

July 15, 2008

Oregon Public Utility Commission
Attn: Filing Center
P.O. Box 2148
Salem, OR 97308-2148

Re: In the Matter of Portland General Electric Company request for a general rate revision – UE 197

Enclosed please find an original and five copies of the **CORRECTED VERSION** of the direct testimony and exhibits of the Community Action Partnership of Oregon and the Oregon Energy Coordinators Association, and the in the above-captioned docket.

Thank you for your assistance.

Sincerely,

/s/ Thomas James (Jim) Abrahamson
Oregon Energy Partnership Coordinator
Community Action Partnership of Oregon

Enclosures

cc: Service List

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 197

In the Matter of)
)
PORTLAND GENERAL ELECTRIC,)
)
Request for a general rate revision.)
_____)

DIRECT TESTIMONY OF THE

COMMUNITY ACTION PARTNERSHIP OF OREGON

and the

OREGON ENERGY COORDINATORS ASSOCIATION

July 9, 2008

UE 197 – CAPO-OECA List of Exhibits

<u>Exhibit</u>	<u>Description</u>
100	Abrahamson Direct Testimony
101	Abrahamson Qualifications
200	Colton Direct Testimony
201	Colton Qualifications
202	Oregon Home Energy Burdens: 2004-2007
203	Oregon Households by Ratio of Income to Federal Poverty Level
204	Gross Rent as Percentage of Income by Income Level (Oregon)
205	PGE Residential Arrearage Statistics by Year
206	PGE Payment Plan Statistics by Month and Year
207	PGE Collection Statistics by Month
208	Consumption Distribution by Month (Schedule 7) <ol style="list-style-type: none">1. Number of Accounts by kWh per month2. Total kWh by kWh per Month3. Cost of Block 1 Rate Freeze
209	New Enrollees in PGE Budget Billing by Month
210	Electricity Cooling Usage by Income
211	Household Air Conditioning Usage by Income
212	Electricity Usage by Income and End-Use

**BEFORE THE
OREGON PUBLIC UTILITY COMMISSION**

In the Matter of :
 :
PORTLAND GENERAL ELECTRIC : **Docket No. UE-197**
COMPANY :
 :
Application for a general rate increase :

CAPO-OECA Exhibit 100

**DIRECT TESTIMONY AND EXHIBITS OF
Thomas James (Jim) Abrahamson**

ON BEHALF OF

Community Action Partnership of Oregon
Oregon Energy Coordinators Association

July 9, 2008

1 This testimony is submitted on behalf of the Community Action Partnership of
2 Oregon and the Oregon Energy Coordinators Association (CAPO-OECA) who are
3 intervenors in this docket relating to the request for a general rate increase by the
4 Portland General Electric Company. It is submitted by Thomas James (Jim)
5 Abrahamson. I am the Oregon Energy Partnership Coordinator for Community Action
6 Partnership of Oregon (CAPO). In this capacity I work with CAPO and the Oregon
7 Energy Coordinators Association (OECA) to analyze, coordinate, communicate and
8 implement issues and projects that provide needed energy benefits to low-income
9 Oregonians. I was awarded a Masters of Science in Economics and a Bachelor of
10 Science in Economics from Portland State University in Portland, Oregon. I have been
11 the Oregon Energy Partnership Coordinator since January of 2004. I have nearly 20
12 years of experience in the electric utility industry in a variety of capacities. I have
13 provided testimony and comments, both oral and written, to this commission in numerous
14 dockets. My Witness Qualification Statement is found in CAPO-OECA Exhibit/101.

15 In this proceeding, CAPO has retained the services of Roger D. Colton of Fisher,
16 Sheehan & Colton, Public Finance and General Economics to provide expert testimony.
17 Mr. Colton's direct testimony and exhibits are included with our filing as CAPO-OECA
18 Exhibits/200 through 212.

19 Mr. Colton concludes that the Company's proposed rate increase would have a
20 substantial adverse impact on PGE's low-income customers. He also notes that these
21 impacts will be exacerbated by the Company's proposal to impose significant non-cost-
22 based miscellaneous customer service fees on customers who are payment troubled. His

1 recommendations in this proceeding, which are discussed in detail in his accompanying
2 testimony, are:

- 3 • The OPUC impose a rate freeze on the initial block of residential
4 consumption;
- 5 • The OPUC exempt low-income customers from payment of the
6 Company's late payment charge;
- 7 • The OPUC earmark the Company's late fee revenue to purposes which
8 advance the underlying arrearage prevention objectives of the late fee;
- 9 • The OPUC disapprove the Company's proposed credit-related
10 reconnection fee, as well as its field visit charge, or at a minimum,
11 exempt low-income customers from payment of those fees; and
- 12 • The OPUC disapprove the Company's proposed decoupling proposal.

13

14 In addition to the evidence and recommendations presented by Mr. Colton,
15 CAPO-OECA makes the following observation and recommendation related to the
16 Company's filing.

17 **Employee Discount:** We are struck by the magnitude of the funding proposed
18 (\$895,599) for the employee discount program (UE 197, PGE Exhibit 1202, Kuns-
19 Cody/2). Funding for the discount represents over 1.5 percent of the total Administrative
20 and General expenses budget of \$58.505 million (UE, PGE 800, Barnett –Bell, Page ,
21 Table 3). Funding for this employee benefit represents a sizeable proportion of the
22 Company's overall rate request and may be sending the wrong price signals to employees
23 about the use, and conservation of, electricity. At the very least it represents a transfer of

1 money from PGE customers to employees many of whom already earn more in wages,
2 salary and benefits than many PGE customers.

3 If PGE wishes to continue this employee benefit program, or if it is part of a
4 negotiated union agreement, then the Company might want to consider funding it with
5 corporate rather than ratepayer funds. If the discount program is continued the
6 Commission might also wish to consider ordering a third-party comparison of the
7 electricity use patterns of PGE employees who receive the discount with other similarly
8 situated PGE customers who do not in order to identify potential differences in usage
9 patterns and evaluate potential causes. Eliminating the employee discount may be an
10 easy and cost effective way for PGE to generate needed energy and demand savings and
11 help reduce the carbon footprint of the Company's employee base.

12 This concludes my testimony.

13

14 Dated this 9th day of July, 2008

15

Respectfully Submitted,

16

17

/s/ Thomas James Abrahamson

18

Oregon Energy Partnership Coordinator

19

Community Action Partnership of Oregon

20

**BEFORE THE
OREGON PUBLIC UTILITY COMMISSION**

In the Matter of :
 :
PORTLAND GENERAL ELECTRIC : **Docket No. UE-197**
COMPANY :
 :
Application for a general rate increase :

CAPO-OECA Exhibit 101

Witness Qualification Statement

July 9, 2008

Q: Please state your name and business address.

A. My name is Thomas James (Jim) Abrahamson. My business address is 945 Columbia St. NE, Salem, Oregon 97301.

Q. By whom are you employed and in what capacity?

A. I am the Oregon Energy Partnership Coordinator for the Community Action Partnership of Oregon (CAPO). In this capacity I work with CAPO and the Oregon Energy Coordinators Association (OECA) to analyze, coordinate, communicate and implement issues and projects that provide needed energy benefits to low-income Oregonians.

Q. Please describe your educational background and professional experience.

A. I was awarded a Masters of Science in Economics and a Bachelor of Science in Economics from Portland State University in Portland, Oregon. I have been the Oregon Energy Partnership Coordinator since January of 2004. I have nearly 20 years of experience in the electric utility industry in a variety of capacities. Most recently, I was employed by Cinergy / PSI Energy and was based in Indianapolis, Indiana. While employed at Cinergy / PSI Energy I was Manager of Strategic Planning Systems. Other responsibilities included the development of long-term population, employment and electric load forecasts associated with PSI's first IRP filing with the Ohio PUC, and management of a major marketing program. Prior to that I was employed by Pacific Power and Light Company in Portland, Oregon. While employed at Pacific Power my

responsibilities included long-term economic and electric load forecasting, strategic planning, public policy, and the administration of Pacific's first integrated resource planning process (RAMPP 1). While in Indiana, I also operated in the capacity as a loaned executive providing critical strategic planning and decision making services to non-profit agencies throughout central and southern Indiana. I have also served as the Chair of the Portland (Oregon) Utilities Review Board advising the Portland City Council on issues related to water, wastewater, stormwater and solid waste/recycling rates including the impact of the City's low-income utility assistance programs.

Q. Have you ever testified before this commission?

A. Among the dockets that I have provided testimony and comments, both oral and written, to this commission include UM 1209, UM 1283, UE 189 and UM 1206.

**BEFORE THE
OREGON PUBLIC UTILITY COMMISSION**

In the Matter of :
 :
PORTLAND GENERAL ELECTRIC : **Docket No. UE-197**
COMPANY :
 :
Application for a general rate increase :

CAPO-OECA Exhibit 200

**DIRECT TESTIMONY AND EXHIBITS OF
ROGER D. COLTON**

ON BEHALF OF

Community Action Partnership of Oregon
Oregon Energy Coordinators Association

July 9, 2008

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

2 A. My name is Roger Colton. My address is Fisher, Sheehan & Colton, Public Finance and
3 General Economics, 34 Warwick Road, Belmont, Massachusetts, 02478.

4
5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am a principal in the firm of Fisher Sheehan & Colton, Public Finance and General
7 Economics of Belmont, Massachusetts. In that capacity, I provide technical assistance to a
8 variety of federal and state agencies, consumer organizations and public utilities on rate and
9 customer service issues involving telephone, water/sewer, natural gas and electric utilities.

10

11 **Q. FOR WHOM ARE YOU TESTIFYING IN THIS PROCEEDING?**

12 A. I am testifying on behalf of the Community Action Partnership of Oregon (CAPO) and the
13 Oregon Energy Coordinators Association (OECA).

14

15 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND.**

16 A. I work primarily on low-income utility issues. This involves regulatory work on rate and
17 customer service issues, as well as research into low-income usage, payment patterns, and
18 affordability programs. At present, I am working on various projects in the states of New
19 Hampshire, New Jersey, Maryland, Pennsylvania, North Carolina, Ohio, Indiana, Iowa,
20 Arkansas, Colorado, New Mexico, Oregon and Washington. My clients include state
21 agencies (*e.g.*, Pennsylvania Office of Consumer Advocate, Maryland Office of Peoples
22 Counsel, North Carolina Department of Justice, Iowa Department of Human Rights), federal

1 agencies (*e.g.*, U.S. Department of Health and Human Services), community-based
2 organizations (*e.g.*, Community Action of New Mexico, Coalition to Keep Indiana Warm,
3 Community Action Partnership of Oregon), and private utilities (*e.g.*, Entergy Services,
4 NIPSCO, Citizens Gas and Coke Utility, Vectren Energy, Tacoma Public Utilities). In
5 addition to state- and utility-specific work, I engage in national work in the United States
6 and Canada. For example, I am currently working on a national study of the responses of
7 water utilities to the payment troubles of residential customers for the American Water
8 Works Association Research Foundation. In 2007, I was part of a team that performed a
9 multi-sponsor public/private national study of low-income energy assistance programs.

10

11 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

12 A. After receiving my undergraduate degree from Iowa State University (1975), I obtained
13 further training in both law and economics. I received my law degree from the University of
14 Florida in 1981. I received my Masters Degree (economics) from the McGregor School
15 (Antioch University) in 1993.

16

17 **Q. HAVE YOU EVER PUBLISHED ON PUBLIC UTILITY REGULATORY**
18 **ISSUES?**

19 A. Yes. I have published more than 80 articles in scholarly and trade journals, primarily on
20 low-income utility and housing issues. I have published an equal number of technical
21 reports for various clients on energy, water, telecommunications and other associated low-

1 income utility issues. A list of my professional publications is appended as CAPO-OECA
2 Exhibit 201.

3
4 **Q. HAVE YOU EVER TESTIFIED BEFORE THIS OR OTHER UTILITY**
5 **COMMISSIONS?**

6 A. While I have not previously testified before the Oregon Public Utility Commission, I have
7 testified in regulatory proceedings in more than 30 states and various Canadian provinces on
8 a wide range of low-income water, telecommunications and energy issues. Proceedings in
9 which I have previously appeared as an expert witness are listed in CAPO-OECA Exhibit
10 201.

11
12 **Q. PLEASE EXPLAIN THE PURPOSE OF YOUR TESTIMONY.**

13 A. My testimony has the following objectives.

- 14 ➤ First, I will examine the context within which the Company's proposed rate
15 increase will affect low-income customers;
16
17 ➤ Second, I will examine the ways in which the Company's actions exacerbate
18 rather than mitigate these adverse impacts;
19
20 ➤ Third, I will examine the reasonableness and cost-basis for specified
21 miscellaneous customer service fees proposed by the Company; and
22
23 ➤ Fourth, I will examine the reasonableness of the Company's proposed energy
24 efficiency decoupling mechanism, or, in the alternative, identify the specific
25 steps I recommend taking to mitigate its adverse impacts on low-income
26 customers.
27

28 I conclude that the Company's proposed rate increase would have a substantial adverse
29 impact on low-income customers. These impacts will be exacerbated by the Company's

1 proposal to impose significant non-cost-based miscellaneous customer service fees on
2 payment-troubled customers. I recommend that:

- 3 ➤ The Commission impose a rate freeze on the initial block of residential
4 consumption;
- 5 ➤ The Commission exempt low-income customers from payment of the
6 Company's late payment charge;
- 7 ➤ The Commission earmark the Company's late fee revenue to purposes which
8 advance the underlying arrearage prevention objective of the late fee;
- 9 ➤ The Commission disapprove the Company's proposed credit-related
10 reconnection fee, as well as its field visit charge, or at a minimum, exempt
11 low-income customers from payment of those fees;
- 12 ➤ The Commission should prohibit imposing a minimum fee or fixed monthly
13 customer charge on customers whose service was disconnected for credit-
14 related reasons; and
- 15 ➤ The Commission disapprove the Company's proposed decoupling proposal.

16
17 **Part 1. The Context of Low-Income Rate Affordability.**

18 **Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR**
19 **TESTIMONY.**

20 A. In this section of my testimony, I consider the context within which PGE's rate increase
21 to low-income customers is proposed. I conclude that PGE's low-income customers are

1 not capable of absorbing the increased electricity and service prices that are included in
2 the PGE filing.

3
4 **A. Low-Income Home Energy Affordability.**

5 **Q. PLEASE DESCRIBE THE STATUS OF HOME ENERGY AFFORDABILITY IN**
6 **OREGON.**

7 A. Home energy bills, including electricity bills, pose a crushing burden to low-income
8 households in Oregon today. The standard measure of the affordability of home energy
9 is based on home energy burdens. Home energy burdens represent bills as a percentage
10 of income. The difference between an affordable home energy bill and actual home
11 energy bills is known as the Home Energy Affordability Gap.¹ In Oregon, the Home
12 Energy Affordability Gap is large and getting larger. The 2007 Affordability Gap for
13 households with income at or below 185% of the Federal Poverty Level² reached \$744
14 per household. Oregon's 2007 Affordability Gap represents an increase of 90% over the
15 Affordability Gap experienced by Oregon households as recently as 2004. The 2004
16 Home Energy Affordability Gap in Oregon was \$392 per household.

¹ In calculating the Home Energy Affordability Gap, affordability is defined as a 6% home energy burden. For a household with an income of \$10,000, in other words, an "affordable" home energy bill is \$600. If that household has an actual home energy bill of \$900, the household has an energy burden of 9%, and has a Home Energy Affordability Gap of \$300.

² The generally accepted measure of "being poor" in the United States today indexes a household's income to the "Federal Poverty Level" published each year by the U.S. Department of Health and Human Services (HHS). The Poverty Level looks at income in relation to household size. This measure recognizes that a three-person household with an annual income of \$6,000 is, in fact, "poorer" than a two-person household with an annual income of \$6,000. The federal government establishes a uniform "Poverty Level" for the 48 contiguous states. A household's "level of Poverty" refers to the ratio of that household's income to the Federal Poverty Level. For example, the year 2005 Poverty Level for a two-person household was \$12,830. A two-person household with an income of \$6,415 would thus be living at 50% of Poverty.

1

2 **Q. IS THE INCREASE IN THE OVERALL PER-HOUSEHOLD HOME ENERGY**
3 **AFFORDABILITY GAP THE ONLY AFFORDABILITY CONCERN IN**
4 **OREGON?**

5 A. No. One concern about the Home Energy Affordability Gap in Oregon is the extent to
6 which the unaffordability of home energy is now reaching into the more moderate
7 income levels. CAPO-OECA Exhibit 202 shows the home energy burdens by Federal
8 Poverty Level for each year 2004 through 2007, the most recent year available.³ As can
9 be seen from CAPO-OECA Exhibit 202, in 2007, home energy bills exceeded the 6%
10 affordability threshold for households at 150 – 185% of Federal Poverty Level for the
11 first time. These more moderate income households experienced a home energy burden
12 of 6.6% in 2007.

13

14 At the same time, the crushing burden of home energy bills continues to escalate for the
15 lowest income Oregon households. The home energy burden for households with income
16 below 50% of the Federal Poverty Level increased to more than 44%. What this means is
17 that \$0.44 of every dollar of income for these households is devoted simply to home
18 energy bills. For households with income between 50% and 74% of the Federal Poverty
19 Level, home energy bills approached 20% of income, while for households with income
20 between 75% and 125% of Federal Poverty Level, home energy burdens were between
21 10% and 13% of household income.

1

2 **Q. ARE THERE SIGNIFICANT NUMBERS OF OREGON HOUSEHOLDS WHO**
3 **LIVE WITH THESE HOME ENERGY BURDENS?**

4 A. Substantial numbers of Oregon households live with the annual incomes associated with
5 these unaffordable home energy burdens. While nearly 70,000 Oregon households live
6 with income at or below 50% of the Federal Poverty Level, 40,000 more live with
7 income between 50% and 74% of Poverty. An additional roughly 50,000 more
8 households live with income between 75% and 99% of the Federal Poverty Level. The
9 numbers of Oregon households by Poverty Level are set forth in CAPO-OECA Exhibit
10 203.

11

12 **Q. HAVE ELECTRIC PRICES CONTRIBUTED TO THIS INCREASE IN THE**
13 **OREGON HOME ENERGY AFFORDABILITY GAP?**

14 A. Yes. According to the Energy Information Administration (EIA) of the U.S. Department
15 of Energy (DOE), summer electric prices in Oregon have increased nearly 20% since
16 2005 (from \$0.073/kWh to \$0.087/kWh), while winter electric prices have increased by
17 six percent (6%) (from \$0.072/kWh to \$0.076/kWh).

18

19 **Q. WHAT IS THE IMPACT OF INCREASING HOME ENERGY BURDENS IN**
20 **OREGON?**

³ The Home Energy Affordability Gap is calculated a year after-the-fact. The Affordability Gap released in April 2008, in other words, was for 2007. The Affordability Gap released in 2007, used data for 2006, and the like.

1 A. One of the fundamental impacts of the increasing home energy burdens in Oregon is the
2 extent to which such burdens place fundamental needs at risk. One such fundamental
3 need is the accessibility to affordable shelter. Like home energy, the affordability of
4 shelter is measured by the “burden” which shelter costs place upon household income.
5 Households are considered to be at risk if their shelter costs exceed 30% of household
6 income. “Shelter costs” include not only rent and mortgage payments, but include home
7 utilities as well (excepting telephone). CAPO-OECA Exhibit 204 shows the increasing
8 shelter burdens being borne by low-income households in Oregon. While 73.8% of
9 renters with annual income below \$10,000 had gross rent burdens —“gross rents” include
10 utility costs—of more than 30% at the time of the 2000 Census, that proportion had
11 increased to 76.7% by the time of the 2006 American Community Survey. As with the
12 Home Energy Affordability Gap analysis, the impact of moving more moderate
13 households into unaffordable burdens is seen with these gross rents. While 38.6% of
14 households with income between \$20,000 and \$34,999 had gross rent burdens of more
15 than 30% at the time of the 2000 Census, that proportion had increased to 58.5% by the
16 time of the American Community Survey. While 9.4% of Oregon households with
17 incomes of between \$35,000 and \$50,000 had gross rent burdens of more than 30% at the
18 time of the 2000 Census, that proportion had nearly doubled, (to 17.7%) by the time of
19 the 2006 American Community Survey.

20

1 **Q. IS THERE DATA WHICH POSES PARTICULAR CONCERN ABOUT THESE**
2 **INCREASING SHELTER BURDENS ASSOCIATED WITH RISING HOME**
3 **ENERGY BILLS?**

4 A. Yes. The federal Food Stamp program provides an income deduction for low-income
5 households that devote more than 50% of their income toward their total “shelter” costs.
6 These “shelter costs” for purposes of the Excess Shelter Deduction include not only
7 rent/mortgage payments, but all utility bills as well (including local telephone service).
8 In 2006, 153,000 of Oregon’s Food Stamp recipient households (70.1%) –Food Stamp
9 eligibility is, with some exceptions, set at 135% of the Federal Poverty Level—had
10 shelter costs sufficiently high to qualify for the Excess Shelter Deduction. Indeed, 34,000
11 Oregon Food Stamp recipient households (15.3%) were so far over the 50% threshold
12 that they had reached the ceiling of the allowed Excess Shelter Deduction. Households
13 spending more than 50% of their income on shelter costs represent not only a threat of
14 nonpayment to the utility, but represent a serious social problem to the state of Oregon.

15
16 **Q. CAN YOU ATTRIBUTE THESE INCREASING SHELTER BURDENS TO**
17 **HOME ENERGY COSTS?**

18 A. Yes. I have examined home energy prices as a percentage of the Fair Market Rent (FMR)
19 for two-bedroom units in each Oregon county. FMRs are published annually by the U.S.
20 Department of Housing and Urban Development (HUD) to represent rents at the 40th
21 percentile. This means that 40% of all rents are lower than the FMR, while 60% are
22 more than the FMR. As I discuss above, FMRs are like the “gross rent” reported by the

1 Census, including not only the contract rent for the housing itself, but all utilities (except
2 telephone service). To the extent that utility service exceeds 20% of the FMR, the
3 household is considered to be overextended. In 2003, only four of Oregon's counties had
4 FMRs in which home energy exceeded 20% of the FMR. In no Oregon county did home
5 energy exceed 22% of the FMR. By 2007, however, home energy exceeded 20% of
6 FMR in 15 of Oregon's 36 counties. Indeed, in 2007, in 10 counties, home energy
7 exceeded 25% of FMR.

8
9 **B. PGE Collection Actions Disproportionately Harm Low-Income Households.**

10 **Q. DO THE UNAFFORDABLE HOME ENERGY BURDENS YOU IDENTIFY**
11 **ABOVE TRANSLATE INTO SPECIFIC UTILITY-RELATED PAYMENT**
12 **TROUBLES?**

13 A. Yes. CAPO-OECA Exhibit 205 presents information on the residential arrears of PGE.
14 This Schedule examines the arrears of October of each year for the past three years, along
15 with the winter arrears (January/February/March). Note that while the October arrears
16 for PGE have remained reasonably constant from 2005 through 2007 (with the \$14.2
17 million in October 2007 not substantially different from the \$14.0 million in October
18 2005), the winter arrears have not. The February 2008 arrears were more than \$6.0
19 million higher than the February 2006 arrears, while the March 2008 arrears were more
20 than \$3.0 million higher. The higher arrears can be seen in CAPO-OECA Exhibit 205 on
21 an individual account level as well.

- 1 ➤ While the average arrears of accounts in arrears not on payment plans was
2 \$65.97 in October 2007, it was only \$56.19 in October 2005.
3
4 ➤ While the average arrears of accounts in arrears was \$110.05 in February
5 2008, it was only \$82.05 in February 2006.
6
7 ➤ While the average arrears of accounts in arrears was \$102.97 in March 2008,
8 it was only \$88.45 in March 2006.
9

10 **Q. ARE THERE OTHER COLLECTION CONCERNS THAT ARE EVIDENT IN**
11 **CAPO-OECA EXHIBIT 205?**

12 A. Yes. The increase in arrears from October to March is of particular concern in the 2007 –
13 2008 time period. While arrears tend to increase during the winter heating season (22%
14 from October 2005 to March 2006; 35% from October 2006 to March 2007), the increase
15 in arrears from October 2007 (\$14.0 million) to March 2008 (\$20.6 million) (nearly 50%)
16 is much higher than in previous years. Moreover, in previous years, there was a
17 substantial drop in the number of accounts in arrears from January to February. While in
18 January 2006, there were 231,637 accounts in arrears, in February 2006, there were only
19 212,032, a reduction of 19,605. While in January 2007, there were 236,948 accounts in
20 arrears, in February 2007, there were only 200,892, a reduction of more than 36,000. In
21 contrast, while in January 2008, there were 227,773 accounts in arrears, in February
22 2008, there were 224,050, a reduction of only 3,723.

23

24 **Q. HAS PGE ACKNOWLEDGED THAT PRICE INCREASES CAN**
25 **SUBSTANTIVELY AFFECT THE ABILITY OF RESIDENTIAL CUSTOMERS**
26 **TO CONTINUE TO MAKE FULL AND TIMELY PAYMENTS?**

1 A. Yes. The Company noted that “there was a major shift with the (October 2001) 30% rate
2 increase putting many more customers into delinquency.” (CAPO-1-52).

3

4 **Q. DO YOU HAVE REASON TO BELIEVE THAT THE INCREASE IN PGE**
5 **ARREARS IS OCCURRING BECAUSE PGE HAS REACHED THE LIMIT OF**
6 **THE ABILITY TO PAY OF SOME HOUSEHOLDS?**

7 A. Yes. The increase in dollars of arrears I identify above arises without residential
8 customers falling substantially further behind in the age of their arrears. CAPO-OECA
9 Exhibit 205 presents the “bills behind” statistic for PGE for January through March of the
10 past three years. The “bills behind” statistic is a metric developed by the Pennsylvania
11 Bureau of Consumer Services (BCS), a bureau of the Pennsylvania Public Utilities
12 Commission (PUC), to allow analysts to control for the differences in rates between time
13 periods and between companies. PGE is experiencing a substantial increase in arrears
14 despite the fact that the Company is not seeing a substantial increase in the number of
15 accounts in arrears and is not seeing a substantial increase in the “bills behind” of its
16 accounts in arrears. While the January arrears increased from \$53.87 to \$65.97 from 2007
17 to 2008, the accounts in arrears remained at roughly 0.75 bills behind. While March
18 arrears increased from \$85.78 to \$102.97 from 2007 to 2008, the bills behind stayed
19 constant at 0.91. What this says is that even though customers are continuing to make
20 monthly payments, they simply cannot make sufficient monthly payments to keep up
21 with increasing bills.

22

1 **Q. DO YOU HAVE A FINAL CONCERN ABOUT THE INCREASING**
2 **ARREARAGES OF PGE CUSTOMERS?**

3 A. Yes. Despite the increasing arrearages on its system, PGE is not doing a good job of
4 moving accounts (or dollars) in arrears onto deferred payment plans. CAPO-OECA
5 Exhibit 206 presents data on the use of deferred payment plans by PGE. One immediate
6 observation is that both the percentage of dollars in arrears, and the percentage of
7 accounts in arrears, that are subject to deferred payment plans has been decreasing in the
8 past three years. In October 2007, 8.6% of dollars in arrears were on deferred payment
9 plans, a decrease from 10.8% in October 2005. In March 2008, the 6.8% of dollars in
10 arrears that were subject to agreement represented a reduction from the 8.4% of dollars of
11 arrears subject to agreement in March 2006.

12
13 The same downward trend can be seen in the percentage of accounts in arrears subject to
14 agreement. While 16.5% of the October 2007 accounts in arrears were subject to
15 agreement, 18.1% of accounts in arrears in October 2005 had been subject to agreement.
16 While 17.3% of accounts in arrears in March 2008 were subject to agreement, that was a
17 reduction from the 18.7% of accounts in arrears subject to agreement in March 2006.

18
19 Moreover, the data shows that the Company is placing its smaller arrears under
20 agreement rather than its larger arrears. This is evident from the fact that the percentage
21 of accounts under agreement is higher than the percentage of dollars under agreement. If
22 the dollar value of arrears under agreement were exactly equal to the average dollar value

1 of all accounts in arrears, the percentage of accounts and the percentage of dollars under
2 agreement would be identical. Since, however, the proportion of accounts under
3 agreement is higher than the proportion of dollars under agreement, each account under
4 agreement must represent less than the average arrears. The difference on the PGE
5 system is not small. While fewer than one-in-five accounts in arrears are subject to
6 agreement, fewer than one-in-ten dollars in arrears are subject to agreement. And the
7 ratio has been deteriorating. While the ratio of accounts in arrears subject to agreement
8 to dollars in arrears subject to agreement was 2.4-to-1 in January 2006, it had deteriorated
9 to 2.9-to-1 by January 2008. While the ratio was 2.2-to-1 in March 2006, it had
10 deteriorated to 2.5-to-1 in March 2008. What that means is that the average arrears that
11 PGE is placing under agreement is getting smaller and smaller relative to the average
12 total arrears on the Company's system over time. Not only are the overall arrears getting
13 larger, but the arrears that are subject to repayment through a payment plan are getting
14 smaller.⁴

15
16 **Q. HOW HAVE THESE INCREASING ARREARAGES MANIFESTED**
17 **THEMSELVES IN COLLECTION PRACTICES?**

18 A. The number of disconnect notices being issued by PGE is seeing continuing increases.
19 According to the Company, PGE sent 1,138,662 disconnect notices in 2005. By 2006,
20 the number of disconnect notices increased to 1,493,392, and increased further to

⁴ Since one would not expect the Company to place arrears that are aged from only 1 – 30 days on deferred payment plans, and since these accounts involve smaller levels of arrears, one would expect the arrears subject to agreement to be noticeably larger than the average level of arrears of all accounts having arrears.

1 1,529,461 in 2007. Through March 2008, PGE had issued 503,431 disconnect notices,
2 significantly more than the 445,102 it had issued during the first three months of 2007 or
3 the 438,368 it had issued in the first three months of 2006.

4
5 Corresponding to the number of disconnect notices, the number of disconnections is
6 increasing as well. In each of the past four quarters, the number of disconnections for
7 nonpayment exceeded the number of disconnections in the corresponding quarter of the
8 preceding year. While in January through March 2008, PGE disconnected 8,236
9 residential accounts, in January through March 2007, the Company had disconnected
10 only 7,892. While in October through December 2007, PGE disconnected 5,648
11 residential accounts, the Company had disconnected only 4,215 in the corresponding
12 quarter in 2006. While in July through September 2007, PGE disconnected 7,767
13 residential accounts, the Company had disconnected only 6,661 in the corresponding
14 quarter in 2006. While the Company disconnected 8,755 residential accounts in April
15 through June 2007, it had disconnected only 7,753 accounts in April through June 2006.

16
17 **Q. DOES THE COMPANY CONTRIBUTE TO ITS OWN COLLECTION**
18 **PROBLEMS?**

19 A. Yes. CAPO-OECA Exhibit 207 (page 1 of 2), for example, presents the number of
20 disconnections for nonpayment actually implemented by PGE each month since October
21 2005. This Schedule also provides the number of disconnect *notices* issued by PGE each
22 month. As can be seen, the Company issues far more shutoff notices than the number of

1 shutoffs which it actually effects each month. In only three months (May, June, August,
2 2007), out of the 12-month period ending March 2008, did the Company issue fewer than
3 40 shutoff notices for each shutoff it actually implemented. In contrast, in five months,
4 the Company issued more than 50 shutoff notices for each shutoff it implemented. As has
5 been established by the New York Department of Public Service (DPS), sending too
6 many shutoff notices actually has an adverse impact on collections. Rather than moving
7 customers to make full and timely payments, over-noticing shutoffs teaches customers
8 that such notices can be ignored with no adverse consequence in more than 50-to-1 cases.

9
10 Moreover, CAPO-OECA Exhibit 207 (page 2 of 2) presents the number of accounts with
11 arrears aged 31 days old or older. CAPO-OECA Exhibit 207 (page 2 of 2) further
12 presents the average level of arrears of accounts having arrears. Two significant
13 collection observations leap forward from CAPO-OECA Exhibit 207 (page 2 of 2). First,
14 PGE sends far more shutoff notices than it even has accounts that are more than 30 days
15 in arrears. Indeed, in February and March, 2008, the Company issued a number of
16 shutoff notices that is three times (or more) higher than the number of accounts 31 or
17 more days in arrears. In March, while PGE had 57,463 accounts 31+ days in arrears, it
18 issued 171,059 shutoff notices. In February, while PGE had 59,222 accounts 31+ days in
19 arrears, it issued 183,448 shutoff notices. In six other months in the 12-month period
20 ending March 2008, the Company sent nearly twice as many shutoff notices as it had
21 accounts 31+ days in arrears.

1 This over-noticing is significant in that PGE is sending notices of impending service
2 terminations for nonpayment which the Company has no intention of following-up on.
3 The Company does not target accounts with arrears of less than \$100 for the
4 disconnection of service. (CAPO-1-056). While the Company does not track the
5 distribution of arrears by varying bands of arrears (CAPO-1-013), it is possible to
6 determine that the average arrears of all accounts in arrears is less than \$100 (CAPO-
7 OECA Exhibit 207, page 2 of 2). Even though the seasonality of arrears in January
8 through March 2008 pushed the average arrears into the range of \$90 to \$100, the
9 average arrears in other months of the year was well below \$100 (ranging from a low of
10 \$58.76 to a high of \$79.79). Despite this fact that the average arrears is less than the
11 level that would trigger a disconnection of service for nonpayment, the Company sends
12 between two and three times the number of disconnect *notices* as exist accounts in arrears
13 31 or more days. In doing so, the Company not only operates in a false and deceptive
14 fashion (*i.e.*, threatening to undertake a service termination which it does not intend, nor
15 does it have the capacity, to undertake) (“average field staffing availability” limits
16 shutoffs to accounts with arrears greater than \$100, CAPO-1-56, CAPO-1-11), but it
17 builds the reputation of failing to take the collection actions that it threatens to take.
18

19 **Q. WHY ARE THESE ARREARAGE AND COLLECTION PRACTICES AND**
20 **STATISTICS OF PARTICULAR CONCERN TO LOW-INCOME CUSTOMERS?**

21 A. Low-income customers are disproportionately payment troubled. This is not to say that
22 all low-income customers are payment troubled, nor that all payment-troubled customers

1 are low-income. There can be no serious contention any more, however, but that low-
2 income customers are disproportionately payment-troubled (and that payment-troubled
3 customers are, accordingly, disproportionately low-income). While I am not aware of
4 any Oregon-specific study, this conclusion is supported not only by national data
5 generated by the U.S. Census Bureau, but also by every state-specific study that has
6 considered the question.

7
8 **Q. WHAT DO YOU CONCLUDE?**

9 A. Electric bills present significant unaffordability problems to low-income customers today.
10 Not only are electric bills unaffordable at the lowest levels of income, but that
11 unaffordability is moving into increasingly moderate income levels as well. As a result
12 of that unaffordability, electric customers are having an increasing difficulty in paying
13 their bills. They carry higher arrears. They increasingly face the loss of service due to
14 nonpayment. They are facing increasing difficulties in paying for other household
15 necessities; shelter costs, which are heavily influenced by electric bills were examined
16 above. As a result, Oregon's utility regulators should pay particular attention to
17 unnecessarily problematic rates and charges. The Commission should be particularly
18 diligent in avoiding the unnecessary and unreasonable transfer of costs to low-income
19 customers. The Commission should be particularly diligent in ensuring that low-income
20 customers are not penalized by the very fact of their poverty, and by the very fact of their
21 inability-to-pay.

1 **C. Mitigating the Affordability Impact of Any Proposed Rate Increase.**

2 **Q. PLEASE EXPLAIN HOW YOU WOULD MITIGATE THE UNAFFORDABILITY**
3 **AND COLLECTION ISSUES YOU IDENTIFY ABOVE.**

4 A. My recommendation is that the Commission impose a rate freeze on the first block of
5 consumption for the residential (Schedule 7) rate class. Imposing a rate freeze on the first
6 block of consumption would have the impact of freezing rates for the first 3,000 kWh
7 each year (250 kWh per month). Rather than imposing a price of \$0.05066/kWh, the
8 price for the first 250 kWh would remain at \$0.04429/kWh.

9

10 **Q. WHAT IS THE COMPANY'S PRICING PROPOSAL FOR SCHEDULE 7**
11 **CUSTOMERS?**

12 A. The Company proposes to maintain the 17.75 mil difference between the first and second
13 blocks within the Schedule 7 rate design (Kuns/Cody Direct, at 8). To do that, of course,
14 PGE needs to impose the same price increase on each block (\$0.00637/kWh). The impact
15 of this is to increase the price of the first block by 14.4% ($(\$0.05066 - \$0.04429) /$
16 $\$0.04429 = 0.1438$) while increasing the price of the second block by only 10.3%
17 ($(\$0.06841 - \$0.06204) / \$0.06204 = 0.1027$).

18

19 **Q. DOES THE COMPANY KNOW THE IMPACTS WHICH ITS RATE PROPOSAL**
20 **HAS ON LOW-INCOME CUSTOMERS IN PARTICULAR?**

1 A. No. CAPO requested a bill frequency analysis for recipients of assistance through the
2 Low-Income Home Energy Assistance Program (LIHEAP). The Company could not
3 provide that data. (CAPO-1-85).
4

5 **Q. ARE THERE RESIDENTIAL CUSTOMERS WITH CONSUMPTION**
6 **ENTIRELY WITHIN THE FIRST USAGE BLOCK?**

7 A. Yes. CAPO-OECA Exhibit 208 (page 1 of 3) shows that, on average, more than 60,000
8 customers have consumption of less than 250 kWh per month. There is an evident
9 seasonality to this usage. While fewer accounts have low consumption during the winter
10 months of December (38,549), January (34,061) and February (37,446), significantly
11 more accounts have lower consumption during the warm weather months of June
12 (77,914), July (80,073), August (80,492), and September (80,498). Overall, 8.6% of
13 PGE's Schedule 7 accounts have consumption wholly within the first block, with the
14 percentage ranging from 4.8% in January to 11.4%/11.5% in July/August/September.
15 Providing a rate freeze on the first block of usage would increase the affordability to a
16 significant number of PGE customers.
17

18 **Q. WHAT KWH LEVEL WOULD A RATE FREEZE ON THE FIRST BLOCK**
19 **AFFECT?**

20 A. While a rate freeze on the first block would improve the affordability of PGE bills to a
21 substantial number of PGE customers, it would not affect a correspondingly large level of
22 usage. The important data to look at in this regard involves those customers whose

1 consumption is entirely within the first block. These customers would receive the
2 benefits of a rate freeze on the first block without having consumption in the second
3 block through which any revenue deficit created by the rate freeze would be made-up.
4 As CAPO-OECA Exhibit 208 (page 2 of 3) shows, while 8.6% of Schedule 7 accounts
5 fall entirely within the first consumption block, only 1.5% of residential consumption
6 falls entirely within the first consumption block. During the months of July, August and
7 September, while 11.4% to 11.5% of all customers fall entirely within the first
8 consumption block, only 2.3% to 2.4% of residential consumption does.

9
10 **Q. HAVE YOU CONSIDERED THE COST OF IMPOSING A RATE FREEZE ON**
11 **THE FIRST BLOCK OF CONSUMPTION?**

12 A. Yes. Again, the critical accounts to examine are those accounts that fall entirely within
13 the first consumption block of 250 kWh per month, since a rate freeze in the initial block
14 for these customers would not be “paid back” by their consumption in the second block.
15 As CAPO-OECA Exhibit 208 (page 3 of 3) shows, the total cost of providing the rate
16 freeze to these customers would be roughly \$750,000. As is evident, a rate freeze on the
17 first block of consumption would cost less than the Company’s employee discount costs.
18
19 Indeed, the total cost to all consumption exceeding 250 kWh per month would be
20 \$0.000098/kWh, or something less than 1/100th of a cent per kWh.

21
22 **Part 2. A Review of PGE’s Miscellaneous Customer Service Fees.**

1 **Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR**
2 **TESTIMONY.**

3 A. In this section of my testimony, I review the non-cost-based miscellaneous customer
4 service fees imposed by PGE which fall disproportionately on low-income customers. I
5 recommend that these fees be eliminated or, at the least, waived for low-income
6 customers. The fees I examine include the following:

- 7 ➤ The Company's non-cost-based late payment charge;
- 8 ➤ The Company's non-cost-based reconnect fee;
- 9 ➤ The Company's non-cost-based field visit fee; and
- 10 ➤ The Company's non-customer-based monthly fixed customer charge.

11

12 **A. The Company's Non-Cost-Based Late Charge.**

13 **Q. PLEASE IDENTIFY THE LATE CHARGE YOU CHALLENGE IN THIS**
14 **PROCEEDING.**

15 A. PGE proposes to impose a late fee equal to the maximum allowable late fee approved by
16 the Oregon PUC. The Company proposes a late fee of 1.7% on overdue accounts. (CAP-
17 1-007). The 1.7% is the maximum monthly rate "applied by a few businesses" for late
18 payments. (CAPO-1-7). The Company relies on a staff finding in Docket UM-779 that
19 "across the country, many utility companies set the late payment fees at a certain
20 percentage point per month to ensure that the cost of not paying a utility bill is roughly
21 equal to the cost of not paying a credit card." (CAPO-1-007).

22

1 **Q. PLEASE EXPLAIN YOUR PROPOSAL FOR THE LATE PAYMENT CHARGE.**

2 A. While the Oregon PUC adopted a *maximum* 1.7% rate which utilities may charge
3 customers on overdue accounts, this PUC decision does not abrogate the Commission's
4 decisionmaking authority to define what constitutes an "overdue account" for purposes of
5 applying the late fee. Nor did the Commission abrogate its authority to define conditions
6 limiting the application of a late fee. Indeed, the Commission order, along with the
7 underlying Administrative Rule, state that: "the conditions for its (the late charge)
8 application to customer accounts shall be specified on the utility bill." This reference is to
9 the maximum late fee set by the PUC (citing, OAR §§ 860-021-0126(3), 860-034-
10 0120(2), and 860-036-0130(1)).

11

12 While leaving the maximum allowable late payment charge intact for the time-being, my
13 recommendations specify the conditions under which PGE may apply that maximum late
14 fee to a customer's account.

15

16 **Q. IS THE PGE LATE FEE A COST-BASED CHARGE?**

17 A. No-one claims that the PGE late fee is a cost-based charge. Rather, the late fee is tied to
18 a staff survey of 30 commercial enterprises. According to the Staff survey, the 1.7% fee
19 is the maximum late fee found to be charged by "some" of those commercial enterprises.

20

1 **Q. DOES THE LATE FEE HAVE A COST-BASIS GROUNDED IN COLLECTION**
2 **COSTS?**

3 A. No. The late fee isn't needed to recover collection costs. When the late fee is first
4 imposed, no PGE collection activity has occurred at all. (CAPO-1-003). No field visit
5 activity occurs until well into the second month after a bill is issued but not paid. (CAPO-
6 1-003).

7
8 **Q. DOES THE LATE FEE HAVE A COST-BASIS GROUNDED IN CARRYING**
9 **COSTS?**

10 A. No. The PGE late fee is not needed to pay carrying costs on unpaid PGE bills. The
11 Company does not track the rate at which it translates billings into revenue by day.
12 (CAPO-1-021). This failure is significant. Since PGE does not track the rate at which it
13 translates its billings into revenue, the Company cannot say whether residential late
14 payments come in on Day 22 or on Day 52. The late fee proposed by PGE is certainly
15 not needed to compensate the Company for its carrying costs. Consider that an interest
16 rate of 1.7% a month imposed fully on a bill that is:

- 17 ➤ Five days late is an annual interest rate of 242%
18 ➤ Ten days late is an annual interest rate of 85%
19 ➤ Fifteen days late is an annual interest rate of 51%

1 The Oregon PUC could not justify imposing an effective interest rate ranging from 51%
2 to more than two *hundred* percent as a mechanism through which PGE is to collect its
3 “carrying costs.”⁵
4

5 **Q. IS A LATE FEE AN EFFECTIVE INCENTIVE TO PAY BILLS?**

6 A. No. The Company does not even track the number of residential accounts that pay a late
7 fee. (CAPO-1-006). Moreover, the Company was asked to provide all studies within its
8 custody or control, whether relying on its own data or on data from other utilities:

9 ➤ Documenting the effectiveness of a late payment charge as an incentive to pay
10 for residential utility customers. The Company responded “PGE has
11 performed no such study.” (CAPO-1-27).

12 ➤ Documenting the effectiveness of a late payment charge as an incentive to pay
13 for *low-income* residential utility customers. The Company responded that
14 “PGE has performed no such study.” (CAPO-1-28).

15 The Company was asked to provide all written studies within its custody or control which
16 explicitly consider the extent to which late payment charges “reduce residential *bad*
17 *debt*.” PGE could provide no such study. (CAPO1-42, emphasis added). The Company
18 was asked to provide all written studies within its custody or control that explicitly assess
19 the extent to which late payment charges “reduce residential *arrears*.” PGE could provide
20 no such study. (CAPO-1-43, emphasis added).
21

⁵ The PGE late payment charge is imposed on the *full* unpaid bill after the second missed due date.

1 **Q. GIVEN THIS LACK OF EMPIRICAL OR COST BASIS, HOW DID PGE SEEK**
2 **TO JUSTIFY ITS LATE PAYMENT CHARGE?**

3 A. The Company, without documentation, asserted that “it is a common utility credit
4 practice to employ late payment charges as a means to cover the incurred costs of unpaid
5 balances. It may also be an incentive to pay for some customers.” (CAPO-1-27). The
6 Company cannot document that statement, however. The Company was asked to identify
7 all U.S. investor-owned utilities that impose a late fee. For each such utility, the
8 Company was asked to provide whether the late fee was cost-based. The Company was
9 further asked to provide write-off and arrears data for each Company imposing a late fee.
10 The Company responded that “PGE has not performed such a study and does not have
11 one.” (CAPO-1-64).

12
13 Finally, PGE was asked to provide all written documents that document the *difference* in
14 the effectiveness of a utility residential late payment fee in reducing uncollectible dollars
15 from residential utility bills given an annual late charge of six specified levels, including
16 less than 9%, 9% per year, 12% per year, 15% per year, 18% per year, and more than
17 18% per year. The Company responded that “PGE has not performed the requested
18 study.” (CAPO-1-66). Moreover, PGE was asked to provide all written documents
19 within its custody or control that document the difference in the effectiveness of a utility
20 residential late payment fee in reducing residential arrears given an annual late charge of
21 those same six specified levels. The Company could not provide such information.
22 (CAPO-1-65).

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Q. DOES THE COMPANY SEEK TO RECOVER CARRYING COSTS FOR ALL CURRENT USAGE THAT IS NOT PAID IN THE MONTH IN WHICH THE USAGE IS BILLED?

A. No. Customers who participate in a Budget Payment Plan are exempted from the assessment of charges to compensate for carrying costs, so long as those customers are current on their scheduled payment. (CAPO-1-030). PGE acknowledges that it “does not charge interest on account balances from residential accounts that utilize PGE’s budget pay program.” (CAPO-1-31).

Q. WHY IS THIS SIGNIFICANT?

A. The Budget Billing plan may time-shift costs for a year or more. Under PGE’s Budget Bill tariff, customer Budget Bill amounts are annually reviewed to determine the equal payment amount for the subsequent 12 months. The tariff provides that: “at the time of the annual review, and at the customer’s request, a present account balance can be settled; otherwise, any remaining balance will be included in estimating the equal payment for the following year.” (CAPO-1-32). (emphasis added). If a Budget Billing customer owes a balance in November, in other words, that customer, at his or her discretion, can choose to spread that balance over the next twelve months of payments at no cost.

1 **Q. TO WHAT EXTENT DO BUDGET BILLING BALANCES OCCUR?**

2 A. The Company does not track the extent to which it carries balances from month-to-month
3 or from year-to-year. When asked to provide the total number of customers with credit
4 balances, or with positive balances, the Company responded that “PGE does not
5 separately track credit or positive balances on budget plans.” (CAPO-1-33). It is clear,
6 however, that there will be accounts with positive balances. CAPO-OECA Exhibit 209
7 shows the number of new Budget Billing accounts by month. There is a clear seasonality
8 to the enrollment in PGE’s Budget Billing plan. (CAPO-1-033).

9
10 **Q. IS BUDGET BILLING EQUALLY AVAILABLE TO LOW-INCOME AND TO
11 NON-LOW-INCOME CUSTOMERS?**

12 A. No. While the Company does not facially deny Budget Billing to low-income customers,
13 the Company’s availability criteria disproportionately would deny low-income customers
14 access to Budget Billing. According to the Company’s tariff, “Budget Pay Plans are
15 available to Residential Customers who have satisfactory credit and have no past due
16 balance on their account.” (CAPO-1-32). Note the conjunctive use of the word “and.”
17 The word “and” indicates that a customer must meet both criteria to be eligible for
18 enrollment in Budget Billing. Having no past due balance is one of two criteria a
19 customer must exhibit. In addition to having no past due balance, a customer must also
20 have “satisfactory credit.” While the Company does not define “satisfactory credit” in its
21 Budget Billing tariff, it does define the term in its deposit tariff. (Rule E, Original Sheet
22 E-1). As can be seen, the way in which PGE defines “creditworthy” will tend to exclude

1 low-income customers. Low-income customers are disproportionately mobile, and thus
2 less likely to have had continuous service for more than 12-months. Low-income
3 customers are disproportionately more likely to have been payment troubled. Low-
4 income customers are disproportionately less likely to have been employed “for the entire
5 12 months” prior to seeking service from PGE.
6

7 **Q. CAN YOU ILLUSTRATE THE DIFFERENTIAL TREATMENT OF LOW-**
8 **INCOME AND NON-LOW-INCOME CUSTOMERS?**

9 A. Yes. I have examined the twelve months ending October 2007. In doing this analysis, I
10 considered a non-low-income customer on Budget Billing on the one hand, and a low-
11 income customer not on Budget Billing on the other hand. I assume that both customers
12 receive identical bills for current usage and make identical payments over the course of
13 the twelve months. The average monthly bill for the 12-month period ending October
14 2007 was \$82.71. Under these circumstances, the non-low-income customer on Budget
15 Billing, even if he/she makes every payment on time, carries a balance in every month
16 except September and October of 2007. In contrast, the low-income customer, who
17 makes identical payments and has identical bills for current usage is denied access to
18 Budget Billing and, as a result, has a late fee imposed for the identical account balances.
19 Given that the Company has more than 54,000 residential customers on Budget Billing
20 (CAPO-1-33), the difference could be significant. Moreover, of the 12,847 residential
21 customers that newly enrolled in Budget Billing in the twelve months ending March
22 2008, 8,729 (68%) enrolled in the six high cost months of October through March. Of

1 the 31,098 new Budget Billing accounts in the time period October 2005 through March
2 2008, 24,456 (79%) enrolled in the six high cost months of October through March.
3 Indeed, of that 31,098 total new enrollment, 15,450 (50%) enrolled in the months of
4 December through February. (CAPO-1-33). Customers enrolling in these high cost
5 months are those likely to carry positive balances throughout the year.
6

7 **Q. WHAT DO YOU CONCLUDE?**

8 A. I conclude that low-income households are treated differentially by PGE in the
9 Company's application of its late fee. This has been established in three ways. First, no-
10 one asserts that the late fee is cost-based. The late fee is not related to any collection
11 costs. In addition, the late fee would grossly over-compensate the Company for any
12 conceivable working capital costs, with effective interest rates of more than 200 percent.
13 Second, no-one can provide even one piece of information documenting that the late fee
14 is an effective incentive to pay, or has any effect whatsoever on either the Company's
15 arrears or its uncollectibles. Indeed, the late payment charge tends to exacerbate rather
16 than to mitigate the ability of low-income customers to make their bill payments in a full
17 and timely fashion. Third, PGE effectively treats its low-income and its non-low-income
18 customers differently. PGE, for example, absorbs the carrying costs associated with
19 usage not paid by Budget Billing customers who do not pay for their consumption in the
20 billing month in which it was incurred. Because of its availability criteria, however,
21 Budget Billing, which is one means to time-shift bill payment responsibility, is made
22 largely unavailable to low-income customers. Low-income customers, in other words, are

1 charged a late fee for carrying the identical balances that a non-low-income Budget

2 Billing customer can carry for free.

3
4 **Q. WHAT DO YOU RECOMMEND?**

5 A. I recommend that the Oregon PUC exempt PGE's low-income customers from
6 imposition of the late payment charge. "Low-income" should be defined as customers
7 with income at or below 60% of the Oregon state median income. Low-income status
8 can be established either by certification of income from an agency having responsibility
9 for doing income verification (e.g., state/local public assistance agencies, Community
10 Action Agencies, Community Development Corporations), or by presentation of a
11 verification by a customer that the customer's household has a member who participates
12 in a public assistance program with income eligibility at or below 60% of the Oregon
13 state median income.

14
15 **Q. IS YOUR RECOMMENDATION IN CONFLICT WITH OREGON PUC**
16 **REGULATIONS REGARDING THE MANNER IN WHICH THE LATE FEE IS**
17 **ESTABLISHED EACH YEAR?**

18 A. No. While Oregon PUC regulations provide a mechanism for establishing the maximum
19 level of utility late fees each year, those regulations neither address the issue of how late
20 fee revenue should be treated for ratemaking purposes nor address the issue of under
21 what circumstances a late fee may be waived for certain groups of customers. Since the
22 late fee is explicitly acknowledged to be a non-cost-based charge, there can be no

1 objection that its waiver would represent a subsidy or unfair preference to one group of
2 customers. Since the late fee is intended to create an incentive to pay, and it has been
3 shown not only to lack any basis for finding a low-income incentive impact, but also that
4 it will affirmatively exacerbate rather than mitigate low-income nonpayment, the
5 exemption above can and should be adopted.

6
7 **B. The Allocation of Revenue from PGE's Non-Cost-Based Late Charge.**

8 **Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR**
9 **TESTIMONY.**

10 A. In this section of my testimony, I examine the reasonableness of the Company's
11 allocation of late fee revenue. I conclude that while payment-troubled low-income
12 customers disproportionately pay late fee revenue, that late fee revenue is then
13 disproportionately *distributed* to high-use, non-low-income customers. The effect of this
14 revenue allocation is to transfer income from PGE's low-income customers, who have
15 trouble being able to afford their bill with which to begin, to PGE's non-low-income
16 customers.

17
18 **Q. WHY DO YOU CONCLUDE THAT LOW-INCOME PAYMENT-TROUBLED**
19 **CUSTOMERS DISPROPORTIONATELY PAY LATE FEE REVENUES?**

20 A. A late fee is imposed on customers whose bills have been unpaid for at least two months.
21 National data, in addition to every state-specific study to have examined the question, has
22 documented that low-income customers are disproportionately payment-troubled. In

1 particular, studies that I personally have performed in Iowa, Indiana, Pennsylvania, and
2 Missouri in recent years have documented that low-income customers are
3 disproportionately payment-troubled.

4
5 These studies confirm what the Census Bureau has found. National data reported by the
6 U.S. Census Bureau indicates that the proportion of households in arrears at any given
7 point in time is substantially higher for the low-income population than for the population
8 as a whole. One 1995 census study, for example, reported that while 9.8% of non-poor
9 families could not pay their utility bills in full, 32.4% of poor families could not do so.

10 According to the Census Bureau, while 1.8% of non-poor families had their electric and/or
11 natural gas service disconnected for nonpayment, 8.5% of poor families suffered this same
12 deprivation.

13
14 This Census data is supported by more recent data on a national level, documenting how
15 low-income home energy assistance recipients frequently face the loss of utility service
16 due to their inability to pay. According to a Congressionally-funded survey by the
17 National Energy Assistance Directors Association (NEADA), between 8% and 11% of
18 households with children age 18 or younger faced the loss of electric service in both 2003
19 and 2005. Roughly 1-of-6 low-income households with children under age 18 (16%) had
20 *either* natural gas *or* electricity (or both) disconnected due to nonpayment in 2005. This
21 loss of service was most heavily concentrated in the lowest income bucket.

1 It can reasonably be concluded that low-income, payment-troubled customers
2 disproportionately pay late fees.

3
4 **Q. HOW IS LATE FEE REVENUE ALLOCATED IN THE COMPANY'S RATE**
5 **CASE?**

6 A. Late fee revenue is allocated as "Other Revenue" and is functionalized as a reduction to
7 the revenue requirement of "Other Customer Service." (CAPO-1-22). After this
8 reduction to revenue requirement occurs, the "other customer service" revenue
9 requirement is spread over all customer classes. (Exhibit 1204, at 18). This includes
10 more than 83,000 customers taking service under Schedule 32, more than 3,000
11 customers taking service under Schedule 47, more than 12,000 customers taking service
12 under Schedule 83, and more than 1,300 customers taking service under Schedule 49.
13 (Schedule 1204, at 18). These schedules represent:

- 14 ➤ Schedule 32: Small nonresidential standard service;
- 15 ➤ Schedule 47: Small nonresidential irrigation and drainage pumping standard
16 service;
- 17 ➤ Schedule 49: Large nonresidential irrigation and drainage pumping standard
18 service; and
- 19 ➤ Schedule 83: Large nonresidential standard service.

20 There can be no justification for taking late fee revenue disproportionately paid by low-
21 income payment-troubled residential customers, facing substantial electric bill
22 unaffordability, and transferring those funds to non-residential customers.

1

2 **Q. DOESN'T THE COMPANY DISTINGUISH BETWEEN ITS RESIDENTIAL**
3 **LATE FEE REVENUE AND ITS NON-RESIDENTIAL LATE FEE REVENUE?**

4 A. No. (CAPO-1-046(c): "late payment charges are not tracked by customer class. . ."; *see*
5 *also*, CAPO-1-005: "PGE does not track late fees by customer class. . .").

6

7 **Q. HOW IS THE LATE FEE REVENUE ALLOCATED WITHIN THE**
8 **RESIDENTIAL CLASS?**

9 A. The effect of the Company's allocation of late fee revenue is to allocate the late fee
10 revenue to each residential customer on a per kWh basis. Large users (those using more
11 kWh) thus receive a disproportionate share of the allocated late fee revenue.

12

13 **Q. IS THERE AN INCOME REDISTRIBUTION IMPACT INHERENT IN THIS**
14 **PROCESS?**

15 A. There is an income redistribution impact inherent in taking non-cost-based late fee
16 revenues disproportionately paid by low-income, payment-troubled customers and then
17 distributing those revenues to high-use residential customers. There is no serious debate
18 that electricity usage and income are positively correlated. As income increases, so, too,
19 does electric usage increase. Data generated by the U.S. Department of Energy's
20 (DOE's) Residential Energy Consumption Survey (RECS), as well as by the U.S.
21 Department of Labor's Consumer Expenditures Survey (CEX), documents that as income
22 increases, so too does the level of electricity usage and expenditures. As a result, what

1 PGE effectively does is to take money from low-income customers who cannot afford to
2 pay their bills in the first instance, and are as a result payment-troubled, and distributes
3 those dollars to higher-use, higher-income customers. As everyone acknowledges, this is
4 done through a non-cost-based charge. Moreover, as the Company repeatedly
5 acknowledged, this is further done even though the Company could provide not one
6 single piece of information that supports any assertion that the late fee incentivizes bill
7 payment, reduces arrears, or reduces uncollectibles.

8
9 **Q. WHAT DO YOU PROPOSE?**

10 A. In addition to exempting low-income customers from payment of the late fee, the
11 Company's late fee revenue should be put to a use that advances the purpose for which it
12 is collected. If the objective of the late fee is *really* to help reduce nonpayment on the
13 PGE system, the late fee revenue should be directly allocated to an activity that helps
14 reduce residential nonpayment on the PGE system. I propose that the Company's late fee
15 revenue be allocated to a process through which grants can be made to income-eligible
16 residential customers to pay arrears that threaten the continuing service to those
17 customers. In order for these grants to serve the objective of the imposition of the late fee
18 in the first instance, the grants would need to be earmarked for PGE residential
19 customers. In order to minimize the use of late fee revenue for administrative costs, the
20 grants should be administered through independent third-party community-based
21 organizations that serve these customers in the first instance.

1 **C. The Company’s Non-Cost-Based Reconnection and Field Visit Charges.**

2 **Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR**
3 **TESTIMONY.**

4 A. In this section of my testimony, I examine the cost-basis and reasonableness of two
5 miscellaneous customer service fees: (1) the residential reconnection charge (credit
6 related); and (2) the residential field visit charge. In assessing the cost-basis of these two
7 fees, I examine two aspects of each fee:

8 ➤ Whether, the level of the fee is reasonable given the expenses allocated to the
9 activity to which the fee attaches; and

10 ➤ Whether, there is a causal connection between the expenses collected through the
11 fee and the activity to which the fee attaches.

12 For a fee to be “cost-based,” there must not simply be expenses *allocated* to the activity,
13 there must also be a line of cost-causation. Causation is measured through application of
14 a “but-for” test. Would the expenses have been avoided but-for the activity to which the
15 Company attaches the fee? If the answer to this question is “no” –the expenses would
16 have been incurred even if the activity had not been undertaken—the Company cannot
17 legitimately assert that the activity “caused” the expenses. Under such circumstances, any
18 fee imposed on the activity is inappropriate as a non-cost-based charge.

19
20 **Q. WHAT RECONNECTION AND FIELD VISIT CHARGES DOES THE**
21 **COMPANY PROPOSE?**

1 A. The Company proposes to impose a standard reconnection fee at the meter base of \$45.
2 The Company proposes an “after hours” reconnection fee at the meter base of \$80.
3 (Schedule 300, Third Revision of Sheet No. 300-2). (Exhibit 1201, at 54). The Company
4 proposes further to impose a “field visit charge” of \$45. (Schedule 300, Fifth Revision of
5 Sheet No. 300-1).

6
7 **Q. HOW DOES PGE SEEK TO COST-JUSTIFY ITS RECONNECT AND FIELD**
8 **VISIT CHARGES?**

9 A. While the Company asserts a causal connection between the reconnect and field visit
10 charges and the customers upon whom it proposes to impose these fees (Exhibit 1200, at
11 18), the Company does not establish such a causal connection. While the Company
12 asserts that “the proposed charges provide a better price signal to those customers who
13 cause the Company to incur these costs” (Exhibit 1200, at 18), that assertion of cost-
14 causation is demonstrably in error.

15
16 **Q PLEASE EXPLAIN WHY THERE IS NO CAUSAL CONNECTION BETWEEN**
17 **THE RECONNECTION AND FIELD VISIT FEES AND THE COSTS WHICH**
18 **THOSE FEES PURPORT TO RECOVER.**

19 A. The Company incurs customer service expenses in providing electric service. The costs
20 of those generalized customer service expenses should be recovered as a part of the kWh
21 charge, not as a charge on an unbundled activity unrelated to whether, or to what extent,
22 the customer service expenses are incurred. The reconnection and field visit charges are

1 precisely that: charges that are attached to unbundled activities that are unrelated to
2 whether, or to what extent, the customer service expenses that they seek to recover are
3 incurred. Even if there were no reconnections or field collections, the Company would
4 incur the same level of customer service expenses. PGE's customer service expenses do
5 not increase as reconnections and field visits increase. Nor do they decrease as the
6 number of reconnections and field visits decrease. PGE does not even *track* its expenses
7 associated with the disconnection or reconnection of service, or with field visits. It
8 cannot report what level of expenses is incurred for any particular customer class.
9 (CAPO-1-023).

10
11 **Q. IS THERE A RELATIONSHIP BETWEEN FIELD VISIT ACTIVITIES AND**
12 **FIELD VISIT BUDGETS?**

13 A. No. The Company provided its collection budget in response to discovery in this
14 proceeding. According to the Company, it tracks total collection costs in Ledgers
15 N41371 and N41372. (CAPO-1-023). According to the Company, it incurred an actual
16 field collection expense of \$1,924,802 in 2006 and \$1,997,064 in 2007. These costs that
17 are reported, however, include allocated overhead in addition to direct expenses. (CAPO-
18 1-23). In addition, these ledgers include not only residential costs, but costs for all
19 customer classes. As one can see, from 2006 to 2007, the Company experienced an
20 increase in its field collection expenses of \$72,262 (about 3.8%). (CAPO-1-025). Again,
21 however, remember that these expenses, including the increases, include allocated
22 overhead. (CAPO-1-025).

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In contrast to these total Company figures (i.e., all customer classes), the Company collected \$1.2 million in service charge revenue (minus returned check charges) in 2006, and \$1.42 million simply in the first ten months of 2007. Assuming that the November/December 2007 revenue is in the same proportion to total annual customer service charge revenue as in previous years, the Company would have collected \$1.87 million in customer service revenue in 2007. While the Company experienced a 3.8% increase in field collection expenses (including allocated overhead) from 2006 to 2007, it will have booked a 39.5% increase in field collection revenues. Such a non-cost-based fee is not simply a charge to compensate the Company for expenses, it is a substantial profit center. In addition, this disproportionate increase in revenues occurs *before* any increase in customer service fees as proposed by PGE in this proceeding.

Q. IS YOUR CONCLUSION BASED ON THE ABOVE INFORMATION THAT THE PROPOSED RECONNECT AND FIELD VISIT FEES ARE TOO HIGH?

A. The information presented above does not merely indicate that the proposed reconnect and field visit charges are too high. The information documents that there is no causal connection between the fees the Company proposes and the activities to which the Company proposes to attach those fees. What the Company is seeking to do is to collect general customer service expenses through a charge for an unbundled activity that is not causally linked to that charge.

1 **Q. DO YOU HAVE OTHER REASON TO BELIEVE THAT THERE IS NO CAUSAL**
2 **CONNECTION?**

3 A. Yes. The Company reports that in 2006, it performed a combined 59,003 disconnections
4 and reconnections. In contrast, in 2007, PGE performed a combined 62,572
5 disconnections and reconnections. (CAPO-1-17, CAPO-1-40). Despite this 6% increase
6 in disconnections and reconnections, the number of budgeted field positions stayed the
7 same between the two years. (CAPO-1-51).⁶ The number of Field Connection
8 Representatives (FCRs) has not changed since 2005. (CAPO-1-52). Even though the
9 Company's growth in the number of customers, as well as rate increases, will push the
10 number of customers paying customer service fees substantially higher (CAPO-1-52), the
11 Company expenses which those fees are purportedly designed to offset have not
12 substantially changed.

13

14 **Q. DO YOU HAVE ANY FINAL REASON TO QUESTION THE CAUSAL**
15 **CONNECTION BETWEEN THE RECONNECT AND FIELD VISIT FEES AND**
16 **THE ACTIVITY TO WHICH THOSE FEES ARE ATTACHED?**

17 A. Yes. The Company asserts in its basis for the proposed fees that it takes 33 minutes per
18 reconnection, as well as 33 minutes per field visit, for the activity to be accomplished.
19 The Company does not document how it derived that figure. (CAPO-1-056).

20

⁶ PGE did add four temporary Field Connection Representatives (FCRs) in 2007, for six month terms.

1 **Q. DO YOU HAVE REASON TO BELIEVE THAT A RECONNECTION OF**
2 **SERVICE AND/OR A FIELD VISIT TAKES *LESS THAN THE 33 MINUTES***
3 **CITED BY THE COMPANY IN ITS COST JUSTIFICATION?**

4 A. Yes. The Company's Schedule 300 charges list rates for "customer requested
5 disconnection and reconnection(s)." The charge for a "non-safety related" reconnection at
6 the meter base is \$30, the same as the charge for a "credit related" standard disconnection
7 at the meter base. (Second Revision of Sheet No. 300-2). The significance of this charge
8 lies in footnote 2 for these "customer requested reconnections." Footnote 2 states that
9 "these rates apply when a standard service crew (a two-person crew) can complete the
10 work in *less than 30 minutes*." (Second Revision of Sheet No. 300-2) (emphasis added).
11 The "standard service crew (a two-person crew)" reference does not apply to
12 reconnections and disconnections at the meter base. The Company reported its "crew
13 size" in the cost justification presented for the reconnection and field visit charges. It
14 reports a crew size of "1" for both reconnection and disconnection activity. (CAPO-1-
15 056). Moreover, the job description provided by the Company states that a staffperson
16 performing these activities "works *alone* throughout the day." (CAPO-1-060B) (emphasis
17 added).

18
19 As can be seen, the Company's tariff does not contemplate that the reconnection of
20 service will take more than 30 minutes on average. This timing is significant in that there
21 is no time-related difference between a disconnection/reconnection for credit-related
22 reasons and a voluntary disconnection/reconnection of service. (CAPO-1-55).

1

2 **Q. IS THERE ANY FINAL INFORMATION THAT YOU HAVE REVIEWED IN**
3 **THIS RESPECT?**

4 A. This tariff language is consistent with other data published by the Company. For
5 example, in its “job analysis” for a “field connection representative,” the Company states
6 that such an employee will sit a *maximum* (emphasis added) of two to three hours twice a
7 day while driving between 15 to 30 different addresses. In addition, the job description
8 says a field collector will stand 5 – 15 minutes while performing 15 – 30 installations.
9 (CAPO-1). Taking the mid-range of each of those times yields 13 minutes in drive time
10 (2.5 hours x twice a day / 22 addresses = 13 minutes per address). When added to the 10
11 minutes at the actual site (mid-range of 5 – 15 minutes reported by PGE), the FCR takes
12 only 23 minutes, not the 33 minutes used in the Company’s cost analysis.

13

14 **Q. IS THERE ANY OTHER WAY IN WHICH THE PURPORTED TIME PER**
15 **COLLECTION ACTIVITY USED BY THE COMPANY FAILS AN EMPIRICAL**
16 **ANALYSIS?**

17 A. Yes. The Company performed a combined 59,003 disconnections and reconnections in
18 2006, and a combined 62,572 disconnections and reconnections in 2007. The Company
19 performed roughly 14,900 field visits in 2006 and roughly 21,700 field visits in 2007.⁷ At
20 a time commitment of 33 minutes per each of those activities (as claimed by the

⁷ These figures were estimated by dividing the total field visit fee revenue by the amount of the charge by field visit. A “field visit” involves a company staff person making a service call to connect or reconnect service but due to

1 Company) (CAPO-1-56), the Company would have devoted 40,641 minutes in 2006 and
2 46,348 minutes in 2007 to these activities. Spread over 24 field collection staff in 2006
3 and 26 field collection staff in 2007,⁸ each staffperson would have devoted 1,693 hours to
4 field visits in 2006 and 1,782 hours per field collection staff in 2007.

5
6 This time commitment, however, is clearly excessive. I conclude that for two reasons.
7 First, the Company reports that a field collection staffperson spends only 34% to 65% of
8 his or her time driving to field addresses and performing work at those addresses once the
9 staffperson arrives. (CAPO-1-60). On a 2000 hour work year, that time commitment is
10 between 680 and 1,300 hours a year.⁹ Second, the work of field collectors also includes
11 substantial non-collection work. (CAPO-1-60). The time commitment included in the
12 Company's cost-justification does not allow time for those non-collection activities.
13 Moreover, the Company does not distinguish between residential and commercial
14 collections. (CAPO-1-056; CAPO-1-053). The Company's cost-justification does not
15 allow time for any non-residential collections.

16
17 **Q. ASIDE FROM THE LABOR COSTS, IS THERE ANY OTHER COMPONENT**
18 **OF THE FIELD VISIT AND RECONNECTION CHARGES THAT LACK A**
19 **COST-CAUSATION CONNECTION?**

some action on the part of the customer, cannot complete that task. Field visits, therefore, are in addition to actual disconnections and reconnections.

⁸ Four temporary staff supplemented the 2007 field collection staff for six months each.

⁹ A 23-minute time commitment yields 1,242 hours per year calculated in this way.

1 A. Yes. There is no causal link between PGE's overhead expenses and the field work
2 involved with the disconnection and reconnection of service and/or field visit activity.
3 The PGE overhead does not vary based on the number of actions (reconnections and field
4 visits) for which PGE imposes a charge. Its headquarters is not bigger or more
5 expensive. Its number of supervisors does not expand. Its management salaries do not
6 expand. PGE's overhead expenses are unrelated by any causal connection to the
7 Company's field collection activities (reconnections, field visits). Nor are the
8 transportation expenses, only a small portion of which are used for reconnections and
9 field visits, causally related to these activities. The inclusion of overhead and
10 transportation expenses in the reconnection and field visit fees is one more indicator of
11 the lack of any causal connection between the fees and the expenses the fees purport to
12 collect.

13

14 **Q. WHY DO LOW-INCOME CUSTOMERS HAVE A PARTICULAR INTEREST IN**
15 **PREVENTING THE IMPOSITION OF THESE NON-COST-BASED CHARGES.**

16 A. As established in detail above, electric bills in Oregon are largely unaffordable to low-
17 income customers. Bills for current usage impose home energy burdens that exceed an
18 affordable percentage of income. As a result, low-income customers disproportionately
19 carry arrears and disproportionately face the disconnection of service due to nonpayment.

20

21 Those households that face the actual loss of service are more likely to be in the lowest
22 tiers of low-income households. According to Congressionally-funded research by the

1 National Energy Assistance Directors Association (NEADA), which is the national
2 association of state officials that administer the federal fuel assistance program, in 2003,
3 while 7% of households with income greater than 150% of Federal Poverty Level had
4 their electric service disconnected for nonpayment, 13% of households with income less
5 than 50% of the Federal Poverty Level did. In 2005, while 2% of households with
6 income greater than 150% of Federal Poverty Level had service disconnected for
7 nonpayment, 12% of households with income less than 50% of Poverty Level did.

8
9 Given this inability to pay in the first instance, it is critical that PGE not impose
10 unnecessary or unreasonable costs on these households. As the above analysis shows,
11 however, the PGE reconnection and field visit fees are both unnecessary and
12 unreasonable. The fees have no cost-basis. The expenses associated with these fees are
13 demonstrably overstated. Moreover, the costs recovered by the fees have no causal
14 connection to the activities to which the fees are attached. Instead, the expenses are
15 general customer service expenses which, whether or not allocated to service
16 reconnections and/or field visits, are not caused by the activities of reconnections and/or
17 field visits. Given the inability-to-pay with which to begin, it is patently unreasonable to
18 isolate these costs that should be paid by all ratepayers and to impose those costs on
19 unbundled activities that are disproportionately directed toward low-income customers.

1 **Q. WHAT DO YOU CONCLUDE?**

2 A. Based on the information and analysis presented above, I conclude that PGE has failed to
3 establish the reasonableness of its proposed reconnection and field visit charges. On that
4 ground alone, those charges should be disapproved. In addition, however, I conclude that
5 the Company has failed to establish a clear line of causal connection between the
6 reconnection and field visit charges and the activities on which the Company proposes to
7 impose those charges. Instead, the expenses incurred are general customer service
8 expenses that do not depend upon, and do not vary based upon, either the existence or the
9 level of reconnection and field visit activity. This represents a second independent basis
10 upon which the Commissions should disapprove the reconnection and field visit charges.
11 Finally, should the Commission choose *not* to disapprove the non-cost-based
12 reconnection and field visit charges, I recommend that the Commission exempt low-
13 income customers from payment of those charges. Given the lack of a cost-basis, and
14 given the impact that these fees have on exacerbating rather than helping to alleviate or
15 mitigate nonpayment for low-income customers, the Commission has a clear regulatory
16 authority and obligation to mitigate the impact of such fees on those unable to afford
17 them.

18

19 **D. Imposing a Customer Charge on Disconnected Customers.**

20 **Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR**
21 **TESTIMONY.**

1 A. In this section of my testimony, I challenge the imposition of the fixed monthly customer
2 charge to customers that have been disconnected from the PGE system and no longer
3 receive electric service from the Company. More specifically, my testimony challenges
4 the Company's tariff language providing that "disconnect and reconnect transactions do
5 not relieve a Customer from the obligation to pay Basic or Minimum Charges that
6 accumulate during the periods where the Company makes Electricity Service available
7 but such service is not used by the Customer." (Rule F, Original Sheet F-1).

8
9 The imposition of a "basic or minimum charge" after a credit-related disconnection
10 should be disapproved. By definition, a household whose electricity service has been
11 disconnected for credit-related reasons is not receiving electric service from the
12 Company. Accordingly, such a household is not a "customer" for purposes of PGE
13 billing. According to the Company's own tariff, a "customer" is defined as "an
14 individual. . .who has applied for, been accepted, and is currently receiving Electricity
15 Service at a Point of Delivery." (Rule B, Original Sheet B-1) (emphasis added). A
16 household whose service has been disconnected for nonpayment is not "currently
17 receiving" Electricity Service.

18

19 **Q. IS THERE ANY OTHER BASIS FOR DISAPPROVING THE APPLICATION OF**
20 **RULE F(1)(C) TO CUSTOMERS WHOSE SERVICE HAS BEEN**
21 **DISCONNECTED?**

1 A. Yes. Cost-causation for residential customers attaches to an “individual,” not to a
2 physical premises. Indeed, the definition of “customer” included in the Company’s tariff
3 makes clear that a customer must be an “entity” of some sort. Merely having a “Point of
4 Delivery,” unto itself, does not make a household a “customer” of PGE. Moreover, to be
5 a “customer,” the household must be “currently receiving Electricity Service. . .” The
6 Company’s tariff defines “Electricity Service” as “the provision of Electricity to
7 Customers by the Company. . .” (Rule B(16)). The Company’s tariff further defines
8 “Electricity” as “electric energy, measured in kilowatthours (kWh). . .” (Rule B(14)). As
9 is clear from these definitions, during “periods where the Company makes Electricity
10 Service available but such service is not used,” a household is not taking “Electricity
11 Service” nor is that household receiving “Electricity.”

12
13 As a matter of basic regulatory policy, a household that is not currently receiving
14 “electricity service” from PGE, defined as “the provision of electric energy, measured in
15 kWh,” cannot have any causal responsibility for costs incurred by the Company. When
16 the Company chooses to disconnect service to a household, it chooses, also, to forego any
17 further billings from that customer pending the reconnection of service.

18
19 Charging a customer that has been disconnected from the PGE system for nonpayment a
20 “basic or minimum charge” during a time period in which the customer is not receiving
21 electric service from the Company due to credit related reasons should be disapproved.

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Part 3. The PGE Decoupling Proposal.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

In this section of my testimony, I review the reasonableness and operation of the Company’s proposed Sales Normalization Adjustment (SNA).

Q. PLEASE EXPLAIN THE DECOUPLING PROPOSAL AS YOU UNDERSTAND IT.

A. The Company proposes what it calls its Sales Normalization Adjustment (SNA). The SNA applies to residential, small nonresidential, and large nonresidential customers with loads less than 1 Mwa. According to Company witness Piro, PGE believes the decoupling mechanism is needed because “the traditional regulatory model and pricing structures cause earnings to fall when customers conserve energy.” (Piro Direct, at 18).

The Company’s proposed SNA is focused on PGE’s “fixed costs.” Under the SNA, the Company will, through its Schedule 123:

- Establish the monthly fixed costs to be recovered on a per customer basis;
- Each month, determine the dollar difference (positive or negative) between the actual dollar amounts received for fixed costs and the dollar amounts that would have been received had the fixed costs been recovered in a fixed monthly charge; and

- 1 ➤ Annually determine a rate adjustment on a going-forward basis designed to
2 recoup or disgorge the difference.

3 (Piro Direct, at 21). The SNA would be limited to the effect of energy savings reported
4 by the Energy Trust of Oregon resulting from incremental energy efficiency programs
5 approved by the Oregon Commission. (Piro Direct, at 21; Kuns/Cody Direct, at 28).

6
7 **Q. WHAT DO YOU RECOMMEND WITH RESPECT TO THE PGE DECOUPLING**
8 **PROPOSAL?**

9 A. I recommend that the PGE decoupling proposal be disapproved.

10
11 **A. The Low-Income Interest in Decoupling.**

12 **Q. WHY IS PGE'S PROPOSED RATE STABILIZATION MECHANISM OF**
13 **PARTICULAR CONCERN TO LOW-INCOME CUSTOMERS?**

14 A. Low-income households are adversely affected by PGE's decoupling mechanism in three
15 ways. First, low-income households tend to make less of a contribution toward PGE's
16 need for capacity, and, accordingly, to the need for the Company's fixed generation costs.
17 Despite their lack of cost-causation responsibility for these costs, low-income customers
18 will end up paying even more for the Company's capacity costs nonetheless as the fixed
19 system costs are transferred to the usage remaining after implementation of the
20 Company's energy efficiency programs. Second, the greatest usage reduction potential
21 for the Company's energy efficiency programs lies with the larger usage of non-low-
22 income customers. Accordingly the fixed system costs that are likely to be reduced will

1 occur for non-low-income accounts, with a resulting disproportionate transfer of those
2 system costs to low-income customers. Third, the Energy Trust of Oregon offers no
3 usage reduction programs directed toward low-income customers. As a result, under the
4 Company's decoupling proposal, low-income customers will be responsible for none of
5 the lost fixed cost margins to be captured by the decoupling mechanism, but will
6 nonetheless be responsible for paying those lost fixed costs to hold the Company
7 harmless.

8
9 **Q. PLEASE EXPLAIN THE BASIS FOR YOUR CONCLUSION THAT FIXED**
10 **SYSTEM COSTS WILL BE TRANSFERRED TO LOW-INCOME CUSTOMERS**
11 **THAT DID NOT CAUSE THE NEED FOR THOSE COSTS IN THE FIRST**
12 **INSTANCE.**

13 A. According to Company witness Piro, the Company's "fixed costs generally provide the
14 capability of the system to meet customers' demands and include distribution,
15 transmission and fixed generation costs. . ." (Piro Direct, at 20). Unfortunately, PGE does
16 not track load data for either low-income or for low-use customers. (CAPO-1-83). Nor
17 does the Company have any information that considers the differences in load
18 characteristics of residential customers based on either the consumption of those
19 customers or on the income of the customers. (CAPO-1-84). The Company cannot even
20 disaggregate consumption block data for LIHEAP customers. (CAPO-1-85).

21

1 The fact that low-income customers have lower penetrations of peak-contributing
2 appliances, however, can be little argued. In addition, those that do have such appliances
3 use them less, and less intensively. Low-income customers use fewer peak-contributing
4 appliances and, as a result, can be expected to have a flatter load curve. The percentage
5 of low-income energy sales that contributes to peak demand, therefore, is much lower.
6

7 **Q. UPON WHAT DO YOU BASE YOUR CONCLUSION THAT LOW-INCOME**
8 **HOUSEHOLDS HAVE FEWER PEAK-CONTRIBUTING APPLIANCES?**

9 A. CAPO-OECA Exhibit 210 presents information about the usage of air conditioning
10 disaggregated by income. As with other electricity end-uses, the low-income usage of
11 electric air conditioning is much lower than the usage by higher income customers. Total
12 air conditioning usage by the average household is 32% greater than for households with
13 income below the Federal Poverty Level. Total air conditioning usage by households
14 with annual incomes at or above \$50,000 is more than 70% higher than that for
15 households with income below Poverty Level. The same is true with central air
16 conditioning, with usage by households with incomes above \$50,000 exceeding Poverty
17 Level usage by 41%. One reason, as shown by CAPO-OECA Exhibit 210, is that Poverty
18 Level households live in much smaller homes than do their higher income counterparts.
19 For total air conditioning, the homes of households with incomes above \$50,000 are
20 130% larger than Poverty Level homes (2,349 cooled square feet vs. 1,017 cooled square
21 feet). For central air conditioning, the homes of households with incomes above \$50,000
22 are 99% larger (2,618 cooled square feet vs. 1,317 cooled square feet). Data published

1 by the U.S. Department of Housing and Urban Development (HUD) confirms that these
2 conclusions as to air conditioning penetration, and housing unit size, apply specifically to
3 the Portland metropolitan area as well.

4
5 **Q. WHAT DO YOU KNOW ABOUT THE *OPERATION* OF AIR CONDITIONERS**
6 **BY INCOME CLASS?**

7 A. While the size of housing units is one major reason low-income customers have lower air
8 conditioning usage, in addition, low-income customers simply operate their air
9 conditioners less often. Merely because two customers both own air conditioners does not
10 mean that both of those customers will operate those air conditioners in the same way
11 and thus make a similar contribution to peak demand. CAPO-OECA Exhibit 211 presents
12 data on the operation of air conditioners broken down by income class. As can be seen,
13 twice as many households with income above \$50,000 used their central air conditioning
14 “all the time” when compared to households with income below \$10,000 (33.4% vs.
15 16.6%). Nearly half again as many households with income above \$50,000 used their
16 central air conditioning “all the time” when compared to households with income
17 between \$10,000 and \$25,000 (33.4% vs. 21.8%). Again, remember, these percentages
18 apply only to the households with central air conditioning. While only 33% of all
19 households with income above \$50,000 did not have central air conditioning, more than
20 66% of households with income below \$10,000 did not, and more than 50% of
21 households with income between \$10,000 and \$25,000 did not.

1 **Q. WHY DO YOU FOCUS ON AIR CONDITIONING LOAD?**

2 A. PGE experiences a summer-peak. According to its FERC Form 1 (page 401(b)), PGE
3 experienced a July system peak of 3,639 mW. Its July peak in 2007 occurred in late
4 afternoon of weekday.¹⁰ The 2006 system peak, too, occurred on a weekday afternoon in
5 July.

6
7 **Q. PLEASE EXPLAIN THE BASIS FOR YOUR CONCLUSION THAT THE**
8 **GREATEST POTENTIAL FOR ENERGY SAVINGS LIES WITH THE HIGHER**
9 **USAGE OF NON-LOW-INCOME CUSTOMERS.**

10 A. Low-income customers use less electricity than do their higher income counterparts.
11 CAPO-OECA Exhibit 212 presents information on electricity use disaggregated by
12 income level. CAPO-OECA Exhibit 212 presents data for total electricity usage, as well
13 as by end-use (space heating, water heating, refrigeration, and appliances--including
14 lighting). As can be seen in this Schedule, the total electricity usage for households
15 living with incomes below the Federal Poverty Level is well below the average
16 consumption for all households, let alone for higher income counterparts. Electricity
17 consumption for the average household is more than 30% higher than that consumption
18 for households with income below Poverty Level. Consumption for households with
19 annual incomes higher than \$50,000 is more than 60% higher than consumption for

¹⁰ The July 2007 peak was met by the January monthly peak of 3,664 mW, occurring, in the early evening (7:00). In contrast, the June 2006 peak (3,706 mW) was moderately greater than either winter peak (3,607 mW in December; 3,537 mW in February).

1 households with income below Poverty Level. Similar observations can be made about
2 all end-uses.

3 ➤ Electricity consumption for appliances (other than refrigerators) in the average
4 household is 40% higher than for households with income below Poverty,
5 while appliance consumption in households with income higher than \$50,000
6 is 80% higher than that for households with income below Poverty.

7 ➤ Electricity consumption for water heating in the average household is 13%
8 higher than in households with income below Poverty, while electricity for
9 water heating in households with income above \$50,000 is 38% higher.

10 ➤ Electricity consumption for space heating in the average household is 17%
11 higher than in households with income below Poverty, while the space heating
12 consumption for households with income above \$50,000 is 33% higher.

13 In every case, the electricity consumption for households with income below \$10,000 is
14 even lower than the electricity consumption for households with income below the
15 Federal Poverty Level.

16
17 **Q. WHAT IS THE SIGNIFICANCE OF THESE TWO OBSERVATIONS?**

18 A. The two observations I make above –(1) that low-income customers do not make the
19 same contributions to the fixed cost needs of PGE; and (2) that low-income customers do
20 not have the same usage reduction potential as their higher-use, higher-income
21 counterparts do—independently, and certainly in combination, indicate the inequity
22 involved with the Company’s proposed revenue decoupling mechanism. Not only will

1 the decoupling mechanism likely result in the disproportionate transfer of additional fixed
2 costs to low-income, low-use customers, but those costs are costs that the low-income,
3 low-use customers did not cause the Company to incur in the first instance.

4
5 **Q. PLEASE EXPLAIN THE BASIS FOR YOUR CONCLUSION THAT THE**
6 **ENERGY TRUST OF OREGON OFFERS NO SPECIFIC LOW-INCOME**
7 **PROGRAMS.**

8 A. I have reviewed each annual report published by the Energy Trust of Oregon, each annual
9 report to the Commission of the Energy Trust, and each action plan published by the
10 Energy Trust of Oregon. While an independent third party administrator is an
11 appropriate, indeed exemplary mechanism through which to administer utility-funded
12 energy efficiency programs, the programs the Energy Trust of Oregon has chosen to
13 implement in its pursuit of the usage reduction objectives that have been articulated for it
14 do not include efficiency programs directed explicitly toward low-income households.

15
16 **Q. SHOULD THE COMMISSION DECIDE TO APPROVE THE COMPANY'S**
17 **RATE STABILIZATION PROPOSAL, HOW SHOULD THE COMMISSION**
18 **ACT TO REMEDY THIS INEQUITY?**

19 A. The Commission could act to remedy this inequity by exempting the first block of
20 consumption from paying any charge imposed as a result of lost margins attributable to
21 the Company's energy efficiency programs. The Company's first block of usage
22 encompasses only 250 kWh of energy. In addition to the rationale offered above,

1 imposing the charge for lost margin on the first block would be inequitable for two
2 reasons. First, with the first consumption block having a maximum monthly
3 consumption of 250 kWh, the maximum annual consumption in that first block would be
4 only 3,000 kWh. In contrast, efficiency savings occur at the margin, not in that first
5 block of consumption. If the lost margin was originally billed to the second usage block,
6 it should be rebilled to that second usage block as well.

7
8 Second, billing fixed cost margins lost from reduced consumption in the second block to
9 all residential usage, including energy consumption in the first block, would involve the
10 inequitable income transfer I identify above. As I document in detail above, there is a
11 clear association between income and consumption. As income increases, so, too, will
12 usage increase. To move lost fixed cost contributions from the margin of the second
13 block to the first block has the effect of moving costs billed to higher-use, higher-income
14 customers to lower-use, lower-income customers. Such a reverse subsidy, from low-
15 income customers to non-low-income customers, cannot be justified.

16
17 In sum, should the Commission decide to approve some form of the Company's proposed
18 rate stabilization mechanism, the lost fixed cost contributions collected through that
19 mechanism should be billed exclusively to the second block of consumption, not to the
20 first.

21
22 **B. The Regulatory Policy Against Decoupling.**

1 **Q. WHY DO YOU RECOMMEND THAT THE DECOUPLING PROPOSAL BE**
2 **DISAPPROVED?**

3 A. In addition to its disproportionate non-cost-based cost shifting to low-income consumers
4 as I document above, the PGE decoupling proposal is also contrary to long-standing
5 regulatory principles relating to utility ratemaking. The PGE decoupling proposal is not
6 so much to remove the “disincentives” for energy efficiency as it is an automatic
7 adjustment, rate stabilization, mechanism.

8
9 The purpose of a rate case, of course, is not to establish a specific level of revenue and
10 expenses that a utility is entitled to recover on a monthly or annual basis. Rather, the
11 purpose of a rate case is to establish the *relationship* between costs and revenues which
12 will allow the Company a reasonable opportunity to earn its authorized rate of return.
13 Should, for whatever reason, the cost or revenue structure of PGE change sufficiently to
14 *prevent* the Company from earning an adequate rate of return, and those changes are
15 expected to continue to be experienced by the utility, PGE should respond by filing a
16 base rate case, not by seeking to recover additional revenues through an automatic
17 adjustment clause. Only in extraordinary circumstances should an automatic adjustment
18 clause be used to recover costs or revenues.

19

20 **Q. IS THERE A REGULATORY INCENTIVE FUNCTION TO BE SERVED BY**
21 **DISAPPROVING THE COMPANY’S PROPOSED DECOUPLING**
22 **MECHANISM?**

1 A. Yes. The Company seeks to justify its recovery of “lost margins” on the theory that any
2 revenue reductions generated by the implementation of its efficiency programs through
3 the Energy Trust of Oregon are revenues that would have allowed a fixed cost recovery.

4
5 The fixed costs identified by PGE witnesses, however, should not be considered the last
6 costs collected in the Company’s total billings. Even if one accepts the notion, simply for
7 the sake of argument, that the Company may not be receiving its full revenues given
8 revenue reductions attributable to its energy efficiency investments, one cannot *a priori*
9 assign those lost revenues to the fixed-cost component of the PGE revenue requirement.

10

11 **Q. WHAT IS THE SIGNIFICANCE OF THIS OBSERVATION?**

12 A. Once one recognizes that PGE’s fixed costs could just as easily be determined to be
13 recovered by the *first* dollars paid by customers, any revenue reduction attributable to the
14 Company’s energy efficiency investments would be associated with variable costs rather
15 than fixed costs. The *remedy* for the Company, in this situation, would be to become
16 more efficient in its operations rather than to seek to ensure its collection of a certain
17 level of revenue per customer through a rate stabilization mechanism. *At a minimum*, the
18 Oregon PUC should limit PGE’s rate stabilization mechanism to a certain proportion of
19 the lost revenue as a means of encouraging the Company to offset its lost revenues
20 through improvements in its efficiency of operations. Under such an approach, I propose
21 imposing a 50% limitation on the Company’s recovery of lost revenue should the
22 Commission decide to approve the rate stabilization mechanism at all.

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Q. WHAT IF PGE CANNOT OFFSET ITS LOST REVENUES WITH INCREASES IN THE EFFICIENCY OF ITS OPERATIONS SUFFICIENT TO MAINTAIN AN ADEQUATE RATE OF RETURN?

A. If the Company determines that its return is insufficient, it should file a base rate case. Accordingly, if PGE's lost revenues are of sufficient magnitude that the Company cannot earn an adequate rate of return, it is the decision of the Company whether to accept those continuing circumstances or whether to seek base rate relief. In either case, it is *not* appropriate to isolate the revenue reductions attributable to the energy efficiency programs for single issue rate recovery. It cannot simply be assumed that the Company's lost revenues associated with energy efficiency investments cause any earnings deficit.

Q. WHY DO YOU BELIEVE THAT THERE IS AN EFFICIENCY FUNCTION TO BE SERVED BY DENYING THE COMPANY'S RATE STABILIZATION MECHANISM?

A. Merely because PGE chooses to isolate its "fixed costs" as the costs which it identifies as those subject to recovery through its SNA does not make that so. Collection of costs through volumetric base rates creates an incentive for PGE to be efficient in the expenses that it incurs. For several reasons, it is inappropriate to deviate from this basic ratemaking principle for the lost revenues identified by PGE.

1 First, as a general rule, it would be inappropriate to allow PGE to adjust its collection of
2 revenues in the absence of a full rate inquiry into the total costs and revenues of the
3 Company. To the extent that PGE's energy efficiency programs assist the Company in
4 the effective and efficient collection of low-income bills, in addition to causing the
5 Company to incur the lost revenues with reduced sales, the efficiency programs will
6 generate offsetting expense savings to the utility as well. One significant aspect of those
7 cost savings, for example, would involve the reduction in working capital and
8 uncollectibles associated with the arrears that are avoided by the efficiency programs. It
9 is improper to isolate one component of the Company's cost-of-service for special rate
10 recovery without considering the corresponding cost savings.

11
12 Second, in a related vein, recovery of expenses from ratepayers is merely the means to
13 allow the Company a reasonable opportunity to earn an adequate rate of return, not to
14 allow specific dollars to be passed through to ratepayers, nor to allow specific revenues to
15 be collected from ratepayers. PGE is not entitled to institute a separate charge to collect
16 some discrete revenue component that it has segregated out for individual analysis. For
17 example, it is universally held that merely because postage rates were increased during
18 the spring of 2008 does not mean that utilities such as PGE, in the absence of a general
19 rate case, would be entitled to pass such postage rate increases through to ratepayers in a
20 single issue ratemaking proceeding. Similarly, decreased revenues attributable to energy
21 efficiency do not necessarily threaten the ability of the Company to earn an adequate rate

1 of return. The various individual cost and revenue components of the Company's cost of
2 service are constantly increasing and decreasing.

3
4 Third, merely because some expenses increase and some revenues decrease does not
5 mean that the relationship between costs and revenues has changed. Even if dollars of
6 revenue do not equal the dollar amount that was included in cost-of-service in the most
7 recent base rate case, in other words, it cannot be *a priori* concluded that the Company is
8 not recovering its costs.

9
10 **C. The Treatment of Avoided Expenses by a Decoupling Mechanism.**

11 **Q. SHOULD THE OREGON PUC CHOOSE TO APPROVE THE PGE RATE**
12 **STABILIZATION MECHANISM, IS THERE ANY OTHER LIMITATION THE**
13 **COMMISSION SHOULD IMPOSE?**

14 A. While I recommend that the Oregon Commission disapprove PGE's proposed rate
15 stabilization mechanism, I recommend the following should the Commission decide to
16 the contrary. In addition to limiting the recovery of lost fixed cost contributions to 50% of
17 those identified by the Company, the Company should be required to disgorge certain
18 expense reductions that are associated with identified low-income energy efficiency
19 investments in particular. If the Company is going to be protected against lost fixed cost
20 contributions, it should not be allowed to benefit from retaining those ratepayer dollars
21 that have been paid for expenses that have been reduced or eliminated.

1 **Q. WHAT DO YOU RECOMMEND?**

2 A. While I recommend the disapproval of the PGE rate stabilization proposal, in the event
3 that the rate stabilization proposal is accepted in whole or part, I further recommend that
4 the Commission direct that utility-related Non-Energy Benefits (NEBs) generated by
5 low-income efficiency investments, whether those investments be made through PGE
6 (should the Energy Trust choose to implement low-income programs), or through the
7 U.S. Department of Energy's (DOE) Weatherization Assistance Program (WAP), be
8 quantified on an annual basis. The value of those avoided costs should then be provided
9 for use in additional low-income energy efficiency investments through the federal WAP
10 initiative.

11

12 **Q. HAVE SUCH UTILITY-RELATED NON-ENERGY BENEFITS BEEN**
13 **IDENTIFIED AND QUANTIFIED BEFORE?**

14 A. Yes. Authoritative assessments have been made of the utility-related non-energy benefits
15 arising from the implementation of energy efficiency improvements in low-income
16 housing units. An assessment of non-energy benefits by Oak Ridge National
17 Laboratory¹¹ found utility benefits as follows classified as "ratepayer benefits" in 2001
18 dollars:

- 19 ➤ Lower bad debt write-off: \$89
20 ➤ Reduced carrying costs on arrearages: \$57
21 ➤ Fewer notices and customer calls: \$6

- 1 ➤ Fewer shutoffs and reconnections for delinquencies: \$8
- 2 ➤ Reduced collection costs: not available
- 3 ➤ Insurance savings: \$1
- 4 ➤ Transmission and distribution loss reduction: \$48

5 As can be seen, the total benefits accruing to PGE would thus be \$209 per treated
6 customer in 2001 dollars. Bringing these avoided costs forward to 2008 dollars places
7 the value at \$254 (using the U.S. Department of Labor’s Inflation Calculator). On an
8 annual basis, the dollar value to be paid by PGE to Weatherization providers serving
9 customers in the PGE service territory should be equal to \$254 times the number of
10 housing units treated in the PGE service territory subsequent to its most recent base rate
11 case (2008 in this instance). The dollar value of the non-energy avoided costs (\$254 in
12 2008 dollars) would need to be updated for inflation on an annual basis.

13

14 **Q. WHY SHOULD THIS CAPTURE AND DISTRIBUTION OF UTILITY-**
15 **RELATED NON-ENERGY AVOIDED COSTS BE A PART OF THE**
16 **APPROVAL, IF ANY, OF THE PGE RATE STABLIZATION MECHANISM?**

17 A. Two bases exist for this capture mechanism. On the one hand, on the revenue side, under
18 PGE’s proposed SNA, the “fixed cost” component of the revenue that the Company loses
19 as a result of the usage reduction resulting from the Company’s efficiency programs will
20 be quantified and passed through to future ratepayers. The Company’s proposed SNA
21 would allow the Company to recover these lost revenues and charge those revenues to all

¹¹ Martin Schweitzer and Bruce Tonn (April 2002). Nonenergy Benefits From the Weatherization Assistance

1 other customers. On the other hand, on the expense side, there is no corresponding
2 mechanism that the Company has proposed to reflect those decreased costs resulting from
3 the efficiency investments. As a result, these dollars of non-energy avoided costs, in the
4 absence of their capture and distribution for purposes of expanding low-income
5 efficiency investments, would simply flow through as increased earnings to PGE's
6 shareholders. If PGE shareholders are to be held harmless against a decrease in revenue,
7 they should not also be allowed to benefit from the decrease in expenses. Instead of
8 allowing those decreases in expenses to be pocketed by PGE shareholders as increased
9 profits, those dollars should be captured and put to the same uses that generated them in
10 the first instance.

11
12 **Q. WON'T THIS RESULT IN INCREASED RATES TO ALL REMAINING**
13 **RATEPAYERS?**

14 A. This process of capturing the non-energy avoided costs will not result in increased rates
15 to all remaining ratepayers if you accept the philosophy underlying PGE's SNA rate
16 stabilization mechanism. Just as allowing the Company to capture revenue recognized in
17 its most recent base rate case, but not collected by the Company, would keep the
18 Company whole, disgorging these expenses recognized in PGE's most recent base rate
19 case, but not expended by the Company, would prevent the Company from pocketing a
20 windfall. One cannot accept the philosophy as applied to the Company's proposed rate

1 stabilization mechanism without also accepting the philosophy as applied to these
2 avoided costs as well.

3
4 **Q. WHAT DO YOU CONCLUDE?**

5 A. PGE's rate stabilization mechanism, offered in the guise of an energy efficiency
6 "decoupling" proposal, is unreasonable and should be disapproved. One impact of the
7 rate stabilization mechanism is to take costs that have been allocated for payment by high
8 usage, higher-income customers and to transfer that cost responsibility to low-use, lower-
9 income customers. Given the unaffordability of electricity prices to Oregon's low-
10 income customers with which to begin, and the inability-to-pay and payment troubles
11 which result, this income transfer *from* low-income customers *to* non-low-income
12 customers cannot be justified. It should be disapproved.

13
14 Moreover, it cannot be said that reductions in energy usage attributable to energy
15 efficiency programs implemented by the Energy Trust of Oregon deny PGE its ability to
16 recover its fixed costs. It cannot *a priori* be argued that PGE's fixed costs are the last
17 costs to be collected. If this is true, the lost revenues attributable to ETO's efficiency
18 programs can be offset, at least in part, through increased efficiency by PGE that would
19 reduce PGE's variable costs of providing service. Accordingly, should the Oregon PUC
20 choose to approve the Company's proposed rate stabilization mechanism, the PUC
21 should allow only 50% of the "fixed costs" to be subject to the mechanism.

1 Finally, if the Company is allowed, through its rate stabilization mechanism, to collect
2 revenue which was recognized in its most recent rate case but not realized in fact, the
3 Company should further be required to disgorge those expenses which were recognized
4 in its most recent rate case but not realized in fact. It would be patently unreasonable to
5 allow PGE to use its rate stabilization mechanism only to make adjustments in the
6 revenue side without *also* making corresponding adjustments on the expense side.
7 Without such expense adjustments, reductions in expenses generated by the efficiency
8 programs would simply flow through to investors as increased earnings. When low-
9 income customers cannot afford to pay their bills with which to begin, to allow these
10 inter-rate case increases to earnings would be unreasonable.

11

12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13 A. Yes it does.

14

**BEFORE THE
OREGON PUBLIC UTILITY COMMISSION**

In the Matter of :
 :
PORTLAND GENERAL ELECTRIC : **Docket No. UE-197**
COMPANY :
 :
Application for a general rate increase :

CAPO-OECA Exhibit 201

Witness Qualification Statement

July 9, 2008

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EDUCATION:

J.D. (Order of the Coif), University of Florida (1981)

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PROFESSIONAL EXPERIENCE:

Fisher, Sheehan and Colton, Public Finance and General Economics: 1985 - present.

As a co-founder of this economics consulting partnership, Colton provides services in a variety of areas, including: regulatory economics, poverty law and economics, public benefits, fair housing, community development, energy efficiency, utility law and economics (energy, telecommunications, water/sewer), government budgeting, and planning and zoning.

Colton has testified in state and federal courts in the United States and Canada, as well as before regulatory and legislative bodies in more than three dozen states. He is particularly noted for creative program design and implementation within tight budget constraints.

National Consumer Law Center (NCLC): 1986 - 1994

As a staff attorney with NCLC, Colton worked on low-income energy and utility issues. He pioneered cost-justifications for low-income affordable energy rates, as well as developing models to quantify the non-energy benefits (*e.g.*, reduced credit and collection costs, reduced working capital) of low-income energy efficiency. He designed and implemented low-income affordable rate and fuel assistance programs across the country. Colton was charged with developing new practical and theoretical underpinnings for solutions to low-income energy problems.

Community Action Research Group (CARG): 1981 - 1985

As staff attorney for this non-profit research and consulting organization, Colton worked primarily on energy and utility issues. He provided legal representation to low-income persons on public utility issues; provided legal and technical assistance to consumer and labor organizations; and provided legal and technical assistance to a variety of state and local governments nationwide on natural gas, electric, and telecommunications issues. He routinely appeared as an expert witness before regulatory agencies and legislative committees regarding energy and telecommunications issues.

PROFESSIONAL AFFILIATIONS:

- Chair: Board of Directors, Belmont Housing Trust, Inc.
- Member: Advisory Board: Fair Housing Center of Greater Boston.
- Past Member: Fair Housing Committee, Town of Belmont (MA)
- Past Member: Aggregation Advisory committee, New York State Energy Research and Development Authority.
- Past Member: Board of Directors, Vermont Energy Investment Corporation.
- Past Member: Board of Directors, National Fuel Funds Network
- Past Member: National Advisory Committee, U.S. Department of Health and Human Services, Administration for Children and Families, Performance Goals for Low-Income Home Energy Assistance.
- Past Member: Advisory Board: Low-Income Aggregation, New York State Energy Research and Development Authority.
- Past Member: Editorial Advisory Board, International Library, *Public Utility Law Anthology*.
- Past Member: ASHRAE Guidelines Committee, GPC-8, *Energy Cost Allocation of Comfort HVAC Systems for Multiple Occupancy Buildings*
- Past Member: National Advisory Committee, U.S. Department of Housing and Urban Development, Calculation of Utility Allowances for Public Housing.
- Past Member: National Advisory Board: Energy Financing Alternatives for Subsidized Housing, New York State Energy Research and Development Authority.

PROFESSIONAL ASSOCIATIONS:

- National Association of Housing and Redevelopment Officials (NAHRO)
- Association for Enterprise Opportunity
- Iowa State Bar Association
- Energy Bar Association
- Association for Institutional Thought
- Association for Evolutionary Economics
- Society for the Study of Social Problems
- International Society for Policy Studies
- Association for Social Economics

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COLTON TESTIMONY EXPERIENCE

1988 - PRESENT

CASE NAME	ROLE	CLIENT NAME	TOPIC	JURIS.	DATE
I/M/O Equitable Gas Company	Witness	Office of Consumer Advocate	Low-income program	Pennsylvania	08
I/M/O Vectren Energy Delivery Company	Witness	Ohio Office of Consumers Counsel	Fixed and variable rate design	Ohio	08
I/M/O Public Service of North Carolina	Witness	NC Department of Justice	Customer charges	North Carolina	08
I/M/O Piedmont Natural Gas Company	Witness	NC Department of Justice	Customer charges	North Carolina	08
I/M/O Public Service Company of Colorado	Witness	Energy Outreach Colorado	Low-income rate affordability program	Colorado	08
I/M/O National Grid	Witness	New Hampshire Legal Assistance	General rate case	New Hampshire	08
I/M/O EmPower Maryland	Witness	Office of Peoples Counsel	Low-income efficiency	Maryland	08
I/M/O Duke Energy Carolinas Save-a-Watt Program	Witness	NC Equal Justice Foundation	Low-income efficiency	North Carolina	08
I/M/O Zia Natural Gas Company	Witness	Community Action New Mexico	General rate case	New Mexico	08
I/M/O Universal Service Fund Support for the Affordability of Local Rural Telecomm Service	Witness	Office of Consumer Advocate	Telecomm service affordability	Pennsylvania	08
I/M/O Philadelphia Water Department	Witness	Public Advocate	Collections	Philadelphia	08
I/M/O Portland General Electric Company	Witness	Community Action--Oregon	General rate case	Oregon	08
I/M/O Philadelphia Electric Company (electric)	Witness	Office of Consumer Advocate	Low-income program	Pennsylvania	08
I/M/O Philadelphia Electric Company (gas)	Witness	Office of Consumer Advocate	Low-income program	Pennsylvania	08
I/M/O Columbia Gas Company	Witness	Office of Consumer Advocate	Low-income program	Pennsylvania	08
I/M/O Public Service Company of New Mexico	Witness	Community Action New Mexico	Fuel adjustment clause	New Mexico	08
I/M/O Petition of Direct Energy for Low-Income Aggregation	Witness	Office of Peoples Counsel	Low-income electricity aggregation	Maryland	07
I/M/O Office of Consumer Advocate et al. v. Verizon and Verizon North	Witness	Office of Consumer Advocate	Lifeline telecommunications rates	Pennsylvania	07
I/M/O Pennsylvania Power Company	Witness	Office of Consumer Advocate	Low-income program	Pennsylvania	07
I/M/O National Fuel Gas Distribution Corporation	Witness	Office of Consumer Advocate	Low-income program	Pennsylvania	07
I/M/O Public Service of New Mexico--Electric	Witness	Community Action New Mexico	Low-income programs	New Mexico	07
I/M/O Citizens Gas/NIPSCO/Vectren for Universal Service Program	Witness	Citizens Gas & Coke Utility/Northern	Low-income program design	Indiana	07

CASE NAME	ROLE	CLIENT NAME	TOPIC	JURIS.	DATE
		Indiana Public Service/Vectren Energy			
I/M/O PPL Electric	Witness	Office of Consumer Advocate	Low-income program	Pennsylvania	07
I/M/O Section 15 Challenge to NSPI Rates	Witness	Energy Affordability Coalition	Discrimination in utility regulation	Nova Scotia	07
I/M/O Philadelphia Gas Works	Witness	Office of Consumer Advocate	Low-income and residential collections	Pennsylvania	07
I/M/O Equitable Gas Company	Witness	Office of Consumer Advocate	Low-income program	Pennsylvania	07
I/M/O Section 11 Proceeding, Energy Restructuring	Witness	Office of Peoples Counsel	Low-income needs and responses	Maryland	06
I/M/O Citizens Gas/NIPSCO/Vectren for Universal Service Program	Witness	Citizens Gas & Coke Utility/Northern Indiana Public Service/Vectren Energy	Low-income program design	Indiana	06
I/M/O Public Service Co. of North Carolina	Witness	North Carolina Attorney General/Dept. of Justice	Low-income energy usage	North Carolina	06
I/M/O Electric Assistance Program	Witness	New Hampshire Legal Assistance	Electric low-income program design	Vermont	06
I/M/O Verizon Petition for Alternative Regulation	Witness	New Hampshire Legal Assistance	Basic local telephone service	Vermont	06
I/M/O Pennsylvania Electric Co/Metropolitan Edison Co.	Witness	Office of Consumer Advocate	Universal service cost recovery	Pennsylvania	06
I/M/O Duquesne Light Company	Witness	Office of Consumer Advocates	Universal service cost recovery	Pennsylvania	06
I/M/O Natural Gas DSM Planning	Witness	Low-Income Energy Network	Low-income DSM program.	Ontario	06
I/M/O Union Gas Co.	Witness	Action Centre for Tenants Ontario (ACTO)	Low-income program design	Ontario	06
I/M/O Public Service of New Mexico merchant plant	Witness	Community Action New Mexico	Low-income energy usage	New Mexico	06
I/M/O Customer Assistance Program design and cost recovery	Witness	Office of Consumer Advocate	Low-income program design	Pennsylvania	06
I/M/O NIPSCO Proposal to Extend Winter Warmth Program	Witness	Northern Indiana Public Service Company	Low-income energy program evaluation	Indiana	05
I/M/O Piedmont Natural Gas	Witness	North Carolina Attorney General/Dept. of Justice	Low-income energy usage	North Carolina	05
I/M/O PSEG merger with Exelon Corp.	Witness	Division of Ratepayer Advocate	Low-income issues	New Jersey	05
Re. Philadelphia Water Department	Witness	Public Advocate	Water collection factors	Philadelphia	05
I/M/O statewide natural gas universal service program	Witness	New Hampshire Legal Assistance	Universal service	New Hampshire	05
I/M/O Sub-metering requirements for residential rental properties	Witness	Tenants Advocacy Centre of Ontario	Sub-metering consumer protections	Ontario	05
I/M/O National Fuel Gas Distribution Corp.	Witness	Office of Consumer Advocate	Universal service	Pennsylvania	05

CASE NAME	ROLE	CLIENT NAME	TOPIC	JURIS.	DATE
I/M/O Nova Scotia Power, Inc.	Witness	Dalhousie Legal Aid Service	Universal service	Nova Scotia	04
I/M/O Lifeline Telephone Service	Witness	National Ass'n State Consumer Advocates (NASUCA)	Lifeline rate eligibility	FCC	04
Mackay v. Verizon North	Witness	Office of Consumer Advocate	Lifeline rates—vertical services	Pennsylvania	04
I/M/O Philadelphia Gas Works	Witness	Office of Consumer Advocate	Credit and collections	Pennsylvania	04
I/M/O Citizens Gas & Coke/Vectren	Witness	Citizens Action Coalition of Indiana	Universal service	Indiana	04
I/M/O PPL Electric Corporation	Witness	Office of Consumer Advocate	Universal service	Pennsylvania	04
I/M/O Consumers New Jersey Water Company	Witness	Division of Ratepayer Advocate	Low-income water rate	New Jersey	04
I/M/O Washington Gas Light Company	Witness	Office of Peoples Counsel	Low-income gas rate	Maryland	04
I/M/O Washington Gas Light Company	Witness	Office of Peoples Counsel	Low-income gas rate	Maryland	03
Golden v. City of Columbus	Witness	Helen Golden	ECOAs disparate impacts	Ohio	02
Huegel v. City of Easton	Witness	Phyllis Huegel	Credit and collection	Pennsylvania	02
I/M/O Universal Service Fund	Witness	Public Utility Commission staff	Universal service funding	New Hampshire	02
I/M/O Philadelphia Gas Works	Witness	Office of Consumer Advocate	Universal service	Pennsylvania	02
I/M/O Washington Gas Light Company	Witness	Office of Peoples Counsel	Rate design	Maryland	02
I/M/O Consumers Illinois Water Company	Witness	Illinois Citizens Utility Board	Credit and collection	Illinois	02
I/M/O Public Service Electric & Gas Rates	Witness	Division of Ratepayer Advocate	Universal service	New Jersey	01
I/M/O Pennsylvania-American Water Company	Witness	Office of Consumer Advocate	Low-income rates and water conservation	Pennsylvania	01
I/M/O Louisville Gas & Electric Prepayment Meters	Witness	Kentucky Community Action Association	Low-income energy	Kentucky	01
I/M/O NICOR Budget Billing Plan Interest Charge	Witness	Cook County State's Attorney	Rate Design	Illinois	01
I/M/O Rules Re. Payment Plans for High Natural Gas Prices	Witness	Cook County State's Attorney	Budget Billing Plans	Illinois	01
I/M/O Philadelphia Water Department	Witness	Office of Public Advocate	Credit and collections	Philadelphia	01
I/M/O Missouri Gas Energy	Witness	Office of Peoples Counsel	Low-income rate relief	Missouri	01
I/M/O Bell Atlantic--New Jersey Alternative Regulation	Witness	Division of Ratepayer Advocate	Telecommunications universal service	New Jersey	01
I/M/O T.W. Phillips Gas and Oil Co.	Witness	Office of Consumer Advocate	Ratemaking of universal service costs.	Pennsylvania	00

CASE NAME	ROLE	CLIENT NAME	TOPIC	JURIS.	DATE
I/M/O Peoples Natural Gas Company	Witness	Office of Consumer Advocate	Ratemaking of universal service costs.	Pennsylvania	00
I/M/O UGI Gas Company	Witness	Office of Consumer Advocate	Ratemaking of universal service costs.	Pennsylvania	00
I/M/O PFG Gas Company	Witness	Office of Consumer Advocate	Ratemaking of universal service costs.	Pennsylvania	00
Armstrong v. Gallia Metropolitan Housing Authority	Witness	Equal Justice Foundation	Public housing utility allowances	Ohio	00
I/M/O Bell Atlantic--New Jersey Alternative Regulation	Witness	Division of Ratepayer Advocate	Telecommunications universal service	New Jersey	00
I/M/O Universal Service Fund for Gas and Electric Utilities	Witness	Division of Ratepayer Advocate	Design and funding of low-income programs	New Jersey	00
I/M/O Consolidated Edison Merger with Northeast Utilities	Witness	Save Our Homes Organization	Merger impacts on low-income	New Hampshire	00
I/M/O UtiliCorp Merger with St. Joseph Light & Power	Witness	Missouri Dept. of Natural Resources	Merger impacts on low-income	Missouri	00
I/M/O UtiliCorp Merger with Empire District Electric	Witness	Missouri Dept. of Natural Resources	Merger impacts on low-income	Missouri	00
I/M/O PacifiCorp	Witness	The Opportunity Council	Low-income energy affordability	Washington	00
I/M/O Public Service Co. of Colorado	Witness	Colorado Energy Assistance Foundation	Natural gas rate design	Colorado	00
I/M/O Avista Energy Corp.	Witness	Spokane Neighborhood Action Program	Low-income energy affordability	Washington	00
I/M/O TW Phillips Energy Co.	Witness	Office of Consumer Advocate	Universal service	Pennsylvania	00
I/M/O PECO Energy Company	Witness	Office of Consumer Advocate	Universal service	Pennsylvania	00
I/M/O National Fuel Gas Distribution Corp.	Witness	Office of Consumer Advocate	Universal service	Pennsylvania	00
I/M/O PFG Gas Company	Witness	Office of Consumer Advocate	Universal service	Pennsylvania	00
I/M/O UGI Energy Company	Witness	Office of Consumer Advocate	Universal service	Pennsylvania	00
Re. PSCO/NSP Merger	Witness	Colorado Energy Assistance Foundation	Merger impacts on low-income	Colorado	99 - 00
I/M/O Peoples Gas Company	Witness	Office of Consumer Advocate	Universal service	Pennsylvania	99
I/M/O Columbia Gas Company	Witness	Office of Consumer Advocate	Universal service	Pennsylvania	99
I/M/O PG Energy Company	Witness	Office of Consumer Advocate	Universal service	Pennsylvania	99
I/M/O Equitable Gas Company	Witness	Office of Consumer Advocate	Universal service	Pennsylvania	99
Allerruzzo v. Klarchek	Witness	Barlow Allerruzzo	Mobile home fees and sales	Illinois	99
I/M/O Restructuring New Jersey's Natural Gas Industry	Witness	Division of Ratepayer Advocate	Universal service	Pennsylvania	99
I/M/O Bell Atlantic Local Competition	Witness	Public Utility Law Project	Lifeline telecommunications rates	New Jersey	99
I/M/O Merger Application for SBC and Ameritech Ohio	Witness	Edgemont Neighborhood Association	Merger impacts on low-income consumers	Ohio	98 - 99

CASE NAME	ROLE	CLIENT NAME	TOPIC	JURIS.	DATE
Davis v. American General Finance	Witness	Thomas Davis	Damages in "loan flipping" case	Ohio	98 - 99
Griffin v. Associates Financial Service Corp.	Witness	Earlie Griffin	Damages in "loan flipping" case	Ohio	98 - 99
I/M/O Baltimore Gas and Electric Restructuring Plan	Witness	Maryland Office of Peoples Counsel	Consumer protection/basic generation service	Maryland	98 - 99
I/M/O Delmarva Power and Light Restructuring Plan	Witness	Maryland Office of Peoples Counsel	Consumer protection/basic generation service	Maryland	98 - 99
I/M/O Potomac Electric Power Co. Restructuring Plan	Witness	Maryland Office of Peoples Counsel	Consumer protection/basic generation service	Maryland	98 - 99
I/M/O Potomac Edison Restructuring Plan	Witness	Maryland Office of Peoples Counsel	Consumer protection/basic generation service	Maryland	98 - 99
VMHOA v. LaPierre	Witness	Vermont Mobile Home Owners Association	Mobile home tying	Vermont	98
Re. Restructuring Plan of Virginia Electric Power	Witness	VMH Energy Services, Inc.	Consumer protection/basic generation service	Virginia	98
Mackey v. Spring Lake Mobile Home Estates	Witness	Timothy Mackey	Mobile home fees	State ct: Illinois	98
Re. Restructuring Plan of Atlantic City Electric	Witness	New Jersey Division of Ratepayer Advocate	Low-income issues	New Jersey	97-98
Re. Restructuring Plan of Jersey Central Power & Light	Witness	New Jersey Division of Ratepayer Advocate	Low-income issues	New Jersey	97-98
Re. Restructuring Plan of Public Service Electric & Gas	Witness	New Jersey Division of Ratepayer Advocate	Low-income issues	New Jersey	97-98
Re. Restructuring Plan of Rockland Electric	Witness	New Jersey Division of Ratepayer Advocate	Low-income issues	New Jersey	97-98
Appleby v. Metropolitan Dade County Housing Agency	Witness	Legal Services of Greater Miami	HUD utility allowances	Fed. court: So. Florida	97 - 98
Re. Restructuring Plan of PECO Energy Company	Witness	Energy Coordinating Agency of Philadelphia	Universal service	Pennsylvania	97
Re. Atlantic City Electric Merger	Witness	New Jersey Division of Ratepayer Advocate	Low-income issues	New Jersey	97
Re. IES Industries Merger	Witness	Iowa Community Action Association	Low-income issues	Iowa	97
Re. New Hampshire Electric Restructuring	Witness	NH Comm. Action Ass'n	Wires charge	New Hampshire	97
Re. Natural Gas Competition in Wisconsin	Witness	Wisconsin Community Action Association	Universal service	Wisconsin	96
Re. Baltimore Gas and Electric Merger	Witness	Maryland Office of Peoples Counsel	Low-income issues	Maryland	96
Re. Northern States Power Merger	Witness	Energy Cents Coalition	Low-income issues	Minnesota	96
Re. Public Service Co. of Colorado Merger	Witness	Colorado Energy Assistance Foundation	Low-income issues	Colorado	96

CASE NAME	ROLE	CLIENT NAME	TOPIC	JURIS.	DATE
Re. Massachusetts Restructuring Regulations	Witness	Fisher, Sheehan & Colton	Low-income issues/energy efficiency	Massachusetts	96
Re. FERC Merger Guidelines	Witness	National Coalition of Low-Income Groups	Low-income interests in mergers	Washington D.C.	96
Re. Joseph Keliikuli III	Witness	Joseph Keliikuli III	Damages from lack of homestead	Honolulu	96
Re. Theresa Mahaulu	Witness	Theresa Mahaulu	Damages from lack of homestead	Honolulu	95
Re. Joseph Ching, Sr.	Witness	Re. Joseph Ching, Sr.	Damages from lack of homestead	Honolulu	95
Joseph Keaulana, Jr.	Witness	Joseph Keaulana, Jr.	Damages from lack of homestead	Honolulu	95
Re. Utility Allowances for Section 8 Housing	Witness	National Coalition of Low-Income Groups	Fair Market Rent Setting	Washington D.C.	95
Re. PGW Customer Service Tariff Revisions	Witness	Philadelphia Public Advocate	Credit and collection	Philadelphia	95
Re. Customer Responsibility Program	Witness	Philadelphia Public Advocate	Low-income rates	Philadelphia	95
Re. Houston Lighting and Power Co.	Witness	Gulf Coast Legal Services	Low-Income Rates	Texas	95
Re. Request for Modification of Winter Moratorium	Witness	Philadelphia Public Advocate	Credit and collection	Philadelphia	95
Re. Dept of Hawaii Homelands Trust Homestead Production	Witness	Native Hawaiian Legal Corporation	Prudence of trust management	Honolulu	94
Re. SNET Request for Modified Shutoff Procedures	Witness	Office of Consumer Counsel	Credit and collection	Connecticut	94
Re. Central Light and Power Co.	Witness	United Farm Workers	Low-income rates/DSM	Texas	94
Blackwell v. Philadelphia Electric Co.	Witness	Gloria Blackwell	Role of shutoff regulations	Penn. courts	94
U.S. West Request for Waiver of Rules	Witness	Wash. Util. & Transp. Comm'n Staff	Telecommunications regulation	Washington	94
Re. U.S. West Request for Full Toll Denial	Witness	Colorado Office of Consumer Counsel	Telecommunications regulation	Colorado	94
Washington Gas Light Company	Witness	Community Family Life Services	Low-income rates & energy efficiency	Washington D.C.	94
Clark v. Peterborough Electric Utility	Witness	Peterborough Community Legal Centre	Discrimination of tenant deposits	Ontario, Canada	94
Dorsey v. Housing Auth. of Baltimore	Witness	Baltimore Legal Aide	Public housing utility allowances	Federal district court	93
Penn Bell Telephone Co.	Witness	Penn. Utility Law Project	Low-income phone rates	Pennsylvania	93
Philadelphia Gas Works	Witness	Philadelphia Public Advocate	Low-income rates	Philadelphia	93
Central Maine Power Co.	Witness	Maine Assn Ind. Neighborhoods	Low-income rates	Maine	92
New England Telephone Company	Witness	Mass Attorney General	Low-income phone rates	Massachusetts	92
Philadelphia Gas Co.	Witness	Philadelphia Public Advocate	Low-income DSM	Philadelphia	92
Philadelphia Water Dept.	Witness	Philadelphia Public Advocate	Low-income rates	Philadelphia	92

CASE NAME	ROLE	CLIENT NAME	TOPIC	JURIS.	DATE
Public Service Co. of Colorado	Witness	Land and Water Fund	Low-income DSM	Colorado	92
Sierra Pacific Power Co.	WITNESS	Washoe Legal Services	Low-income DSM	Nevada	92
Consumers Power Co.	Witness	Michigan Legal Services	Low-income rates	Michigan	92
Columbia Gas	Witness	Penn. State Office of Consumer Advocate (OCA)	Energy Assurance Program	Pennsylvania	91
Mass. Elec. Co.	Witness	Mass Elec Co.	Percentage of Income Plan	Massachusetts	91
AT&T	Witness	TURN	Inter-LATA competition	California	91
Generic Investigation into Uncollectibles	Witness	Penn OCA	Controlling uncollectibles	Pennsylvania	91
Union Heat Light & Power	Witness	Kentucky Legal Services (KLS)	Energy Assurance Program	Kentucky	90
Philadelphia Water	Witness	Philadelphia Public Advocate (PPA)	Controlling accounts receivable	Philadelphia	90
Philadelphia Gas Works	Witness	PPA	Controlling accounts receivable	Philadelphia	90
Mississippi Power Co.	Witness	Southeast Mississippi Legal Services Corp.	Formula ratemaking	Mississippi	90
Kentucky Power & Light	Witness	KLS	Energy Assurance Program	Kentucky	90
Philadelphia Electric Co.	Witness	PPA	Low-income rate program	Philadelphia	90
Montana Power Co.	Witness	Montana Ass'n of Human Res. Council Directors	Low-income rate proposals	Montana	90
Columbia Gas Co.	Witness	Penn. OCA	Energy Assurance Program	Pennsylvania	90
Philadelphia Gas Works	Witness	PPA	Energy Assurance Program	Philadelphia	89
Southwestern Bell Telephone Co.	Witness	SEMLSC	Formula ratemaking	Mississippi	90
Generic Investigation into Low-income Programs	Witness	Vermont State Department of Public Service	Low-income rate proposals	Vermont	89
Generic Investigation into Dmnd Side Management Measures	Consultant	Vermont DPS	Low-income conservation programs	Vermont	89
National Fuel Gas	Witness	Penn OCA	Low-income fuel funds	Pennsylvania	89
Montana Power Co.	Witness	Human Resource Develop. Council District XI	Low-income conservation	Montana	88
Washington Water Power Co.	Witness	Idaho Legal Service Corp.	Rate base, rate design, cost-allocations	Idaho	88

**BEFORE THE
OREGON PUBLIC UTILITY COMMISSION**

In the Matter of :
 :
PORTLAND GENERAL ELECTRIC : **Docket No. UE-197**
COMPANY :
 :
Application for a general rate increase :

CAPO-OECA Exhibit 202

Exhibits in Support of Direct Testimony

July 9, 2008

Oregon Home Energy Burdens: 2004 – 2007				
	2004	2005	2006	2007
Poverty Level	Home Energy Burdens by Poverty Level			
Below 50%	34.4%	33.0%	36.4%	44.2%
50 – 74%	13.8%	13.2%	14.6%	17.7%
75 – 99%	9.9%	9.5%	10.4%	12.7%
100 – 124%	7.7%	7.4%	8.1%	9.9%
125 – 149%	6.3%	6.0%	6.6%	8.1%
150 – 185%	5.2%	5.0%	5.5%	6.6%
	Oregon Home Energy Affordability Gap (per household)			
Total below 185%	\$392	\$346	\$462	\$744

SOURCE: www.HomeEnergyAffordabilityGap.com.

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Oregon Households by Ratio of Income to Federal Poverty Level	
Ratio of Income to Federal Poverty Level	Number of Households
Below 50%	67,616
50 – 74%	40,214
75 – 99%	48,068
100 – 124%	55,079
125 – 149%	61,677
150 – 185%	87,752
SOURCE: Home Energy Affordability Gap: 2007 (Oregon Fact Sheet) (April 2008).	

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Gross Rent as Percentage of Income by Income Level (Oregon)												
	Renters (2000)			Renters (2004)			Renters (2005)			Renters (2006)		
Income	Total	Rent Burden > 30%	Pct > 30%	Total	Rent Burden > 30%	Pct > 30%	Total	Rent Burden > 30%	Pct > 30%	Total	Rent Burden > 30%	Pct > 30%
Below \$10,000	75,304	55,568	73.8%	88,898	66,281	74.6%	87,068	64,831	74.5%	72,311	55,473	76.7%
\$10,000 - \$19,999	93,593	73,461	78.5%	113,440	93,403	82.3%	108,291	91,375	84.4%	101,678	84,863	83.5%
\$20,000 - \$34,999	126,686	48,906	38.6%	142,279	142,279	100.0%	133,033	71,468	53.7%	133,112	77,919	58.5%
\$35,000 - \$49,999	81,050	7,589	9.4%	82,414	14,123	17.1%	82,470	15,343	18.6%	86,806	15,373	17.7%
SOURCE: 2000 Census (STF3). American Community Survey (2004, 2005, 2006).												

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PGE Residential Arrearage Statistics by Year			
	2006	2007	2008
Total dollars of arrears			
October of prior year	\$14,229,313	\$11,788,010	\$14,003,151
January	\$18,198,945	\$19,631,627	\$21,082,601
February	\$15,559,692	\$17,044,117	\$21,771,125
March	\$17,423,972	\$15,950,096	\$20,560,726
Total accounts in arrears			
October of prior year	269,468	231,126	227,224
January	231,637	236,948	227,773
February	212,032	200,892	224,050
March	222,195	206,477	224,554
Average arrears of accounts in arrears not on Payment Plans			
October of prior year	\$56.19	\$53.87	\$65.97
January	\$88.45	\$92.31	\$105.28
February	\$82.05	\$95.00	\$110.05
March	\$88.45	\$85.78	\$102.97
Bills behind (arrears / average bill in prior month)			
January	0.79	0.75	0.74
February	0.80	0.83	0.84
March	0.87	0.91	0.91

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July 9, 2008

PGE Payment Plan Statistics by Month and Year			
	2006	2007	2008
Percent dollars in arrears on TPAs			
October of prior year	10.8%	9.5%	8.6%
January	7.5%	5.6%	5.7%
February	8.3%	5.7%	5.8%
March	8.4%	6.8%	6.8%
Percent accounts in arrears on TPAs			
October of prior year	18.1%	16.5%	16.5%
January	17.7%	15.4%	16.6%
February	18.2%	15.7%	16.6%
March	18.7%	16.4%	17.3%
Ratio of accounts in arrears subject to agreement to dollars in arrears subject to agreement			
October of prior year	1.7	1.7	1.9
January	2.4	2.8	2.9
February	2.2	2.8	2.9
March	2.2	2.4	2.5

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PGE Collection Statistics (by Month) (page 1 of 2)			
	Disconnects for Nonpayment	Disconnection Notices	Notice to Disconnect Ratio (xx:1)
Oct-05	2,164	79,881	37
Nov-05	1,754	89,222	51
Dec-05	2,036	133,403	66
Jan-06	3,083	135,530	44
Feb-06	2,286	162,581	71
Mar-06	2,801	140,257	50
Apr-06	2,750	150,839	55
May-06	2,623	129,669	49
Jun-06	2,380	112,855	47
Jul-06	1,789	108,097	60
Aug-06	2,863	117,441	41
Sep-06	2,009	108,268	54
Oct-06	2,165	105,263	49
Nov-06	957	93,648	98
Dec-06	1,093	128,584	118
Jan-07	1,711	138,620	81
Feb-07	2,950	165,039	56
Mar-07	3,231	141,443	44
Apr-07	2,769	130,209	47
May-07	3,008	118,319	39
Jun-07	2,978	109,674	37
Jul-07	2,274	111,800	49
Aug-07	3,451	125,936	36
Sep-07	2,042	118,959	58
Oct-07	2,436	119,226	49
Nov-07	1,932	110,145	57
Dec-07	1,280	140,091	109
Jan-08	2,096	148,924	71
Feb-08	2,828	183,448	65
Mar-08	3,312	171,059	52

PGE Collection Statistics (by Month) (page 2 of 2)				
	No. Accounts 31+ Days in Arrears	Average Arrears of All Accounts in Arrears	Disconnection Notices	Ratio: Disconnect Notices to Accts 31+ Days in Arrears (x.xx:1)
Oct-05	96,573	\$52.81	79,881	0.83
Nov-05	101,782	\$38.79	89,222	0.88
Dec-05	78,242	\$69.14	133,403	1.71
Jan-06	71,543	\$78.57	135,530	1.89
Feb-06	57,912	\$73.38	162,581	2.81
Mar-06	56,484	\$78.42	140,257	2.48
Apr-06	62,250	\$69.41	150,839	2.42
May-06	66,358	\$60.11	129,669	1.95
Jun-06	64,794	\$55.39	112,855	1.74
Jul-06	78,536	\$52.30	108,097	1.38
Aug-06	70,136	\$54.60	117,441	1.67
Sep-06	73,891	\$52.43	108,268	1.47
Oct-06	70,084	\$51.00	105,263	1.50
Nov-06	66,694	\$52.95	93,648	1.40
Dec-06	76,107	\$68.11	128,584	1.69
Jan-07	65,873	\$82.85	138,620	2.10
Feb-07	56,257	\$84.84	165,039	2.93
Mar-07	51,774	\$77.25	141,443	2.73
Apr-07	53,538	\$68.65	130,209	2.43
May-07	62,304	\$62.46	118,319	1.90
Jun-07	61,294	\$58.90	109,674	1.79
Jul-07	70,018	\$58.76	111,800	1.60
Aug-07	66,011	\$62.13	125,936	1.91
Sep-07	69,710	\$60.66	118,959	1.71
Oct-07	63,599	\$61.63	119,226	1.87
Nov-07	74,402	\$65.60	110,145	1.48
Dec-07	72,948	\$79.79	140,091	1.92
Jan-08	68,380	\$92.97	148,924	2.18
Feb-08	59,222	\$97.17	183,448	3.10
Mar-08	57,463	\$91.56	171,059	2.98

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Exhibits in Support of Direct Testimony

July 9, 2008

Consumption Distribution by Month (Schedule 7)
(Portland General Electric) (page 1 of 3)

Number of Accounts by kWh per Month

	0	1-35	36-50	51-100	101-200	201-225	226-250	0-250	Total	>250	Pct < 250
Mar-07	2,208	3,282	1,498	7,385	19,425	5,926	6,449	46,173	699,845	653,672	6.6%
Apr-07	2,314	4,038	2,010	9,640	25,014	7,790	8,737	59,543	700,399	640,856	8.5%
May-07	2,299	4,715	2,349	11,110	29,377	9,222	10,619	69,691	701,016	631,325	9.9%
Jun-07	2,467	4,924	2,537	12,608	33,213	10,405	11,760	77,914	701,697	623,783	11.1%
Jul-07	2,427	5,031	2,456	12,318	34,495	10,897	12,449	80,073	701,920	621,847	11.4%
Aug-07	2,468	4,899	2,462	12,164	34,841	11,007	12,651	80,492	702,602	622,110	11.5%
Sep-07	2,337	4,886	2,521	12,089	35,003	11,243	12,869	80,948	703,272	622,324	11.5%
Oct-07	2,196	4,748	2,470	11,626	31,537	10,097	11,405	74,079	704,489	630,410	10.5%
Nov-07	2,058	4,114	1,948	9,291	23,740	7,121	8,029	56,301	705,745	649,444	8.0%
Dec-07	1,920	3,106	1,343	6,526	16,017	4,661	4,976	38,549	706,444	667,895	5.5%
Jan-08	1,959	2,740	1,153	5,834	14,118	3,965	4,292	34,061	708,131	674,070	4.8%
Feb-08	1,952	2,845	1,357	6,330	15,466	4,429	5,067	37,446	709,539	672,093	5.3%
Mar-08	2,078	3,468	1,671	8,063	20,049	5,859	6,580	47,768	709,725	661,957	6.7%
Average	2,206	4,061	1,983	9,614	25,561	7,894	8,914	60,234	704,217	643,984	8.6%

SOURCE: CAPO-1-85

Consumption Distribution by Month (Schedule 7)
(Portland General Electric) (page 2 of 3)

Total kWh by kWh per Month

	0	1-35	36-50	51-100	101-200	201-225	226-250	0-250	Total	>250	Pct < 250
Mar-07	0	75,742	89,531	696,575	3,322,678	1,359,105	1,627,205	7,170,836	701,598,032	694,427,196	1.0%
Apr-07	0	100,810	120,497	898,692	4,206,231	1,749,886	2,167,392	9,243,508	598,771,427	589,527,919	1.5%
May-07	0	108,899	132,891	1,004,762	4,823,210	2,039,768	2,597,571	10,707,101	547,643,933	536,936,832	2.0%
Jun-07	0	110,437	139,360	1,117,082	5,384,094	2,291,634	2,866,946	11,909,553	522,865,546	510,955,993	2.3%
Jul-07	0	125,151	147,528	1,137,389	5,621,792	2,389,621	3,030,941	12,452,422	541,437,522	528,985,100	2.3%
Aug-07	0	108,576	138,780	1,094,820	5,673,335	2,418,832	3,082,554	12,516,897	551,003,540	538,486,643	2.3%
Sep-07	0	113,700	144,353	1,106,454	5,687,319	2,465,781	3,121,533	12,639,140	533,243,932	520,604,792	2.4%
Oct-07	0	111,964	138,067	1,037,979	5,147,368	2,229,820	2,781,712	11,446,910	529,461,025	518,014,115	2.2%
Nov-07	0	89,154	103,939	814,375	3,897,275	1,585,773	1,986,803	8,477,319	629,723,028	621,245,709	1.3%
Dec-07	0	65,458	72,407	577,465	2,649,192	1,048,231	1,244,010	5,656,763	802,792,248	797,135,485	0.7%
Jan-08	0	57,315	61,974	513,813	2,369,797	909,786	1,086,122	4,998,807	908,137,769	903,138,962	0.6%
Feb-08	0	63,421	74,093	568,974	2,626,248	1,023,457	1,287,307	3,481,043	830,898,042	827,416,999	0.4%
Mar-08	0	82,063	96,270	746,775	3,386,249	1,338,685	1,662,590	7,312,632	71,804,219	64,491,587	10.2%
Average	0	93,284	112,284	870,397	4,214,984	1,757,721	2,195,591	9,077,918	597,644,636	588,566,718	1.5%
Total	0	1,212,690	1,459,690	11,315,155	54,794,788	22,850,379	28,542,686	118,012,931	7,769,380,263	7,651,367,332	

SOURCE: CAPO-1-85

Cost of Block 1 Rate Freeze (Portland General Electric)
(page 3 of 3)

Total kWh by kWh per Month

	0	1-35	36-50	51-100	101-200	201-225	226-250	0-250	>250
Total	0	1,212,690	1,459,690	11,315,155	54,794,788	22,850,379	28,542,686	118,012,931	7,651,367,332
Rate increase foregone	---	\$0.00637	\$0.00637	\$0.00637	\$0.00637	\$0.00637	\$0.00637	\$0.00637	
Revenue foregone by rate freeze	---	\$7,725	\$9,298	\$72,078	\$349,043	\$145,557	\$181,817	\$751,742	
Cost per kWh > 250 kWh/month									\$0.000098

SOURCE: CAPO-1-85

**BEFORE THE
OREGON PUBLIC UTILITY COMMISSION**

In the Matter of :
 :
PORTLAND GENERAL ELECTRIC : **Docket No. UE-197**
COMPANY :
 :
Application for a general rate increase :

CAPO-OECA Exhibit 209

Exhibits in Support of Direct Testimony

July 9, 2008

New Enrollees in PGE Budget Billing by Month				
	2005	2006	2007	2008
January	---	2,252	2,044	2,072
February	---	935	1,418	1,547
March	---	955	1,130	1,069
April	---	572	719	---
May	---	xxx	648	---
June	---	xxx	486	---
July	---	480	584	---
August	---	681	863	---
September	---	791	818	---
October	834	934	1,204	---
November	728	902	1,250	---
December	1,976	1,619	1,587	---
SOURCE: CAPO-1-033.				

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Electricity Cooling Usage by Income						
	Total	2001 Income				Below Poverty Level
		Less than \$10,000	\$10,000 - \$29,999	\$30,000 - \$49,999	\$50,000 or more	
Total Cooling Consumption						
kWh per household (total air conditioning)	2,263	1,501	1,728	2,100	2,913	1,710
kWh per household (central air conditioning)	2,796	2,091	2,187	2,553	3,360	2,390
kWh per household (room air conditioning)	950	993	940	904	981	1,059
Cooled Living Space per Household						
Total air conditioning	1,724	967	1,203	1,585	2,349	1,017
Central air conditioning	2,032	1,289	1,404	1,778	2,618	1,317
Room air conditioning	967	689	857	1,074	1,185	730
SOURCE: U.S. Department of Energy, Energy Information Administration, 2001 Residential Energy Consumption Survey.						

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July 9, 2008

Household Air Conditioning Usage by Income

2001					
	Total	Under \$10,000	\$10,000 - \$25,000	\$15,000 - \$50,000	\$50,000 or more
Use central air conditioning	54.8%	33.7%	49.3%	57.2%	66.8%
All summer	26.5%	16.6%	21.8%	27.7%	33.4%
Quite a bit	11.3%	6.4%	9.2%	11.4%	14.9%
Only a few times	15.7%	9.1%	15.7%	16.6%	17.8%
Not at all	1.3%	Q	2.6%	1.1%	0.8%
No central air conditioning	45.2%	66.3%	50.7%	42.8%	33.2%
Use a window or all wall air conditioning unit	23.5%	33.2%	27.5%	22.9%	16.7%
All summer	4.6%	8.0%	5.7%	3.3%	3.1%
Quite a bit	4.9%	5.9%	5.7%	3.3%	3.1%
Only a few times	13.2%	18.2%	15.3%	12.5%	9.9%
Not at all	0.8%	1.6%	Q	0.7%	Q
No window or wall unit	85.9%	66.8%	72.5%	77.1%	83.3%

SOURCE: U.S. Department of Energy, Energy Information Administration, *2001 Residential Energy Consumption Survey*.

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CAPO-OECA Exhibit 212

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July 9, 2008

Electricity Usage by Income and End-Use						
	Total	2001 Income				Below Poverty Level
		Less than \$10,000	\$10,000 - \$29,999	\$30,000 - \$49,999	\$50,000 or more	
Total Electricity Consumption						
kWh per household	10,656	7,190	8,906	10,545	13,131	8,152
Appliances						
kWh per household (refrigerators)	1,462	1,218	1,344	1,410	1,663	1,238
kWh per household (Other appliances and lighting)	5,435	3,239	4,335	5,360	6,998	3,889
Water Heating (where electricity is water heating fuel)						
kWh per household	2,552	1,850	2,231	2,593	3,122	2,262
Household members per household	2.4	1.7	2.2	2.5	2.9	2.4
Space Heating (where electricity is space heating fuel)						
kWh per household	3,524	2,837	3,203	3,624	4,014	3,015
Heated square feet per household	1,399	786	1,035	1,296	2,072	866
SOURCE: U.S. Department of Energy, Energy Information Administration, 2001 Residential Energy Consumption Survey.						

CERTIFICATE OF SERVICE
UE 197

I hereby certify that on July 15, 2008 I served an original and five copies of the foregoing **CORRECTED VERSION** of the TESTIMONY OF THE COMMUNITY ACTION PARTNERSHIP OF OREGON and the OREGON ENERGY COORDINATORS ASSOCIATION to:

PUBLIC UTILITY COMMISSION OF OREGON
550 CAPITOL STREET NE., SUITE 215
PO BOX 2148
SALEM, OREGON 97308-2148

And on July 15, 2008, I hereby certify that the foregoing **corrected** documents were served electronically on all parties whom have an email address on the official service list, and by U.S. Mail, postage-prepaid, to those parties who do not have an email address on the official service list for UE 197.

/s/ Thomas James (Jim) Abrahamson
Thomas James (Jim) Abrahamson
Oregon Energy Partnership Coordinator
Community Action Partnership of Oregon

C=Confidential

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