BEFORE THE WASHINGTON STATE

UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,	)	DOCKET NO. UE-050684
Complainant,	)	INITIAL POST-HEARING BRIEF OF THE ENERGY PROJECT
v.	)	
PACIFICORP d/b/a PACIFIC POWER & LIGHT COMPANY	)	
Respondent.	)	

TABLE OF CONTENTS

I. INTRODUCTION

The Energy Project intervened in UE-050684 on behalf of agencies serving the utility's low-income customers. These agencies' overarching concern is that the households they serve face great difficulty in maintaining access to electric service. The electric service is, of course, vital for life's essential functions and, as such, is somewhat price-inelastic for those low-income customers who have relatively little discretionary usage habits. The rising cost of electricity has exacerbated the financial crises that permeate the lives of low-income customers. The Energy Project contends that PacifiCorp can improve the service it offers to low-income customers by: expanding the Company's Low-Income Bill Assistance program (LIBA); better tracking of low-income data compared to other residential rate payers; terminating its policy to only pay 50% of the cost of cost-effective measures in homes weatherized using utility funds, and; by developing a more enlightened approach to managing low-income customer's arrearages.

II. EXPANSION OF THE LIBA PROGRAM

The company currently funds an energy assistance program at the maximum amount of $550,000/year (Exhibit No. 661, CME-11, Tr. Vol. V, pp. 287-287-228). Developed cooperatively with the community action agencies and WUTC staff, this program provides a three-tiered bill discount, based on a household's level of poverty, during the heating season for households qualified by the community action agencies. As set forth in Exhibit No. 661 (CME-11), and as conceded by PacifiCorp witness MacRitchie (Tr. Vol. V, p.288), this amounts to approximately 0.26% of gross operating revenues. If one uses the figures for the fiscal year ending March 31, 2005 provided by

PacifiCorp in response to Energy Project Data Request No. 9, the program funding amounts to approximately 0.25% of gross operating revenues. Exhibit 19).

By comparison, Washington's two other largest investor owned utilities, fund their comparable programs at levels from 0.41% for PSE to 0.76% for AVISTA, of gross operating revenues. Exhibit No. 661 (CME-11). Furthermore, PacifiCorp's average level of benefit per customer ($196 at its highest year) seriously lags behind the other two utilities ($334 and $344) Id.

In cross examination testimony Andrew MacRitchie stated that the company would be willing to increase their program funding by approximately 30%, to increase funding with rate increases in the future, and to increase the benefit a particular household might receive by 10%. Tr. Vol. V, pp. 290-292. In earlier testimony, the company expressed a desire to serve more people with the program. Exhibit No. ANM-1T, Direct Testimony of Andrew N. MacRitchie, p. 19. Unfortunately, these opposing desires will actually reduce the impact the program can have.

The company's offer to increase program funding by 30% and 10% increase in per household benefit are greatly appreciated. The 30% program increase, however, would only allow the LIBA program to get back to the level of impact it had when first initiated. That is to say, the 30% increase essentially brings the program funding up to a level commensurate with the rate increases since the program was started, including the current request. Tr. Vol. V, p. 292. Because the program is structured as a set rate discount, however, individual households still have to pay any rate increase resulting from the current case, and see an increased energy burden. The 10% increase in benefit level is far below the over all 30% increase in rates. It is only by backsliding from the

original goal of providing a reasonable energy burden that the program can serve more households, even with the increased level of funding.

Increasing the funding to a level on a par with PSE lower of the other two investor-owned utilities (i.e., 0.41%) would require an additional $317,000, based on the gross operating revenues contained in Exhibit 661, CME-11. If the increase were passed on to ratepayers straight across the board, monthly charges for residential, commercial and industrial customers would increase per month by slightly more than $0.13, $0.25, and $43, respectively. Id. The higher level on par with AVISTA (0.64%) would result in program funding of approximately $1,354,000 and produce increases of approximately $0.34, $0.67, and $110, respectively, per month. This is the level that The Energy Project recommends PacifiCorp fund its LIBA program.

The Energy Project contends that that PacifiCorp should bring its funding level in line with that of the other two large investor-owned electric utilities in Washington. This would require funding the program at an overall higher level (as a per cent of gross operating revenues). The utility should also increase the benefit level a household can receive to protect them from the rate increases that have occurred since the program began. This could be done by increasing the discount level, but also by making the program a year round program rather than heating season only.

III. TRACKING LOW-INCOME DATA

In its responses to The Energy Project's data requests (identified during hearing as Exhibit 19), PacifiCorp acknowledges that it does not have data distinguishing customers on the basis of income. The Company is unaware how low-income customers are different, or if they are different, from other residential customers with regard to usage

levels and patterns, use of energy efficiency, history of payment troubles, credit and collection history, or consumption of company staff time. (Exhibit No. 19, Response to Data Request No. 11). The Company cannot provide what percentages of annual arrearages, disconnections, or bad debt are attributable to low-income customers (Exhibit No. 19, Response to Data Request No. 13). Nor does it know the number of incidences or what it cost the company to terminate low-income accounts (including pre-termination activities such as mailed or telephoned notices or personal contact), to handle complaints, to negotiate deposits or payment arrangements, to track delinquent accounts, or pay a collection agency's service for low-income accounts (Id., Response to Data Request Nos. 17 and 23). PacifiCorp doesn't know which, if any, of the payment plans they offer work for low-income customers or what the incidence of success or failure is (Id. Response to Data Request No. 22). Finally, the Company is unable to disaggregate low-income bad debt or arrears from the total cost to the company (Id. Response to Data Request Nos. 27 and 28). While it might not be reasonable or practical to expect the company to know answers to all of these questions, some of this information might inform PacifiCorp and this Commission with a better way of handling low income accounts such that customers stay connected and pay their bills in a more timely manner. This, in turn, could lower the cost burden associated with disconnections, reconnections, and collection activities, that other customers must cover as well.

For this reason, the Energy Project proposed in its direct testimony that the company begin to track the total number of accounts, the total number of accounts in arrears, the total dollar value of arrears, the total number of account disconnections, and the total number of reconnections on an annual basis, both for the residential class as a

whole and for the low-income subset of that class. This is the minimum recommended by Howat et al from the National Consumer Law Center. The company has agreed in cross-examination testimony to work with Commission staff and agencies providing service to low-income households to determine how that may best be accomplished. The Energy Project applauds the company's willingness to examine this issue. It is essential, however, that this must not just be a "study", but result in some actual meaningful data collection and analysis reported to the Commission to better understand how low-income households are affected.

IV. ARREARAGE MANAGEMENT

Currently the utility has a very simplistic, one-size-fits-all, approach to arrearages. In the event of non-payment a customer can go through a process that involves being sent notice, warned of disconnection, disconnected, applying for reconnection, entering into a payment agreement, being reconnected, etc. At this point he or she starts over again to try to pay their current bills, with the added burden of a deposit, some portion of their arrearage, and the charge for disconnection and reconnection. The utility's other ratepayers incur the expense of sending multiple notices or telephoning customers for payment, issuing disconnection warnings, sending a representative to disconnect the service (because the customer charge doesn't cover all the cost), negotiating deposit and payment arrangements, reconnecting (again probably not fully covered by the customer payment), and tracking that customer's payments to make sure they live up to the agreement. Company policy is that when a customer fails to comply with a payment plan arrangement, he can not be allowed another payment plan, though this may directly conflict with Washington's "prior obligation" statute (WAC 480-100-123).

As was illustrated in the direct testimony of Charles Eberdt, Exhibit No. 651-T, when the account goes so far as to be turned over to a collection service, the utility recovers an average of 15% of what the arrearage itself was, after accounting for collection costs but not including any of the costs for mailing, telephoning, travel, or staff time for the activities described above.

The company has stated, "Net write-off is the primary measurement of the effectiveness of the Company's collection activities." (Exhibit No. 19, Response to The Energy Project Data Request 15). The Energy Project can appreciate the need to reduce active account receivable balances, but has to question "At what cost?" During the hearing, PacifiCorp witness Andrew MacRitchie committed that the Company would "study" arrearage management in cooperation with representatives from all six states in its jurisdiction. (Tr. Vol. V, p. 305). The Energy Project appreciates the company's interest and cooperation in this matter. We submit, however, that this study should not be looked on solely as another attempt at providing low-income assistance, though it clearly could provide that. It is also a way to look at the cost of how the company conducts its arrearage management and collection processes. In that sense it falls well within the Commission's responsibility to regulate the activities of the utility. Should the parties find there is a more effective and less expensive way to proceed, it would be within the Commission's charge to order the company to carry out such a program. It is essential that the multi-state nature of the "study" process not impinge upon Washington's ability to implement programs that provide relief to low-income and other ratepayers. That is, for example, the company should not be prevented from initiating a program in Washington because it might not work effectively in, for example, Utah.

V. THE 50% RULE

The Energy Project has requested that PacifiCorp dispense with its policy that the Company's low-income energy efficiency funding pay only 50% of the cost-effective measures in a weatherized home, until such time as the matching funds from the state-funded Energy MatchMaker program (EMM) are expended. We believe the purpose of this policy stems from a desire to reach more homes with utility funds. In other states it also serves to leverage funds from other sources, such as the Department of Energy Weatherization Assistance Program (WAP). These funds could be spent on homes heated with other fuels, such as natural gas, propane, wood, or oil, or even other electric utilities. In Washington, however, the policy does not create such leverage and, in fact, the company puts the leverage it does have at risk.

The leveraged funds that are available to the company are the EMM funds. These funds are allocated to local WAP providers based on pledges those agencies can secure from potential funders. Utilities are the primary, but not the only, source of such pledges. The Energy MatchMaker program was initiated in the mid-1980's to encourage utilities to invest in low-income energy efficiency measures. If a utility pledges and receives $300,000 of EMM funds, that $300,000 must be used in homes heated by that utility's fuels (unless the utility waives that condition). The program has worked quite well, to the point that there is now more funding from utilities and other sources than the EMM can match. As an agency spends its utility funds, it can draw down that part of its pledge from the EMM.

The 50% rule does not leverage any more funds. When the EMM funds are allocated as a PacifiCorp match, they will be spent on PacifiCorp homes. However, by

slowing the rate of expenditure of PacifiCorp funds, the company does retard how quickly an agency can access all their EMM pledged PacifiCorp match, and any PacifiCorp funding that is available but not matched. That is, if the agency can't draw down all of their EMM funds by spending PacifiCorp funds at the 50% rate, they could lose the use of the unspent EMM funds. They would also not be able to use any PacifiCorp funding that was not matched by EMM. This, in fact, has happened twice in recent years, once with Blue Mountain Action Council and once with the Northwest Community Action Council. If the rule was removed, the agencies could pay for 100% of the cost-effective measures with PacifiCorp funds and secure their EMM pledged funds more quickly. Since the EMM funds drawn down by PacifiCorp match have to be used in homes heated with or measures powered by PacifiCorp electricity, the utility is not losing any ability to leverage additional funds. Dispensing with the 50% rule does not hurt the utility, but in fact helps secures its leveraged funds more quickly for the agencies to use in PacifiCorp powered homes.

IV. TECHNICAL REQUIREMENTS OF "NOTICE CONCERNING FORMAT FOR BRIEFS"

On February 6, 2006, Judges Rendahl and Mace issued a "Notice concerning Format for Briefs." That notice requires the parties to provide their position on technical, empirical issues such as their proposed adjusted rate base, capital structure and cost of capital, etc. Due to the unique nature of The Energy Project's interest in this case, and pursuant to telephone conversation with Judge Mace, The Energy Project simply states that its proposal to increase LIBA funding will increase PacifiCorp's total annual expenses in the amount of $804,000.00.

VI. CONCLUSION

The Energy Project urges this Commission to strongly encourage PacifiCorp to bring its level of LIBA funding to the same level as AVISTA. As stated in the direct testimony of Charles Eberdt, PacifiCorp serves some of Washington's poorest counties. There is simply no justification for it having the lowest level of funding of any of Washington's investor-owned utilities.

Regarding the tracking of low-income data, The Energy Project submits that PacifiCorp should commit to working in good faith with all participants in shaping the study and, that once the study is completed, that a meaningful attempt be made to gather the type of data that the study suggests is warranted.

With respect to an arrearage management plan, The Energy Project agrees that it is reasonable to work on a Company-wide basis, but that the particular needs, or possible unwillingness, of other states to engage in reasonable measures not impinge implementation of those measures in this state.

Finally, The Energy Project submits that PacifiCorp should be required to remove its limitation of only funding 50% of low-income energy efficiency funding until all state MatchMaker funds are exhausted. As pointed out above, there is simply no legitimate rationale for this limitation in the state of Washington and it only serves to effectively reduce the number of customers who received the needed assistance.

RESPECTFULLY SUBMITTED, this 27th day of February, 2006.

_____

Brad M. Purdy

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 26th day of February, 2006, I caused to be served the foregoing INITIAL POST-HEARING BRIEF OF THE ENERGY PROJECT, together with Exhibits CME-2 through CME-13 on the following, in the manner indicated, in Case No. UE-050684 by overnight delivery:

Christy Omohundro
Pacific Power & Light
825 N.E. Multnomah Ste 800
Portland, OR 97232

John Ridge
Stoel Rives
600 University St. Ste 3600
Seattle, WA 98101

James Van Nostrand
Stoel Rives
600 University St. Ste 3600
Seattle, WA. 98181-3197

Ralph Cavanagh
111 Sutter St. Fl. 20
San Francisco, CA 94101

Randall Falkenburg
8351 Roswell Rd.
PMB 362
Atlanta, GA 30350

Melinda Davison
Davison Van Cleve
333 S.W. Taylor Ste 400
Portland, OR 97204

Don Trotter
1400 S. Evergreen Park Dr. SW
P.O Box 40128
Olympia, WA 98504-0128

Simon Ffitch
Office of Public Counsel
900 4th Avenue Ste 2000
Seattle, WA 98164

_____

Brad M. Purdy