

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

<b>In the Matter of the Division’s Annual Review and Evaluation of the Electric Lifeline Program, HELP</b>	) ) ) )	<b>Docket No. 03-035-01</b>
<b>In the Matter of: HELP, Electric Lifeline Program Evaluation</b>	) )	<b>Docket No. 04-035-21</b>

**DIRECT TESTIMONY OF**

**ELIZABETH A. WOLF**

**ON BEHALF OF**

**SALT LAKE COMMUNITY ACTION PROGRAM  
AND  
CROSSROADS URBAN CENTER,  
COLLECTIVELY  
UTAH RATEPAYERS ALLIANCE**

**SEPTEMBER 16, 2005**

**TABLE OF CONTENTS**

**I. QUALIFICATIONS .....2**

**II. PURPOSE AND SUMMARY.....3**

**III. STIPULATION AND RECOMMENDED CHANGES  
TO THE HELP PROGRAM.....4**

**IV. COMMISSION CRITERIA FOR PROGRAM EVALUATION.....10**

**I. QUALIFICATIONS**

**Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A: My name is Elizabeth A Wolf. My business address is 764 South 200 West, Salt Lake City, Utah.

**Q: ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

A: I am testifying in Docket Nos. 03-035-01 and 04-035-21 before the Public Service Commission (PSC or the Commission) on behalf of Salt Lake Community Action Program (SLCAP) and Crossroads Urban Center (Crossroads), together referred to as the Utah Ratepayers Alliance (URA).

**Q: MS. WOLF, PLEASE OUTLINE YOUR EDUCATIONAL BACKGROUND.**

A: I hold a B.A. in American Studies from the University of Michigan. I have also taken a substantial number of graduate courses in the School of Social Work at the University of Utah.

**Q: BY WHOM ARE YOU CURRENTLY EMPLOYED?**

A: I am currently employed by Salt Lake Community Action Program as an advocate for low-income people on utility issues. Salt Lake Community Action Program is a nonprofit agency that works to help low-income families seek self-sufficiency through service delivery and advocacy. While I have worked for SLCAP since January 1997, I have been involved in working with low-income people and issues for many more years in a variety of activities.

**Q: PLEASE DESCRIBE ANY OTHER RELEVANT WORK EXPERIENCE.**

A: I was employed previously for sixteen years as Executive Director of Utah Common Cause, a nonprofit, nonpartisan citizens' lobbying group working for more open and accountable government. In that capacity, I worked with other consumer groups on utility issues, including telephone deregulation and support for adequate consumer representation in utility regulatory proceedings. During that time, I worked extensively with the legislature and provided testimony on numerous occasions.

**Q: HAVE YOU TESTIFIED PREVIOUSLY IN REGULATORY PROCEEDINGS?**

A: Yes. I have testified as an expert witness in several electric and gas rate cases over the past seven years. I have testified on my own and jointly with others in cases in support of a low income rate assistance program.

## **II. PURPOSE AND SUMMARY**

**Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A: The purpose of my testimony is to support the Stipulation on the Home Electric Lifeline Program (HELP or

HELP Program) submitted to the Public Service Commission and to recommend that the Commission approve the Stipulation in its entirety. In support of that recommendation, my testimony will demonstrate that the program continues to fit the criteria addressed by the Commission in its May 24, 2000 Report and Order establishing the program and that the changes proposed in the Stipulation improve the efficiency and effectiveness of the program and support its continuation. In so doing, I will demonstrate, along with testimony filed by Dr. H. Gilbert Peach on behalf of Salt Lake Community Action Program and Crossroads Urban Center, that the HELP Program continues to be just and reasonable and in the public interest.

**Q: ARE THERE ANY OTHER WITNESSES TESTIFYING ON BEHALF OF SALT LAKE COMMUNITY ACTION PROGRAM AND CROSSROADS URBAN CENTER?**

A: Yes, SLCAP and Crossroads are sponsoring the testimony of Dr. H. Gilbert Peach. Dr. Peach has acted as a consultant for the past 15 years. His specialty is in evaluation of programs and program design. In that capacity, he has worked for numerous utility companies and state government offices across the country evaluating low income rate assistance and energy efficiency programs and working to improve their efficiency and effectiveness. His testimony contains a brief overview of some other assistance programs, demonstrates how this program has and will continue to fit into the parameters outlined by the PSC in its original Order establishing a low income lifeline program, and discusses the evaluation of the HELP program.

**Q: PLEASE OUTLINE YOUR TESTIMONY.**

A: I intend to describe the proposed changes to the HELP Program recommended in the Stipulation and to explain how the program continues to meet the criteria that the PSC set out in its original Order establishing the program including the following:

- 1) that the need for low income utility assistance continues to be real and unmet by other programs;
- 2) that the program targets only low income households;

3) that the program is inexpensive and easy to administer: and

4) that the program benefits should offset negative impacts on rate making objectives.

In so doing, I will show why the changes to the program improve the program and continue to meet the goals outlined above. In addition, I will demonstrate that the program continues to be just and reasonable and in the public interest.

### **III. STIPULATION AND RECOMMENDED CHANGES TO THE HELP PROGRAM**

#### **Q. WHY DO YOU SUPPORT THE STIPULATION THAT WAS PRESENTED TO THE COMMISSION IN THESE DOCKETS?**

A. The Stipulation that was presented to the Public Service Commission and signed by the Division of Public Utilities (DPU), the Committee of Consumer Services (CCS), Utah Power / PacifiCorp, AARP and SLCAP and Crossroads, was the product of reviewing the program and determining the changes needed to make it function more effectively. We believe that the changes made to the program address some administrative issues, that they improve the program, make it run more effectively and efficiently and are in the public interest.

#### **Q: PLEASE EXPLAIN THE CONTEXT OF THE ORIGINAL PROGRAM.**

A. SLCAP and Crossroads first proposed the program in the context of a Utah Power General Rate Case in Docket No. 97-035-01. While the Commission agreed in that Docket that it had the authority to implement the program and that a need existed that was real and unmet, it had some questions regarding how the program would function. Testimony was presented in Docket No. 99-035-10 and the Commission ordered that a low income lifeline program be established. In its Report and Order establishing the program, the PSC ordered that an evaluation of the program be done after three years and that any necessary changes be made.

#### **Q: WHY IS IT NECESSARY TO MAKE ANY CHANGES TO THE PROGRAM?**

A: The proposed changes to the program were suggested to make the program run more efficiently and to meet the original program goals. Any new program should be evaluated periodically to see how it is working and to see what adjustments can be made to improve it.

**Q: PLEASE BRIEFLY OUTLINE THE PROPOSED CHANGES TO THE HELP PROGRAM.**

A: The Stipulation agreed to by the parties makes adjustments that are explained in more detail in the testimony of PacifiCorp's witness, Dan Peterson. It proposes to modify the Program to "more closely balance the amounts collected under Schedule 91, the credits applied under Schedule 3, the current annual collections cap and account balance due to collections exceeding credits, and the current and expected participation levels." These changes are interrelated and address issues that arose in the course of the current program. I will describe how the following changes are appropriate and beneficial to the program:

1. decrease the surcharge;
2. increase the credit to the recipient;
3. increase the annual collections cap;
4. reduce the account balance;
5. increase participation; and
6. modify the reporting and evaluation requirements of the Division of Public Utilities.

**Q. PLEASE DESCRIBE THE REASON FOR EACH CHANGE, AND HOW EACH CHANGE IMPROVES THE PROGRAM?**

A. 1) Decrease the surcharge: Over the years, revenues have exceeded collections for four primary reasons. The surcharge has been modified to help reach a proper balance in the collection and expenditures of revenues.

First, while the initial collections helped to defray the start up costs of the program, they also collected a

substantial amount more than was used in the start up costs. As expected, it was nearly eight months before the program reached anticipated enrollment levels, thus creating a large initial balance.

Second, we did not anticipate the large number of households that would move and, under the original provisions, drop off the program. Consequently, there were several months during the year in which the program collections greatly exceeded the program expenditures. We propose ways to keep these “movers” on the program.

Third, the customer base of PacifiCorp has grown substantially over time and continues to grow, thus increasing the total amount of money collected for the HELP program. All parties to the Stipulation agreed that it would be appropriate to allow the amount of the collections to grow along with the growing population base since, as the population grows, so does the number of low income households in need of assistance. However, because there currently is a substantial surplus in the account, it is possible to reduce the amount of the surcharge for all customer groups.

Fourth, as described in more detail below, energy costs have greatly increased over the years since the program began and the value of the credit has diminished substantially. Thus, it makes sense to allow the collections to float with the increasing number of customers while being able to reduce the monthly charge at the same time. To resolve this situation, it is proposed to reduce the amount of the surcharge approximately 17 per cent across all customer classes as shown in Exhibit 1, p. 1 of the Stipulation.

2) Increase the credit: When the credit was initially proposed in Docket No. 97-035-01, there was no particular magic to the \$8.00 selected. Rather it was chosen to provide a substantial enough credit to make a difference to the customer without overly burdening other customers. When the amount was first proposed, it represented

approximately a 20 % credit to the average bill. Over the years, the value of the credit has diminished due to increased energy costs overall and electric costs specifically. Electric costs have increased approximately 40% since the program was implemented. Therefore, we agree with the recommendation that the credit be increased in a similar manner, both to maintain the value of the original credit and as a means to draw down the current account in the method described more fully by other parties.

3) Increase the annual collections cap: It is logical to adjust the collections cap as necessary to reflect growth in PacifiCorp's customer base. As company witness Peterson explains, with the current customer growth, the surcharge could be lowered by a reasonable amount and still collect an amount that will both draw down the account balance and sustain the program over the next few years.

4) Reduce the account balance: The account balance proposed in the Stipulation is an appropriate recognition of the need to reduce the balance over time to the level proposed of \$450,000. This is accomplished through a combination of reducing the surcharge to all customer classes, increasing the credit to reflect current electric prices and making changes to assure a more constant participation rate over the course of each year and to gradually increase the participant rate over time. The stipulation determines a level that will allow the account balance to fluctuate over time to address varying expenditures throughout the year without growing unnecessarily large.

5) Increase participation: We support the targets set for increasing participation levels throughout the year. This will be accomplished through a number of initiatives as follows:

Improved training and administration of the program. HEAT (Home Energy Assistance Target) training will be strengthened to ensure that workers who take applications throughout the state make sure that all eligible



PacifiCorp households that choose to do so are actually signed up for the program and data entry errors are reduced. There have been occasions where the form is not correctly completed, resulting in eligible clients not being enrolled in the program. In addition, training will focus on the elimination of a common data entry error wherein not all eligible households that did sign up for HELP actually receive the credit. A survey of the HEAT applications and HELP subscription throughout the state will be conducted early in the next HEAT season to ensure that those issues are properly addressed. This should result in an increase in eligible participants during the HEAT season.

Continued HELP benefits for customers who move. There has been a much larger number of participants who move than expected, resulting in substantially decreased numbers of participants throughout the year. PacifiCorp has agreed to allow eligible HELP customers to remain on the program when they move or are shut off.

More recruitment during the non-HEAT season To date, relatively few households have subscribed to the HELP program during the non-HEAT season which has contributed to the growing account balance. Advertisement and outreach can help deal with this issue and aid in keeping numbers more constant throughout the year.

6) Change in reporting and audit requirements for the DPU: It certainly is important to keep a regular and ongoing watch to see how the program is working and to make adjustments as needed in the future. It is also important to monitor the relationship of the collections and expenditures, the account balance and the number of people subscribed to the program so that issues that arise can be corrected and resolved on a timely basis. This can be done with less time commitment by the DPU.

#### **IV. COMMISSION CRITERIA FOR PROGRAM EVALUATION**

**Q: DO THE HELP PROGRAM AND THE PROPOSED CHANGES MEET EACH OF THE PREVIOUSLY**

**ESTABLISHED COMMISSION CRITERIA FOR DETERMINING IF SUCH A PROGRAM IS JUST AND REASONABLE AND IN THE PUBLIC INTEREST?**

A: Yes.

**Q: PLEASE EXPLAIN, BEGINNING WITH EVIDENCE THAT SHOWS THAT THE NEED OF LOW INCOME HOUSEHOLDS FOR UTILITY ASSISTANCE IS REAL AND UNMET BY OTHER DIRECT PAYMENT PROGRAMS.**

A: In the earlier dockets on this issue, SLCAP and Crossroads demonstrated to the Commission that the need was real and unmet by other programs. Since 1998, two things have changed. First of all, Utah's population has grown. Second, the poverty rate, while changing from year to year, has by and large, increased and increased substantially.

This means that more than 200,000 people in Utah now live at or below the federal poverty level. Not only is Utah's poverty rate increasing, but it is increasing at the same time that poverty rates are decreasing in many other states (*Poverty in Utah 2004: Annual Report on Poverty, Economic Insecurity and Work*, Utah Issues, April 2005, p. 8; hereafter *UI Report*)

**Q: WHO ARE THESE PEOPLE AND WHY ARE THEY POOR?**

A: The report cited above indicates that poverty affects a broad diversity of people in Utah with the profile of a typical household in poverty being a family with two parents, Anglo and with at least one working family member. (*UI Report*, p. 12) Utah Issues cites many factors contributing to the condition of poverty in Utah. One of the primary contributing factors is low wages with only half of Utah jobs providing wages that are above the poverty level. (*UI Report*, p. 8) The report further indicates that the value of wages has fallen in Utah while it's actually grown in the rest of the country as well as in the West. This decline in wages has most adversely

affected those at the lower end of the earnings scale. (*UI Report*, pp. 17 - 18)

In practical terms, what this means for Utah families is that people need to work more than one job and that the reality is that both parents work out of the home at least part time in order to begin to make ends meet. In recent years, we are seeing numerous clients who are the “working poor”. They need help not because they are not working but because their hours have been cut back or they have lost one of their jobs and are seeking help to augment their meager wages.

**Q: WHAT OTHER FACTORS SHOW THAT THE NEED IS REAL?**

There are a number of other factors cited in the recent annual Utah Issues report that show that the economic need of people for assistance with their utility bills is real including the following:

- Hunger: In 2003, Utah was rated 3<sup>rd</sup> in the nation for the incidence of hunger and hunger insecurity (p. 9 - all references are to *UI Report*)
- Unemployment: The unemployment rate is at 4.8% which is greater than the unemployment rate before the recent recession of 3.9% (p. 10)
- Housing: From 1990 to 2000, rental prices increased 62% while incomes overall increased only 24%.
  - \* Twenty eight percent of the households in Utah are renters who are generally young and starting out in life or are elderly. Forty three percent of Utah renters cannot afford the fair market rent for a two bedroom apartment. (p. 35)
  - \* An individual who receives SSI (Supplemental Security Income) must spend more than 100% of his/her income to rent a 1 bedroom apartment at fair market rent. (p. 36)
- Bankruptcies: Utah was #1 in the country in personal bankruptcies in 2003. In 2004, bankruptcies dipped only slightly to over 20,000 filings. (p. 19)
- Welfare Caseloads: A study cited in the Utah Issues Report indicated that only 4% of the cases closed

were due to better economic conditions. (p. 69)

**Q: HOW HAS THE ENERGY BURDEN AFFECTED LOW INCOME UTAH HOUSEHOLDS?**

A: The cost of energy has increased substantially nationally and in Utah since the HELP program was established. We have seen an increase in electric bills in PacifiCorp's Utah territory of more than 40% at the same time that natural gas heating costs have increased more than 66%. This is before the recently announced natural gas increase of over 13% which will add an additional \$11.50 per month to an average residential customer's bill.

The energy burden, or the percentage of income that a household must pay for the cost of energy, is greatly disproportionate for low income households. A median income household in Utah pays about 3% of their income for their energy bills. A new study by Roger Colton, (*On the Brink: 2005, The Home Energy Affordability Gap*, May 2005) indicates that households below 125% of the federal poverty level pay 8.1 % of their income for energy bills while those at or below 75% of the poverty level pay 14.5%'% of their limited household income for energy bills, more than six times more than a median income household. And those energy burdens were calculated prior to the last two increases in natural gas prices which totaled nearly 28%.

The Quantec study points out that the electricity burden on low-income families is about 2.5 times that of a median household. This is close to the figure energy consultant Roger Colton calculated and published in the LIHEAP Datebook for 2004 ([www.liheap.org](http://www.liheap.org)).

**Q: ISN'T THERE FEDERAL FUNDING AVAILABLE THROUGH OTHER PROGRAMS LIKE LIHEAP (LOW INCOME HOME ENERGY ASSISTANCE PROGRAM)?**

A: Yes, but that amount has not increased substantially over the years. Because of the rising cost of energy and the declining economy, we have seen a marked increase in the number of households in Utah that have applied for

HEAT (Utah LIHEAP) funds. At the time the low income lifeline program was proposed, HEAT was serving less than 26,000 households in Utah. During the last HEAT season, more than 33,500 households were served. The amount of federal funding varies from year to year, depending on Congressional appropriation, with a slight increase since its low point in the mid-1990's. Dr. Peach's testimony illustrates the exact ebb and flow of this funding. With the increase in households applying for HEAT, the amount that is paid to each household has grown slightly but not even close to meeting the increases in energy costs over those years. And the real value of it has decreased. It also appears that prices are poised to go even higher with higher gas prices and the effects, both short and long term, of Hurricane Katrina.

Again, I refer to Roger Colton's previously cited study, *On the Brink: 2005, The Home Energy Affordability Gap*. There he clearly states that "existing sources of energy assistance do not adequately address the energy affordability gap in Utah. Actual low-income energy bills exceeded *affordable* (emphasis added) energy bills in Utah by \$75 million at 2003/2004 winter heating fuel prices. In contrast, Utah received a gross allotment of federal energy assistance funds of \$13.2 million for Fiscal Year 2004."

Finally, there is a small amount of money available from the Lend a Hand and REACH programs, voluntary donations from ratepayers, utility company employees and shareholders to assist Utah's poor families with high utility bills. These funds are distributed through the American Red Cross to limited populations such as the elderly or disabled and help approximately 800 households per year.

**Q: IS THE PROGRAM TARGETED ONLY TO LOW INCOME HOUSEHOLDS?**

A: Yes, it is. Because the program was designed to run in conjunction with the HEAT program, it is targeted only to households who meet the low income criteria established by the program, income at or below 125% of the Federal Poverty Level. The program was designed so that any household that is eligible for HEAT and is also a

Utah Power customer is eligible for HELP as well. When applying for HEAT, the applicant must show the appropriate documentation to show that they fall within the income eligibility of the program.

The program design also allows for a household to apply on a stand alone basis (that is without applying for HEAT). The application requires documentation to show that the household income is at or below 125% of the federal poverty level. Audits conducted by the Division of Public Utilities on an annual basis show that the households that receive the HELP discount fall within the specified eligibility limits. This is true both for those who receive the HELP credit through the HEAT application and for those relatively few households that apply through a HELP application.

In addition, the HEAT program compiles an annual report on the people it serves throughout the state. Over the last several years, the reports consistently show that about two thirds of the households served are actually at or below 75% of the federal poverty level or have annual incomes below \$9,000. Thus, the HEAT program (and in all likelihood the HELP program as a subset) is truly serving those at the lowest income levels.

**Q: IS THE PROGRAM SIMPLE AND INEXPENSIVE TO ADMINISTER?**

A: Yes. The program has been and will continue to be administratively simple and inexpensive to administer. This is largely a result of the fact that the program is piggybacked onto the state HEAT program. See also the testimony of PacifiCorp witness Peterson on this point. And the administrative costs of this program are very small compared to most other programs. This is precisely because of its coordination with the HEAT program.

**Q: PLEASE EXPLAIN HOW THE PROGRAM BENEFITS OFFSET NEGATIVE IMPACTS ON RATE MAKING OBJECTIVES?**

A. This Commission has established a rate making objective of affording and preserving service for low-income

customers, and has implemented this policy through a variety of programs, including the winter moratorium on shut-offs, telephone lifeline, the inverted block rate structure for electricity, low customer charges, the policy to prevent shutoffs to those on life support, deferred payment plans, and others. Each of these assures that all of Utah's utility customers will be able, to the maximum extent possible, to obtain and maintain their utility service, even when economic difficulties, temporary or more long term, interfere with their ability to pay. The HELP program is one part of this matrix of programs and furthers these Commission objectives and policies without contradicting them.

The benefit to the HELP participants is clear: they receive a discount on their service. The benefit to the utility company comes from the continued service and opportunity to bill customers without the additional expenses of disconnection, reconnection, etc. The benefit to other customers is partially this aspect of company benefit because they do not have to pick up the lost revenue from those who might otherwise be disconnected and partially the societal benefit of fewer dislocated families, abandoned houses, etc. In addition, the overall economic impact on those paying for HELP is low and will be reduced by the terms of the Stipulation. The evaluations done show that HELP assists the well-being of the state of Utah through these means, prevents shutoffs and the resulting variation in demand at least for those customers, and encourages conservation. Each of these policies, of course, form a part of the definition of just and reasonable rates found in Utah Code §54-3-1, the statute controlling proper utility charges.

The Quantec study does show that the HELP program, in connection with the HEAT program, contributes to a reduction in the costs of the utility and thus of the other ratepayers. Dr. Peach's testimony and that of AARP witness Binz explain this more fully.

**Q: DO YOU BELIEVE THAT CONTINUING AND MODIFYING THE HELP PROGRAM IS IN THE PUBLIC INTEREST?**

A: Most assuredly yes. Here HELP benefits the public in general, rather than any individual or company because, like the rationale of an insurance policy, any one of us could be employed at a reasonable salary one day and the next day faced with difficulty paying the utility bill. This was dramatically illustrated recently by Hurricane Katrina in the South. That is an extreme example of how a single act can drastically change the course of many lives in barely an instant. What is a much more likely scenario is the loss of a job or a medical crisis that strips a family of its ability to either earn any income or pay for the basic necessities of life. HELP softens that blow.

This program, though small in dollar amount, can assist families to keep up with their bills and allow them to stay in their homes. Thus, not only do renters not get evicted from their apartments and perhaps end up on the streets, but it also helps landlords and their property. This creates benefits for society in terms of landlords not seeing huge turnovers of their apartments through inability of renters to pay their utilities and it helps so that properties are not damaged as they can be when utilities are turned off.

**Q: WILL YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

A: The HELP program is an important piece in the utility policy fabric that this Commission has constructed to protect all parts of the Utah public - the company, the ratepayers, and the state in general - by making it a little easier for low-income customers to pay their bills. This is totally consistent with earlier decisions of the Commission in this case and in related cases. The basis on which the Commission approved the HELP program some years ago is still valid and even more important due to increased poverty in Utah and substantially higher electric charges that all ratepayers have encountered and will continue to face. The modifications proposed by the Stipulation resolve some operational and accounting difficulties and put the program on a sounder footing, while maintaining the level of benefit to HELP participants and reducing the already low cost to other rate payers. This is a modest program but an important one which serves the public interest and should be continued.



**Q: Does this conclude your testimony?**

A: Yes it does. Thank you.