommended that the collections
68 from the non-recipients be reduced by one third in order to bring the ending
69 account balance within an acceptable range. Besides the growing ending account
70 balance, the Division pointed out in its third year report that program's annual
71 collections exceeded the Commission ordered annual cap of \$1.85 million by
72 more than 5% and, because of the growing customer base, the amount of over
73 collection would likely increase in the future.

74 **Q. Does the fact that the Division failed to attribute the changes in the**
75 **performance measures to HELP indicate a failure of the program?**

76 A. No. Generally speaking, in hypothesis testing, the researcher wishes to find
77 enough evidence to reject the null hypothesis. For example, a drug manufacturer
78 would like to find evidence to reject the hypothesis that its drug is no better than
79 what is currently available. The alternative hypothesis, a statement for which the
80 researcher wishes to find supportive evidence, states that the null hypothesis is
81 false. In the case of the drug manufacturer, the null hypothesis is simply that its
82 drug is better than what is currently available. Properly speaking, we either
83 "reject" the null hypothesis – there is enough evidence or information contained
84 in the sample to conclude that the null hypothesis is likely false; or we "fail to
85 reject" the null hypothesis – there is not enough information in the sample to
86 conclude that the null hypothesis is false.

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88 We must understand that a hypothesis test rejects the null hypothesis only if there
89 is strong statistical evidence against the null hypothesis: assuming the null
90 hypothesis is true, the probability of obtaining the current sample is relatively
91 small. However, if there is not enough statistical evidence to reject the null
92 hypothesis, we do not say that we "accept" the null hypothesis. Rather we say

93 that we do not reject the null hypothesis because the evidence against the null
94 hypothesis is not enough.

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96 Applying these concepts to HELP, the appropriate null hypothesis states that the
97 program is not effective or does not meet its performance standards; the
98 alternative hypothesis states that the program is effective.

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100 The Division, in its three annual reports, and Quantec, in its evaluation report,
101 were unable to attribute the changes of some of the performance measures to the
102 HELP program. In other words, the Division's analysis (and to some extent
103 Quantec's) failed to reject the null hypothesis that HELP is not effective.
104 However, it would be erroneous to conclude that HELP is not effective. Such a
105 conclusion would be akin to saying we "accept" the null hypothesis; the lack of
106 statistical evidence to reject the null hypothesis is not the same as saying the null
107 hypothesis is true.

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109 The Division discussed the problem of attributability in its annual evaluation
110 reports and in its comments on Quantec's report. Briefly, the problem is two-fold.
111 First, as the Division explained in its annual reports, HELP is too small relative to
112 the economy to separate the effects of the program from general macroeconomic
113 trends. Second as the Division explained in its comments on Quantec's report,
114 there is some confounding between the impacts of HELP and HEAT.

115 **Q. You said there was some confounding of the HELP and HEAT programs.**
116 **Could you explain what you mean and what the implications are?**

117 A. Yes. For the program to be easy and inexpensive to administer, the program was
118 initially designed to piggy back on HEAT. This made analyzing the impact of
119 HELP alone impractical. Therefore, the logical thing to do is to analyze the
120 combined impact of HELP and HEAT programs.

121 Quantec has analyzed the combined effect of HELP and HEAT on the
122 performance measures of the program such as arrearages, shutoffs, mobility, and
123 collections. Additionally, Quantec performed cost-effectiveness analysis.

124 Quantec found that HELP and HEAT combined had significantly improved all of
125 the above listed performance measures and the two programs combined passed
126 the ratepayer test (B/C ratio of 1.05) and the total resource cost (B/C ratio of 1.49)
127 (Table ES.1). Dr. Khawaja of Quantec will cover the details of the Quantec's
128 HELP evaluation report.

129 **Q. If the analysis performed so far did not clearly indicate a success or lack of it**
130 **of HELP, taken alone, how would you suggest the merits of the program be**
131 **judged?**

132 A. As I mentioned earlier in my testimony, the problem is that impact of HELP on
133 the performance measures is confounded with that of HEAT. Therefore, we
134 should evaluate the combined impacted of HELP and HEAT, rather than HELP
135 alone.

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137 In addition, the Division believes that the merits of the program should be judged
138 according to the criteria set by the Commission in Docket No. 97-035-01 and
139 listed above. These are the criteria by which the Commission approved HELP in
140 2000. The Division also believes that the success of HELP program should be
141 judged as a stand alone program, but in combination with the HEAT program.

142 **Q. Are the needs both real and unmet by direct payment program?**

143 A. Yes. The fact that the program is real and unmet by other direct payment
144 programs has been well documented in the SLCAP and CUC's proposal for the
145 HELP program filed in Docket 99-035-10 and updated by Quantec in its HELP
146 program evaluation final report that are both in the record before the Commission.
147 In brief, Quantec pointed out that that there are approximately 75,000 households
148 within Utah Power's living at or below 125% of Federal Poverty guideline (FPG).
149 Quantec also pointed out that a low-income family spends 4.6% of its income on
150 electricity while a median-income family spends about 1.8% of its income on
151 electricity. Finally, Quantec estimated that a low-income family needs an
152 additional \$378 annually to get to the same level of energy burden. Given a credit
153 of \$8 per month, the HELP program provides \$96 per year; HELP and HEAT
154 combined provide approximately \$238 per year.

155 **Q. Does the program target only low-income households and not raise rates for**
156 **low-income households that consume above-average amounts of electricity?**

157 A. Yes. The Joint Stipulation on PacifiCorp’s Lifeline Rate which was approved by
158 the commission in its Report and Order, Docket No. 00-035-T07, states “to be
159 eligible for this tariff, a customer’s household income must be equal to or less
160 than 125% of the Federal Poverty Level, or the household must be eligible for the
161 Home Energy Assistance Target (HEAT) program. Only PacifiCorp’s Utah
162 residential customers in its certified service territory are eligible”. The Division’s
163 annual evaluation confirms that only eligible customers receive HELP credit.
164 This clearly indicates that the program targets only the low-income households.

165 **Q. Is the program easy and inexpensive to administer?**

166 A. Yes. The program is designed to piggy back on the HEAT program. The income
167 verification and utility data are done in the application for the HEAT assistance.
168 All that customers applying for HELP have to do is to check a box in the HEAT
169 application form. DCC which administers HEAT and HELP will forward names
170 and PacifiCorp customer account numbers of qualified applicants to PacifiCorp
171 on a monthly basis. PacifiCorp will assist DCC in maintaining a database of
172 applicants for and recipients of HELP. In addition PacifiCorp will credit the
173 HELP money to the customer’s monthly bill. This is a very easy thing to do.

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175 The annual administrative cost for the program is \$10,000 for PacifiCorp and
176 \$40,000 for DCC. This demonstrates that the program is relatively inexpensive to
177 administer.

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179 **Q. Do the benefits of the program offset negative impacts on rate making**
180 **objectives and therefore the program is just and reasonable?**

181 A. Yes. For the program to be easy and inexpensive to administer, the program was
182 initially designed to piggy back on the HEAT program in which all of the
183 screening and qualifications will be done for the applicants. This made analyzing
184 the impact of HELP alone impractical. Therefore, the logical thing to do is to
185 analyze the combined impact of HELP and HEAT programs.

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193 **Q. Is the program in the public interest?**

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199 **Q. If the program meets the above criteria set by the Commission and is in the**
200 **Public interest, what is the purpose of the suggested changes in the program?**

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In its HELP program evaluation report, Quantec clearly documented that when the combined HEAT and HELP programs passed the ratepayer test (B/C ratio of 1.05) and the total resource cost (B/C ratio of 1.49) (Table ES.1). Therefore the program is cost effective and hence just and reasonable. More details of this issue will be provided by Dr. Khawaja of Quantec in his direct testimony.

A. In Docket No. 99-035-10, the Commission found that program as proposed meets the criteria the Commission set to judge the merits of the proposal and concluded that the program is in the public interest. The information provided above clearly indicates that the program still meets the above criteria and hence is in the public interest.

A. As was indicated in the Division yearly reports, the Division pointed out that amounts of money collected from non-recipient customers exceeded both the commission ordered cap and the amount of credits applied to the recipients' bills. In addition, the ending account balance exceeded its defined standard and was increasing.

To solve these problems, some changes in the program are warranted. These changes include: 1) reducing Schedule 91 surcharge by 17% for all applicable customers. The new surcharge for each applicable customer class is as shown on Exhibit 1 attached to the Stipulation; 2) increasing Schedule 3 credits from \$8 to \$11.25 per month; 3) increasing the annual collection cap from \$1.85 million to \$2 million; 4) changing the target account balance to equal to approximately three months worth of surcharge collection which will vary with the participation level; 5) changing the expected annual participation rate to approximately 22,000 households with an expected rate of increase in participation of up to 500

216 households per year. A detailed discussion of the rational for these changes can
217 be found in the Stipulation.

218 In brief, the changes, proposed in the Stipulation, are designed to address the
219 above listed problems in a reasonable way and expected to make the program
220 more effective.

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222 As was indicated in the Division's memorandum regarding the Quantec's Utah
223 HELP Program Evaluation Report, the Division along with other parties in this
224 proceeding have spent substantial resources, both financial and the commitment
225 of staff-hours, over the last four to an ongoing review of HELP without a clear
226 result. Therefore, the parties to this stipulation agreed that, since the expended
227 resources greatly exceed the benefits of the studies performed, the Division be
228 relieved from any further benefit/cost analysis of the program. However, the
229 Division will continue monitoring and auditing the program going forward and
230 will report its findings to the parties to this stipulation semi-annually. The
231 Division and PacifiCorps' reporting requirements are detailed in the Stipulation.

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

234 A: Yes.