

BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

DOCKET NO. UE-991606
DOCKET NO. UG-991607

REBUTTAL TESTIMONY OF BRUCE W. FOLSOM
REPRESENTING AVISTA CORPORATION

Exhibit T-__(BWF-T)

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A.Please state your name, business address and position with the Avista Corporation?

A. My name is Bruce Folsom. My business address is East 1411 Mission Avenue, Spokane, Washington. I am employed by the Avista Corporation (Avista or Company) as a Rate Accountant.

A.Have you previously submitted direct testimony in this proceeding?

A. Yes. In that testimony I provided information in support of the Company’s energy efficiency programs.

Q. What is the scope of your rebuttal testimony?

A.I address low income issues in response to the testimony of Roger Colton, a consultant representing the Spokane Neighborhood Action Program or “SNAP.”

Q. What is SNAP’s primary recommendation?

A. I understand Mr. Colton’s recommendation is to have the Commission order Avista Utilities to enter into a collaborative. The collaborative’s purpose would be to consider potential Company programs beneficial to low-income customers.¹

Prior to reviewing SNAP’s data responses, the Company had understood Mr. Colton’s 67 pages of prefiled direct testimony to be broader in scope than a call for a collaborative. The context of Mr. Colton’s testimony appeared to be a criticism of the Company’s low-income customer practices. However, Mr. Colton’s testimony does “not recommend or advocate specific low-income programs in his Avista testimony”, as stated in SNAP’s response to

¹ Mr. Colton’s specific language at page 4 of his testimony is: “(1) Avista should be directed to initiate a collaborative process through which stakeholders can consider a range of appropriate responses to low-income payment troubles; (2) The collaborative process should develop a range of low-income nonpayment responses utilizing the planning process that I outline in the text of my testimony below...”

1 Company Data Request No. 1. Further, Mr. Colton presents no quantification of any benefits
2 specific to Avista Utilities related to new low-income initiatives.

3 Q. Does the Company agree that a collaborative should be convened to address
4 low-income customer needs?

5 A. No. The Company does not believe that a collaborative for Avista Utilities
6 should be convened at this time in the manner proposed by Mr. Colton.

7 Between Avista Utilities' low-income energy efficiency programs, its CARES program,
8 and Commission-governed reconnection policies, the Company will spend approximately one
9 percent—a number used as a general goal for low income programs—of its annual
10 jurisdictional retail revenue on low-income customers in the 2001 rate year. Furthermore
11 Avista Utilities' rates, both current and proposed, are already below any rates resulting from
12 utility discount programs throughout the United States to my knowledge. Taken as a whole,
13 and by these measures, this makes Avista Utilities one of the most “low-income friendly”
14 utilities in the country.

15 The Company believes that Mr. Colton's testimony overstates the degree of the problem
16 of low-income customers in the Spokane area when viewed in light of Avista Utilities' low
17 rates, even with the proposed rate increase. Moreover, he selects as examples utilities that are
18 not comparable to Avista Utilities from a low-income customer perspective.

19 Lastly, potential low-income mechanisms suggested by SNAP would most likely not
20 reduce Avista Utilities' reconnection and delinquency costs. This is because the Washington
21 Administrative Code does not allow disconnection practices as I believe are presumed by Mr.
22 Colton based on his illustrations of benefits that are apparently experienced by other utilities.

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1 In the event that the Commission requests that a collaborative be convened, the Company
2 suggests that this be a statewide effort involving all energy utilities and key stakeholder
3 representatives for the express purpose of meeting goals enunciated by the Commission with
4 respect to the Washington Administrative Code and the interpretation of enabling statutes.

5 Q. Please describe Avista Utilities' current support of low-income initiatives.

6 A. In 1999, Washington low-income customers received over \$1,000,000 in energy
7 and fuel efficiency assistance. In my direct testimony, an incremental \$500,000 was pledged
8 by Avista Utilities to additional low-income energy efficiency efforts for each of the next two
9 years.

10 Avista Utilities provides four dedicated customer service representatives who assist
11 customers in financial need through its CARES program. The CARES representatives direct
12 customers to community energy assistance programs and arrange payment plans.

13 In essence, CARES representatives are advocates for low-income customers.

14 In 1999, Avista Utilities:

- 15 •made 159,069 payment arrangements for Washington customers,
- 16 •had disconnection time periods of less than four hours on average, and
- 17 •wrote off \$1,633,823 in unpaid Washington residential accounts, of which
\$816,000, or half, originated from low-income customers.

18 Together, this represents a financial commitment of over one percent of Washington
19 retail revenue (including the estimate of low-income writeoffs). This level of financial support
20 is in line with Mr. Colton's call for a one percent wires charge to fund low-income programs.

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22 Avista Utilities believes that it makes a strong, concerted effort to reduce low-income
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1 customers' bills through energy efficiency programs and to work with customers in financial
2 need, within the bounds of the Washington Administrative Code, to reach satisfactory payment
3 arrangements.

4 Q. What is your perspective on rate discounts relative to Avista Utilities?

5 A. Avista Utilities' residential customers experience rates among the lowest in the
6 country. This translates into rates to low-income customers that are less than any rates resulting
7 from rate discount programs run by other utilities to my knowledge.

8 A. What is your response to Mr. Colton's emphasis on the magnitude of the poverty
9 level in Spokane County?

10 A. The Company understands that many of its customers are considered by Federal
11 standards to be low-income. However, I cannot confirm Mr. Colton's poverty numbers because
12 Avista Utilities does not collect information from customers on income level. The Company
13 does not collect income data from customers due to concerns about invasion of privacy.
14 Generally, customers prefer not to share such information unless it is mandatory for service
15 (e.g., to acquire a loan from a lending institution). We respect that preference.

16 What is lacking in Mr. Colton's analysis of the poverty level within the Company's
17 service territory is that Avista Utilities' residential retail rates, as previously stated, are among
18 the lowest in the country. If the Company's full rate request is granted, Avista Utilities would
19 still be among the ten lowest cost utilities in the country. This relates directly to Mr. Colton's
20 contention that the energy burdens of Avista low-income customers are unsustainable. His
21 metric for unsustainable, or perhaps better called "unaffordable", energy costs is the percentage
22 of income by customers spent on utility bills. He states at page 8 of his testimony that this
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valuation “would yield sustainable [or affordable] energy burdens of from 6% to 8% of income. The energy burdens of low-income consumers routinely exceed these figures.” It appears that this latter statement is in reference to national figures, not Avista Utilities’ rates.

At page 48 of his testimony, Mr. Colton shows Avista Utilities’ low-income customers—or those at 125% of the Federal poverty level—experience electric power burdens of 3% for household sizes of 3 or 4 people. By Mr. Colton’s own standards, Avista Utilities’ current or proposed rates do not lead to an unaffordable energy burden for the Company’s low-income customers.

Q. Mr. Colton cites several states and utilities in his testimony as examples of innovative programs responsive to low-income issues. How do these examples relate to Avista Utilities?

A. In most all instances, customers of utilities in states that have adopted formalized low-income programs suffer from rates above the national average and significantly higher than Avista Utilities’ rates. I have reviewed programs in states noted by Mr. Colton as well as other states known for active low-income program offerings. These states are shown in Table 1 for illustrative purposes.

Q.

Q.TABLE 1—Residential Rates in Cents/kwh ¹

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<u>Utility</u>	<u>Electric Rate</u>	<u>Utility</u>	<u>Electric Rate</u>
<i>Pennsylvania</i>		<i>Maryland</i>	
West Penn Power Co.	6.82	Potomac Edison Co.	7.42
Penn. Power & Light Co.	8.03	Potomac Elec. Power Co.	8.47
Pike Co. Light & Power Co.	9.74	Baltimore G&E Co.	8.60
PECO Energy	11.15	<i>New Jersey</i>	
Duquesne Light Co.	11.38	Rockland Electric Co.	10.28
Q. <i>New York</i>		<i>Arizona</i>	
Central Hudson G&E Corp.	11.04	Arizona Public Service Co.	9.18
Rochester G&E Co.	11.68	Tucson Electric Power Co.	9.26
Orange & Rockland Util.	12.19	<i>Massachusetts</i>	
Niagara Mohawk Power	12.23	Mass. Electric Co.	9.24
NY State Elec. & Gas Co.	13.84	Western Mass. Elec. Co.	10.52
Consolidated Edison Co.	15.87	Cambridge Elec. Co.	10.90
<i>California</i>		Boston Edison Co.	11.81
San Diego G&E Co.	10.47	Commonwealth Elec. Co.	12.17
Pacific Gas & Elec. Co.	10.90		
Southern Cal. Edison	11.45		
Q. <i>Washington</i>			
Avista Corp.—current²	4.78		

1. Source: Edison Electric Institute, Rankings, January 1, 2000
2. Avista Utilities’ residential rate at its full requested increase would be 5.52 cent/kwh

Some states provide low-income rate discounts ranging from 15 to 50%, such as California, Massachusetts, and Pennsylvania. Based on the rates shown in Table 1, even with these discounts, Avista Utilities’ proposed rates would be less than discounted rates.

Q. In several instances, Mr. Colton suggests that Avista Utilities is not aggressively or strategically managing its collection practices. For example, at page 12, Mr. Colton states: “In this way, the customer is prevented from incurring additional future unpaid bills. On the other hand, a shutoff can be said to be a means of collecting the current arrears. In this way, the disconnection of service is a device to obtain payment toward past bills.” Do you agree with this assessment?

A. I do not agree with these statements as they relate to Avista Utilities in

1 Washington State. The practice described by Mr. Colton is prohibited by the WUTC Staff's
2 interpretation of Washington Administrative Code 480-100-071 and 480-100-116. The Staff
3 has determined that the language in WAC 480-100-116 does not allow disconnection of service
4 for purposes of collecting outstanding bills. Accordingly customers must be reconnected upon
5 payment of one-half of a deposit and a reconnection charge of \$16.00. This means that if a
6 customer owes the Company for past due charges and for whatever reason does not pay, that
7 customer would be reconnected upon payment of one-half deposit plus \$16. The past due
8 amount would be considered a "prior obligation" and ultimately written off as a bad debt.
9 Avista Utilities has met with Staff on several occasions to discuss how this interpretation, or
10 the underlying rules, could be changed to use this rule as a means of collecting arrears.

11 Q. What additional impact does the application of these rules have on Mr. Colton's
12 testimony?

13 A. Mr. Colton contends that "if service terminations do remove payment-troubled
14 customers from the system, when considered in light of low-income consumers, removing a
15 nonpaying customer from the utility system does not necessarily result in the least-cost
16 provision of service to all remaining ratepayers. ..." (Colton testimony at page 16) Mr.
17 Colton's point is that, because a customer who is disconnected uses no product and makes no
18 contribution to fixed or variable costs, Avista Utilities should strive to help that customer get
19 back on the Company's system through some form of energy bill-paying assistance. However,
20 the prohibitions of the Washington Administrative Code makes this argument moot regarding
21 disconnections. The general time period for a customer who is disconnected from the
22 Company's system is less than four hours.

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In response to Company Data Request No. 9, Mr. Colton states: “Residential arrears situations rarely involve a choice between complete payment and \$0 payment. No information was considered regarding the number of hours a customer was without power due to the disconnection of service for nonpayment.” As stated above, in Washington a customer is not required to pay any of their past due balance for service reconnection.

Q. Mr. Folsom, isn't it true that delinquencies that result in write-offs are, in fact, incorporated into utility rates through an adjustment for write-offs?

A. Yes. The Company is made whole through an adjustment for write-offs or bad debt, applied to all customers. With this in mind, two points should be understood. First, the Company cannot use disconnection as a primary tool for collecting payment in arrears as envisioned by Mr. Colton. Second, costs are shifted from the non-paying customer group to the general rate paying body under current accounting practices.

Q. Are SNAP's scenarios for program design applicable to Avista Utilities?

A. I do not believe so. For example, Mr. Colton describes a methodology for evaluation of low-income program improvements at pages 64 and 65 of his testimony. These tables are examples of costs and benefits based on utilities under the jurisdiction of the Pennsylvania Public Utilities Commission. These tables do not reflect Avista Utilities costs and savings. The Washington Administrative Code does not authorize disconnection, reconnection, prior obligation, and deposit practices in such a way as to make Table VII-3 representative of a Washington state utility, much less reflective of Avista Utilities.

Through responses to data requests, Mr. Colton does not provide support for any benefits that would accrue to the Company's total ratepayer population; rather, he cites

1 published papers and orders relating to other jurisdictions.

2 Furthermore, there is an inherent cost of implementing programs in the examples
3 proposed by Mr. Colton. Such costs include changes to the billing and accounting computer
4 systems as well as ongoing administrative costs. These costs may be substantial covering
5 everything from necessary computer changes to the addition of several new employees to
6 administer the programs. These costs could be measured in the millions of dollars.

7 Q. Is Mr. Colton's proposed one percent wires charge adequately defined for
8 purposes of implementation at this time?

9 A. No. There are several issues that need greater precision in the event that Mr.
10 Colton's proposal is considered for adoption. The one percent wires charge is not defined
11 regarding its intended coverage of costs. Administration, delinquencies, related write-offs,
12 billing and accounting system computer changes, and associated operating costs would need
13 to be examined and authorized for inclusion so that revenues are sufficient to cover the cost of
14 implementation.

15 Additionally, eligibility standards and funding levels would need to be evaluated and
16 set such that there is no undue and unreasonable discrimination from program administration
17 perspectives, either in-house by the utility or by a third party institution. If a resulting energy
18 assistance program allowed community action agencies to devote funds to customers in greatest
19 need, then definitions of such need must be developed. If an energy program were to be
20 designed as a new tariff then very accurate forecasts of funding levels would be necessary so
21 that the demand for dollars could be met by available funds.

22 A.If the Commission were to direct Avista Utilities to enter into a collaborative process
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for further development of these issues, what would be of concern to the Company?

A. The Company is not recommending that a collaborative process be established. However, if the Commission suggests such an effort be undertaken, the Company would recommend that any collaborative effort be statewide in nature. Consideration of the pertinent issues should involve all energy utilities and appropriate stakeholders in the state.

Q. What is your conclusion?

A. The Company has a demonstrated track record of responsiveness to low-income customers through four metrics:

- aggressive energy and fuel efficiency assistance,
- specialized customer service dedicated to financially distressed customers,
- disconnection policies that leave customers without power for less than four hours on average, and
- low rates which produce an energy burden of only 37-50% of what Mr. Colton would call unaffordable energy costs for a household of three members.

SNAP has not established that benefits of new low-income programs exceed the costs involved. Avista Utilities believes the Commission should reject Mr. Colton’s recommendation to convene a company-specific collaborative at this time. If the Commission desires that a collaborative be formed to examine these issues, the Company suggests that it be statewide with the purpose of examining Commission low-income goals and related rules in light of interpretations of enabling statutory authority.

Q. Does this conclude your rebuttal testimony?

A. Yes.