

Exh. MSN-1T
Docket UE-19____
Witness: Melissa S. Nottingham

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP dba
PACIFIC POWER & LIGHT COMPANY

Respondent.

Docket UE-19____

PACIFICORP

DIRECT TESTIMONY OF MELISSA S. NOTTINGHAM

December 2019

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ATTACHED EXHIBITS

Exhibit No. MSN-2—Schedule 300 Charge Review

Exhibit No. MSN-3—Bill Credit Calculation

1 **Q. Please state your name, business address, and present position with PacifiCorp.**

2 A. My name is Melissa S. Nottingham and my business address is 825 NE Multnomah
3 Street, Suite 2000, Portland, Oregon 97232. I am currently employed as Manager,
4 Customer Advocacy and Tariff Policy. I am testifying for PacifiCorp dba Pacific
5 Power & Light Company (PacifiCorp or the Company).

6 **QUALIFICATIONS**

7 **Q. Please describe your education and professional experience.**

8 A. I have a Bachelor of Arts in English from Arizona State University and continue to
9 pursue continuing education courses relevant to the utility industry. I began working
10 for PacifiCorp in 1996, and worked in various positions with progressive
11 responsibility for the past 20 years. For the past 10 years, I have been the Manager of
12 Customer Advocacy and Tariff Policy in the Company's Regulation department.

13 **Q. Please describe your current duties.**

14 A. My current duties include overseeing a team of five regulatory analysts who respond
15 to consumer commission complaints, sponsoring tariff changes, ensuring compliance
16 with the Company's tariff rules, and participating in general rate cases for
17 PacifiCorp's six state service territories. In addition, I oversee a team of three
18 business analysts responsible for the administration of the contracts for new electrical
19 load and the implementation and operation of the Company's guarantee program. As
20 my team supports the Company's tariff rules in each state, we also support changes to
21 Schedule 300, which are the charges associated with the implementation of the rules.

1 **Q. Have you appeared as a witness in other regulatory proceedings?**

2 A. Yes. I have testified in proceedings before the California Public Utilities
3 Commission.

4 **PURPOSE OF TESTIMONY**

5 **Q. What is the purpose of your testimony in this case?**

6 A. My testimony supports the following:

- 7 • Proposed changes to Rule 10 and Schedule 300 of the Company's Washington
8 tariff schedules;
- 9 • An opportunity for customers to receive a credit for paperless billing;
- 10 • A pilot for customers to receive a credit for automatic monthly payments;
- 11 • A pilot proposal for fee-free payment options for customers by incorporating
12 the charges for credit card payments and payment stations into the Company's
13 general rates; and
- 14 • General housekeeping changes to update the numbering of the rules from
15 other filings.

16 I provide additional detail below on each of the proposed changes to Rule 10
17 and Schedule 300, Charges as Defined by the Rules and Regulations, which are
18 provided in Exhibit No. RMM-18.

19 **Q. Why are you proposing these changes?**

20 A. The proposed changes reflect the Company's continued commitment to lower costs
21 for our customers, empower customers to control their monthly bills, and align the
22 Company's business practices to meet customer expectations.

23 **Q. Please provide a summary of your testimony and the proposed changes.**

24 A. My testimony proposes an update to several customer charges in Schedule 300.

25 The Company reviewed the costs associated with several Schedule 300 charges and
26 identified areas where costs have decreased. A variety of factors, including

1 automation of returned checks and improved data for meter reading fees and meter
2 exchanges, have contributed to these lower costs. Accordingly, the Company is
3 proposing to reduce customer charges to reflect current costs.

4 My testimony also proposes to implement a bill credit for customers who
5 choose paperless billing. The proposed bill credit would send a price signal to
6 customers to incentivize behavior that results in actual cost savings for the Company.
7 The Paperless Bill Credit would provide a monthly benefit to customers who
8 participate as well as create an incentive for customers to adopt more sustainable
9 practices.

10 In addition, my testimony proposes a pilot program that has three inter-related
11 components: 1) a bill credit for customers who select automatic monthly payments as
12 their payment method; 2) elimination of convenience fees for pay station payments;
13 and 3) elimination of convenience fees for credit card payments.

14 This pilot program provides an opportunity for customers to receive the
15 services that they have come to expect, while also balancing the potential impact to
16 all customers. Customers expect and want to pay their utility bill with a credit card in
17 the same manner they pay at the grocery store, other utility bills, or a phone bill. By
18 eliminating the separate fee, the Company is responding to direct feedback from
19 customers and providing the same service as other Washington utilities. In addition,
20 removing the pay station fee for all pay stations will broaden the demographic of
21 customers benefiting from fee-free payment options. The Company anticipates all
22 three of these payment options will be attractive to customers, and implementing this

1 initiative as a pilot program helps to balance this customer benefit with the potential
2 costs to all customers.

3 All of the proposed changes are a continuation of PacifiCorp's ongoing
4 commitment to provide fair and reasonable charges by closely managing expenses
5 while still meeting customers' increasing expectations.

6 **SCHEDULE 300 – CHARGES AS DEFINED BY THE RULES AND REGULATIONS**

7 **Q. Please describe the changes PacifiCorp is proposing to the Schedule 300 charges.**

8 A. Table 1 shows the rule, a description of the charge, the current charge, and the
9 proposed charge.

TABLE 1

| Rule | Description of Charge | Current | Proposed |
|-------------|---|---------------------------------------|---------------------------------------|
| R. 4.1 | Weekday After Hour Connection M-F, 4pm to 7pm | \$75 | \$50 |
| R. 8.4 | Non-Radio Frequency Accommodation, Install and Removal, Schedule 16 or 17 (Residential) | \$240 | \$100 |
| R. 8.4 | Non-Radio Frequency Accommodation, Install and Removal, all other rate schedules | Actual Cost, no less than \$240 | Actual Cost, no less than \$100 |
| R. 8.4 | Manual Meter Read Charge | \$20 | \$6 |
| R. 10.2 | Returned Payment Charge | \$20 | \$12 |
| R. 14.11 | Temp Service Charge – Single Phase | \$85 | \$156 |
| R. 14.11 | Temp Service Charge – Three Phase | \$115 | Remove |

10 **Weekday After-Hours Connection Charge**

11 **Q. What is the current weekday after-hours Connection Charge?**

12 A. The current weekday after-hours Connection Charge is \$75 and applies to
13 connections made Monday through Friday, except holidays, between 4:00 P.M. and
14 7:00 P.M.

1 **Q. What is the proposed change to the weekday after-hours Connection Charge?**

2 A. PacifiCorp is proposing to reduce the weekday after-hours Connection Charge from
3 \$75 to \$50.

4 **Q. Why is PacifiCorp proposing this change?**

5 A. PacifiCorp is proposing to lower the weekday after-hours Connection Charge based
6 on updated costs to perform the after-hours work, and to align the charge with the
7 existing Reconnection Charge for customers requesting service reconnection during
8 the same 4:00 P.M. to 7:00 P.M. timeframe. The Connection Charge is applicable in
9 situations where service is already installed, no construction or permits are required,
10 and the Company simply needs to turn the power on for a new customer. The
11 Reconnection Charge is assessed for the same work, but only when the customer is
12 involuntarily disconnected. While the circumstances around connection and
13 reconnection charges may differ, the work necessary to perform both of these services
14 is essentially the same. Reducing the Connection Charge will align these two charges
15 and better correspond the weekday after-hours Connection Charge with actual costs.
16 The calculation of the Connection Charge can be found in Exhibit No. MSN-2,
17 Schedule 300 Charge Review.

18 **Non-Radio Frequency Meter Accommodation, Installation, and Subsequent Removal**
19 **Charge**

20 **Q. Please describe the Non-Radio Frequency Meter Accommodation, Installation,**
21 **and Subsequent Removal Charge (Installation and Subsequent Removal**
22 **Charge).**

23 A. The standard meter for PacifiCorp customers in Washington is an Automated Meter
24 Reading (AMR) radio frequency meter. The Installation and Subsequent Removal

1 Charge is assessed to customers if they request a non-standard meter at a location
2 with an AMR meter. The charge covers the cost of exchanging the AMR meter with a
3 non-standard meter.

4 **Q. What is the current Installation and Subsequent Removal Charge?**

5 A. The current charge for Schedule 16 and 17 customers (residential) is \$240 per meter
6 and for all other rate schedules it is actual cost, but no less than \$240 per meter.

7 **Q. What is the proposed change to the Installation and Subsequent Removal**
8 **Charge?**

9 A. PacifiCorp is proposing to lower the Installation and Subsequent Removal Charge
10 from \$240 to \$100 for residential customers and continue to charge actual cost for all
11 other rate schedules, but no less than \$100 per meter.

12 For non-residential customers, PacifiCorp also proposes lowering the
13 minimum charge to \$100 while continuing to retain the option to charge actual
14 charges for more complex metering installations. The \$100 represents the average
15 costs for the least complex type of metering equipment. Non-residential customers
16 may have very complex metering equipment including higher voltage and current
17 transformers.

18 **Q. Why is PacifiCorp proposing this change?**

19 A. The Installation and Subsequent Removal Charge is cost-based, and was calculated
20 based on the current activity rate for employees completing the work multiplied by
21 the average travel time and the average time to exchange a meter. The Company
22 tracks all of these items for meter exchanges, and an analysis of this data supports

1 reducing the existing charge based on actual costs. See Exhibit No. MSN-2 Schedule
2 300 Charge Review for more detail.

3 **Non-Radio Frequency Meter Accommodation, Manual Meter Reading Charge**

4 **Q. Please describe the Non-Radio Frequency Meter Accommodation, Manual Meter**
5 **Reading Charge (Manual Meter Reading Charge).**

6 A. PacifiCorp's AMR meters do not require an employee to enter a customer's property
7 to read the meter. Routine meter reads are obtained when an employee travels
8 through the area with a meter reading collection device. A customer with a non-
9 standard meter requires an employee to access the customer's meter to manually read
10 the meter and is still integrated into a manual monthly meter reading route. The
11 Manual Meter Reading Charge reflects the incremental cost incurred by the Company
12 to manually read a non-standard meter.

13 **Q. What is the current Manual Meter Reading Charge?**

14 A. The current Manual Meter Reading Charge is \$20 per month.

15 **Q. What is the proposed Manual Meter Reading Charge?**

16 A. PacifiCorp proposes to reduce the Manual Meter Reading Charge from \$20 per month
17 to \$6 per month.

18 **Q. Why is PacifiCorp proposing a change to the Manual Meter Reading Charge?**

19 A. PacifiCorp is proposing to reduce the manual meter reading charge to better reflect
20 the current cost to obtain a manual meter read. PacifiCorp is proposing to change the
21 Manual Meter Reading Charge to reflect only the average time necessary to read the
22 meter. The average time to read a meter was determined by looking at times the
23 Company reads a meter outside a meter reading route and then multiplying that time

1 with the labor rate for the employee reading the meter. Based on this review, the
2 Company proposes lowering the charge from \$20 per month to \$6 per month. See
3 Exhibit No. MSN-2 for more detail.

4 **Returned Payment Charge**

5 **Q. Please describe the Returned Payment Charge.**

6 A. If a customer presents a payment that is returned by the customer's bank, the
7 Company incurs a cost to process the returned payment. The payments can be
8 returned for a variety of reasons including, but not limited to, insufficient funds,
9 incorrect account numbers, or closed accounts.

10 **Q. What is the current Returned Payment Charge?**

11 A. The current Returned Payment Charge is \$20.

12 **Q. What is the proposed change to the Returned Payment Charge?**

13 A. PacifiCorp proposes to reduce the Returned Payment Charge from \$20 to \$12.

14 **Q. Why is PacifiCorp proposing this change?**

15 A. Banks are now able to electronically transfer money from one bank to another bank
16 with less human interaction. This automation of a portion of the return payment
17 process has led to reduced costs to the Company when a payment is returned. Each
18 time the Company's bank receives a returned item the bank assesses a fee to the
19 Company. These fees account for the majority of the cost to the Company when a
20 customer's payment is not acknowledged as valid. The fee can vary from \$11 to \$16
21 based on the banks presenting the returned payment, the amount of the payment, and
22 the number of times the payment is presented for payment.

1 While the processing of these payments have become more automated, labor
2 costs are not completely eliminated. Each returned item requires a PacifiCorp
3 employee to update the account information and reverse the payment if the billing
4 system has already posted the payment to the account. The labor costs range from
5 one to six dollars per transaction. The Company is proposing \$12 as it closely
6 represents the low-end of the average costs of both the labor and the bank fees
7 associated with these returned payments. See Exhibit No. MSN-2, which shows the
8 calculation of the proposed charge.

9 **Temporary Service Charges**

10 **Q. Please describe the Temporary Service Charges.**

11 A. A Temporary Service Charge applies when a customer requests the energization of a
12 temporary pedestal for temporary electric service. Temporary pedestals are typically
13 needed for periods when a premise is under construction. The Temporary Service
14 Charges cover the labor cost to bring a service line to the pedestal and energize the
15 service. Once the service is energized, the requesting customer is billed for the
16 energy used. Once the structure is completed, the temporary service is de-energized
17 and the meter is relocated to the permanent meter base.

18 **Q. What are the current Temporary Service Charges?**

19 A. The current charge is \$85 for single phase service and \$115 for three phase service.

20 **Q. What are the proposed changes to the Temporary Service Charges?**

21 A. PacifiCorp is proposing to increase the charges to \$156 for all temporary service
22 installations. The \$156 charge is based on the current loaded rate for one hour of

1 journeyman time, which is similar to the methodology used when the Temporary
2 Service Charges were initially calculated in 1987.

3 **Q. Why is PacifiCorp proposing this change?**

4 A. The Temporary Service Charges have not been updated since 1987 and do not reflect
5 the Company's current cost to provide this service. See Exhibit No. MSN-2 Schedule
6 300 Charge Review for a review of the cost calculation.

7 **Paperless Bill Credit**

8 **Q. Please describe the Paperless Bill Credit.**

9 A. PacifiCorp is proposing to add a credit to Schedule 300 to provide customers a
10 monthly credit if they have enrolled in paperless billing.

11 **Q. What is the proposed amount of the Paperless Bill Credit?**

12 A. The proposed monthly credit is \$0.50.

13 **Q. Why is PacifiCorp proposing a monthly credit for paperless customers?**

14 A. PacifiCorp is proposing a Paperless Bill Credit that is correlated to the savings and
15 benefits of not sending a paper bill to a customer when that customer voluntarily
16 enrolls in paperless billing. Electronic delivery of the customer's monthly bill
17 eliminates the cost of the bill paper, the envelope, the printing and stuffing of the
18 envelope, and the postage to mail the bill. Eliminating these costs results in savings
19 of approximately \$0.49 per item. By passing this savings to the customer in a
20 \$0.50 monthly credit, the Company is encouraging customers to utilize a lower cost
21 billing option and a more environmentally friendly option. Please see Exhibit No.
22 MSN-3 Bill Credit Calculation for more detail.

1 **AUTOMATIC PAYMENT CREDIT AND FEE-FREE PAYMENT PILOT PROGRAM**

2 **Automatic Payment Credit**

3 **Q. Please describe the Automatic Payment Credit.**

4 A. PacifiCorp is proposing a pilot program to offer a monthly bill credit for customers
5 who voluntarily enroll in the automatic payment option. The automatic payment
6 option requires a checking or savings account from which automatic monthly
7 payments are withdrawn on the bill due date. Customers can enroll through the
8 Company's website or by submitting a mail-in authorization form with the necessary
9 banking information. Once the automatic payment is set up, the customer will
10 receive the credit without any additional action.

11 **Q. What is the proposed Automatic Payment Credit?**

12 A. The proposed credit is \$1.00 per metered service during the pilot program.

13 **Q. Why is PacifiCorp proposing a credit for customers that elect the automatic
14 payment option?**

15 A. Payments submitted electronically using a checking or savings account are the least
16 costly payment channel to PacifiCorp. PacifiCorp wants to encourage its customers
17 to control costs and be the direct beneficiaries of selecting lower costs options.
18 The weighted average of the incremental costs per transaction and the number of
19 transactions for other payment options including credit card fees, pay station fees, and
20 the cost of processing mailed payments, is \$1.17. The cost of an electronic payment
21 is \$0.06. The proposed Automatic Payment Credit is based on the savings from using
22 an electronic payment as opposed to other payment options, rounded to \$1.00. The

1 Automatic Payment Credit provides an opportunity for monthly savings to customers.
2 Please see Exhibit No. MSN-3, Bill Credit Calculation, for more detail.

3 **Credit Card and Pay Station Fees**

4 **Q. Please describe PacifiCorp's fee-free payment proposal?**

5 A. PacifiCorp is requesting a pilot program for the elimination of credit card fees and
6 pay station fees and for these costs to be embedded in rates rather than recovering the
7 fees directly from the customers who use that specific method of payment.

8 Convenience fees associated with credit card payments can be a deterrent for
9 customers that already have limited options for making payments. In addition,
10 customers want the flexibility to pay by credit card without the perceived penalty of a
11 transaction fee. On September 13, 2016, in Docket A-150561, the Washington
12 Utilities and Transportation Commission (Commission) issued a notice of change in
13 policy finding that it is in the public interest to allow a Company to incur the payment
14 costs, rather than its individual customers. Several other Washington utilities already
15 include these fees in rates, which further increases expectations for PacifiCorp
16 customers who still pay these fees.

17 In addition to the credit card fees, PacifiCorp is requesting the \$1.50 fee for
18 pay station payments also be incorporated in rates. Incorporating the pay station fee
19 removes a barrier for unbanked customers who pay with cash or customers without
20 access to credit or the internet.

1 **Q. How many credit card payments were received during the test period from**
2 **Washington customers?**

3 A. From July 1, 2018, to June 30, 2019, PacifiCorp's vendor, Speed Pay, processed
4 154,344 Washington credit card payments.

5 **Q. How many pay station payments were received during the test period from**
6 **Washington customers?**

7 A. For the same test period timeframe of July 1, 2018, to June 30, 2019, PacifiCorp
8 received 179,903 payments at the Company's contracted pay stations. Washington
9 has the second highest number of payments submitted via a pay station in
10 PacifiCorp's six state territory.

11 **Q. How will the credit card and pay station fees be incorporated into rates?**

12 A. The cost of the program is based only on payments submitted by Washington
13 customers. Payment processing costs are aggregated and the costs are included in
14 Washington's rates.

15 **Q. Does any other utility provide a fee-free program?**

16 A. Yes. Avista Utilities (Avista), Puget Sound Energy (PSE), Clark County Public
17 Utility District, and NW Natural are a few of the utilities already offering customers a
18 fee-free payment option for credit cards.

19 **Q. Please describe the proposed pilot for the elimination of the credit card and pay**
20 **station fees and the introduction of an Automatic Payment Credit.**

21 A. PacifiCorp is proposing a pilot to introduce fee-free payments and an Automatic
22 Payment Credit. The revenue requirement of this case assumes that approximately
23 20 percent of bill payments are made with credit cards and approximately 14 percent

1 of bill payments are made at pay stations. PacifiCorp proposes to report to the
2 Commission if the credit card fees and pay station transaction costs exceed what is
3 proposed for inclusion in rates in this case. As part of the report, PacifiCorp may
4 propose a deferral of excess transaction costs. The pilot is a prudent approach that
5 will allow PacifiCorp to monitor the impact of the pilot program on rates and report
6 on those impacts to the Commission. Additionally, including the Automatic Payment
7 Credit in the pilot program provides an incentive for customers to remain or enroll in
8 the lower cost automatic payment withdrawal from a checking or savings account,
9 which is the lowest cost payment option even after the credit is applied.

10 **Q. Why are you proposing this as a pilot?**

11 A. The Company anticipates credit card payments will double in volume when the credit
12 card fee paid by the customer is eliminated. This conclusion is supported by the
13 experience of PSE and Avista. After eliminating similar fees, PSE experienced an
14 increase in credit card payments from 10 percent to 17 percent of total payments and
15 Avista has seen a rise in credit card payments from seven percent in 2015 to
16 28 percent in 2019 of total payments. Additionally, PacifiCorp intends to offer its
17 customers the ability to set up reoccurring credit card payments making it more likely
18 the Company will see an increase in credit card payments.

19 As credit card payments increase, the Company expects there will be a
20 corresponding decrease of other forms of payments and anticipates some customers
21 may elect to use a credit card for a variety of reasons such as collecting rewards
22 offered by credit card companies. Offering a credit to customers for enrolling in

1 automatic payments using a checking or savings account provides an incentive to
2 customers to choose the least costly payment channel.

3 The pilot allows PacifiCorp to evaluate the impact of the automatic credit as
4 an incentive for customers to enroll in the least-cost payment option and to evaluate
5 the cost impacts of the potential increased participation in credit card payments, both
6 one-time and reoccurring payments.

7 **HOUSEKEEPING**

8 **Q. What housekeeping changes are you proposing?**

9 A. I am proposing housekeeping changes to Sheet No. 300.1 and Sheet No. 300.2 in
10 Schedule 300 to correct inaccurate sheet references. The table below summarizes the
11 proposed changes:

TABLE 2

| Schedule 300 Housekeeping Changes | | |
|---|---------------|---------------|
| Sheet No. 300.1 | | |
| Name of the Charge | Old Sheet No. | New Sheet No. |
| Customer-Installed Facilities Refund at Permanent Disconnection | 6.3 | 6.5 |
| Sheet No. 300.2 | | |
| Name of the Charge | Old Sheet No. | New Sheet No. |
| Customer-Installed Facilities Refund at Permanent Disconnection | 6.3 | 6.5 |
| Service Call Charge (Customer facilities) | 6.3 | 6.5 |
| Other Work at Customers Request | 6.3 | 6.5 |
| Meter Verification Charge | 8.3 | 8.1 |
| Non-Radio Frequency Meter Accommodation | 8.3 | 8.4 |
| Deposit | 9.2 | 9.1 |
| Late Payment Charge | 10.3 | 10.4 |

1 **CONCLUSION**

2 **Q. Please summarize your testimony.**

3 A. The proposed changes to PacifiCorp’s Schedule 300, Charges as Defined by the
4 Rules and Regulations, represent both the ongoing commitment by PacifiCorp to keep
5 operational costs low for our customers and align customer charges with cost. With
6 one exception, all of the proposed charges are lower than current charges, and will
7 benefit a comprehensive and diverse group of customers. The proposed bill credits
8 create an opportunity for customers to manage costs and directly receive the benefits
9 of their choices. Lastly, incorporating the payment fees into rates is a customer
10 centric business model and integral to customers’ experiences and expectations.

11 **Q. What is your recommendation regarding changes to Schedule 300, Rule 10, and**
12 **the proposed pilot program?**

13 A. I recommend that the Commission approve the changes to Schedule 300, Rule 10,
14 and the proposed pilot programs to implement an Automatic Payment Credit
15 (included in Rule 10) and eliminate credit card and pay station fees.

16 **Q. Does this conclude your direct testimony?**

17 A. Yes.