

Exhibit No. T (RK-1T)
Dockets UE-140762, et al.
Witness: Roger Kouchi

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**PACIFIC POWER & LIGHT
COMPANY,**

Respondent.

**UE-140762 and UE-140617
(consolidated)**

In the Matter of the Petition of

**PACIFIC POWER & LIGHT
COMPANY,**

**For an Order Approving Deferral of
Costs Related to Colstrip Outage.**

DOCKET UE-131384 (consolidated)

In the Matter of the Petition of

**PACIFIC POWER & LIGHT
COMPANY,**

**For an Order Approving Deferral of
Costs Related to Declining Hydro
Generation.**

DOCKET UE-140094 (consolidated)

TESTIMONY OF

Roger Kouchi

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Rule 11D and Schedule 300 Issues

October 10, 2014

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1 I. INTRODUCTION

2
3 **Q. Please state your name and business address.**

4 A. My name is Roger Kouchi. My business address is 1300 S. Evergreen Park Drive
5 S.W., P.O. Box 47250, Olympia, WA 98504.
6

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

8 A. I am employed by the Washington Utilities and Transportation Commission as a
9 Regulatory Analyst in the Consumer Protection and Communication Section of the
10 Safety and Consumer Protection Division.
11

12 **Q. How long have you been employed by the Commission?**

13 A. I have been working for the Commission since March 1992.
14

15 **Q. Would you please state your educational and professional background?**

16 A. I received a Bachelor of Science Degrees in Electrical and Industrial Engineering from
17 the University of Washington in 1968 and a Master of Science degree in Systems
18 Management from the University of Southern California in 1976.

19 My duties at the Commission include analyzing informal customer complaints
20 concerning the rates or services of all regulated energy utilities, household goods
21 carriers, and auto transportation companies; acting as the public involvement
22 coordinator for energy rate cases; and serving as the lead or team member on energy
23 filings with consumer issues. I was lead in Docket UE-100338 (PSE Petition for SQI

1 Penalty Mitigation). I have been involved in several consumer rulemakings for the
2 electric and gas industries (Dockets UE-940084, UG-940085, and U-100523). I have
3 previously testified in Docket UT-950200 involving U S WEST Communications,
4 Inc.'s request for late payment fees and have presented a number of items at open
5 public meetings. I have also testified in Dockets UE-072300 and UG-072301
6 regarding Service Quality Index (SQI) program modifications for Puget Sound Energy
7 (PSE).

8 9 II. SCOPE AND SUMMARY OF TESTIMONY

10
11 **Q. What is the purpose of your testimony?**

12 A. My testimony will address Pacific Power & Light Company's (Pacific Power or
13 Company) proposed changes to Rule 8¹, Rule 11D² and Schedule 300 in its
14 Washington tariff schedules. My testimony will focus on the following:

- 15 1. The Company's proposal to modify Section B of Rule 11D, Field Visit Charge
16 to add the additional language "due to an action by the Customer or."
- 17 2. The Company's proposal to add language to Rule 11D to specify that
18 individual customers are responsible for paying the collection agency costs
19 associated with the collection of their unpaid debt.³
- 20 3. The increase in connection and reconnection charges in Schedule 300.

¹ Exhibit No. BAC-1T, p. 2 proposes language that addresses an optional service available for a customer who would like to have a non-radio-frequency meter rather than the standard customer meter.

² Id, p. 4 proposes the following additional language to Section B of Rule 11D, "due to an action by the Customer or..." Staff does not oppose this change.

³ Id, p. 5.

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Q. Please summarize your testimony and recommendations.

A. My testimony targets the following issues:

1. **Field Visit Charges.** I recommend that the Commission reject Pacific Power’s Section B, Rule 11D modification. The Company seeks to charge the field visit charge for other unnamed reasons when the Company employee does not disconnect because the customer pays at the door or requests the Company to postpone disconnection. The Company proposes to collect the field visit charge for other charges to include but not limited to, the customer not providing safe, or unobstructed access to the meter, the customer becoming hostile or threatening towards the employee, the customer’s electrical facilities being in an unsafe condition, or the customer providing the field metering specialist a receipt for payment. The Company does not name these circumstances in its proposed tariff revision nor does the Company put any qualifications, standards or boundaries on the circumstances allowed.
2. **Collection Charges.** I recommend that the Commission reject Pacific Power’s Rule 11D proposal. The Company seeks to depart from Commission practice and make customers personally responsible for paying a collection agency’s costs associated with the collection of their unpaid debt. In my opinion, the Company has not adequately demonstrated that this practice will benefit all customers. Nor has it demonstrated the impact such a change would have upon low-income customers.

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3. **Connection and Reconnection Charges.** I recommend that the Commission reject Pacific Power's proposed increases to its connection and reconnection charges. Again, the Company has not sufficiently shown the impacts associated with its proposed charges, particularly the effects on its low-income customers.

4. **Adjustment to Revenue Requirement Associated with Connection and Reconnection Charges.** As a result of my second recommendation, I also recommend that the Commission reject Pacific Power's adjustment 3.8. This pro forma adjustment removes the actual connection and reconnection charges from the historical test year and replaces them with the proposed amounts using historical numbers of connections and reconnections. Because I am recommending that no increases to connection and reconnection charges be allowed, it is necessary to remove the additional revenues associated with the increased connection and reconnection charges. This adjustment increases revenue requirement by \$83,324.

III. DISCUSSION

A. PROPOSED CHANGE TO RULE 11D SHOULD BE REJECTED

Q. Please describe the changes to Section B of Rule 11D, Field Visit Charge.

A. The Company proposed the following additional language underlined below.

The Company may assess the Customer Field Visit Charge shown on Schedule 300 when payment is collected at the service address or when the employee

1 without receiving payment, does not disconnect, due to an action by the
2 Customer or at the Customer's request. The employee accepting payment for a
3 delinquent account at the service address will not dispense change for payment
4 tendered in excess of the amount due or owing. Any excess payment shall be
5 credited to the Customer's account.
6

7 **Q. What is the reason for your objection to this new language?**

8 A. The Company stated that it is proposing the change to clarify the circumstances under
9 which it charges a field visit charge. However, the language is too broad and does not
10 provide adequate clarification of the meaning of unobstructed access to the meter,
11 hostile or threatening behavior, or unsafe customer electrical facilities. In Staff's
12 opinion, the new language is ambiguous and can cause further confusion and
13 misinterpretation of the tariff language. The vagueness of the language allows the
14 Company employee to make judgment calls without specific guidelines, which can
15 lead to unequal treatment of customers.
16

17 **Q. Please describe the change to Rule 11D making individual customers responsible**
18 **for paying collection agency costs.**

19 A. The Company proposes new language to Rule 11D which would make individual
20 customers responsible for paying collection agency costs associated with the
21 collection of their unpaid debt. Specifically, the Company proposes the following new
22 language:

23 "Subsequent to the termination or suspension of service and following the due
24 and payable period of the Customer's closing bill, the Customer will be
25 responsible for any reasonable costs associated with the collection of an unpaid
26 account, including but not limited to: court costs, attorney's fees and/or
27 collection agency fees."⁴

⁴ Pacific Power's proposed changes to its Tariff WN U-75, Rule 11D, First Revision of Sheet No. R11D.5.

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Q. What rationale does the Company provide to support its request?

A. The Company states that the removal of the collection agency fees from base rates will benefit all its customers. Additionally, Pacific Power maintains that its request does not disproportionately affect low-income customers. The Company projects overall savings to Washington customers over the first four years after implementation to be approximately \$253,976. Finally, Pacific Power reported that customers are responsible for the collection agency charges in two of the Company’s jurisdictions: Wyoming (beginning in 2008) and Utah (beginning in 2013).

Q. Please provide your perspective of the Company’s proposal.

A. From a policy perspective, Pacific Power is proposing a material change to the manner in which delinquent debt is collected from customers. Without explaining why such a change is necessary or even preferred, Pacific Power’s proposal poses the question: “Who should pay - the cost causer (debtor) or the general body of ratepayers?” As my testimony will explain, this seemingly simple question is actually quite complex, and depending on how it is answered, could significantly impact a customer’s ability to pay off debt and remain a Pacific Power customer.

Q. How do other electric utilities doing business in Washington treat uncollectable debt?

A. Currently, the electric utilities operating in Washington employ similar methods of collecting debt owed by customers. If necessary, customer debt is referred to

1 collection agencies that are under contract with the utility to provide the collection
2 service. Like Puget Sound Energy and Avista, Pacific Power's current practice is to
3 recover any collection costs from the general body of ratepayers. Essentially, these
4 costs are added to those dollars considered by the utility to be uncollectable. Once
5 recognized under accounting principles as uncollectable, a utility's recovery of
6 uncollectable debt in rates is straightforward and well understood, without regard to its
7 cause.⁵

8
9 **Q. How would Pacific Power's proposal change the manner it accounts for**
10 **uncollectable debt?**

11 A. I do not believe that it would change how it accounts for uncollectable debt. Once
12 debt from any source is written off by a utility, it is accounted for as uncollectable debt
13 and can be recovered in rates as such. The process of recognizing such debt and
14 accounting for its impact should not change under the Company's proposal.

15
16 **Q. Do you believe the Company's proposal would have a material impact on rates**
17 **paid by other customers?**

18 A. No, I do not. The Company's testimony asserts that it will reduce uncollectable write
19 offs by approximately \$254,000 over the next four years. If this turns out to be the
20 case, the amount of predicted savings to its ratepayers is almost infinitesimal. By my

21

⁵ Exhibit No. (JRS-4), Uncollectibles Factor. For example, Pacific Power's uncollectable debt in this case could result from interactions with its customers or from other debts or losses it may decide to write off. Pacific Power reported its total write-off for 12 months ending December 2013 was \$2,545,615. The Company recovered \$956,402 of this amount.

1 calculation, the savings per kWh resulting from the Company's 180-degree change in
2 approach to customer debt is \$0.00004 per kWh.⁶ This is hardly a reason in and of
3 itself to make such a change.

4 I also fear that Pacific Power's proposal will cause delinquent customers to
5 remain delinquent for a greater period of time. The Company seeks Commission
6 permission to allow monies collected from delinquent customers to first satisfy the
7 financial obligation imposed by a collection agency. Only then will a customer's
8 payments be used to satisfy the utility's bill. Customers who enter into the collections
9 process clearly struggle to pay their utility bills. Adding the burden of collection
10 agency costs, which have been traditionally borne by the Company as a cost of doing
11 business, only exacerbates a customer's inability to pay his or her utility bill and
12 ultimately the customer's ability to access essential utility service.

13
14 **Q. Please explain why you believe the Company's proposal would have a**
15 **disproportionate impact on low-income customers?**

16 A. The Company does not adequately address the impact of its proposal on the low-
17 income customers within its service territory. To do such an analysis, the Company
18 should first determine how many customers have been determined to be low-income. I
19 do not believe that it has effectively done so.

⁶ This calculation is derived by dividing \$254,000 by 4 years = \$63,500 per year. Divide the result by 1,572,834,858 annual residential (Schedule 16) kWh consumed during 12 months ending December 12, 2013 = \$0.00004 cents/kWh.

1 The Company's filing did not provide data regarding the total number of low-
2 income customers it serves. It did, however, identify 5,843 families as low-income
3 customers. By my calculation, these families represent about 5.6 percent of Pacific
4 Power's customer base - a very small subset of its 104,928⁷ residential customers.
5 The key word here is "identified" low-income customers. I believe it likely that
6 Pacific Power has many more low-income customers than it has identified.

7
8 **Q. Why do you believe that Pacific Power has more than 5,843 low-income families**
9 **in its service territory?**

10 A. The U.S. Census Bureau's survey (see Table 1 below) shows that between 23 to 38
11 percent of the population in Pacific Power's service area (i.e., Kittitas, Columbia,
12 Garfield, Walla Walla, and Yakima Counties) are designated as 150 percent of the
13 federal poverty level and thus qualify for the Company's low-income programs. The
14 percentages for the population at 200 percent of the federal poverty level, another low-
15 income threshold used by some utilities, range even higher from 31 to 49 percent.

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⁷ Pacific Power's response to Staff's Data Request 3. The customer count is for 2013.

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Table 1: Comparison of Poverty Levels by County

Locale/ County	Total Population (2012)	Source website	125% of federal poverty level	150% of federal poverty level	200% of federal poverty level
Kittitas	38,642	See Footnote ⁸	10,677 28%	12,201 32%	15,720 41%
Columbia	3,930	See Footnote ⁹	831 21%	921 23%	1,491 38%
Garfield	2,198	See Footnote ¹⁰	381 17%	507 23%	670 31%
Walla Walla	53,910	See Footnote ¹¹	12,433 23%	15,168 28%	20,494 38%
Yakima	238,168	See Footnote ¹²	70,489 30%	89,343 38%	117,596 49%
State of Washington	6,606,382	See Footnote ¹³	1,112,279 17%	1,393,243 21%	1,936,140 29%

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Q. Did the Company provide an analysis of the impact of shifting the burden of collection agency costs to its low-income customers?

A. Yes. The Company stated that it is concerned about mitigating impacts on low-income customers and examined how this change in practice might affect those customers. The Company stated that its data indicates the majority of collection agency assignments are not identified as low-income.

Staff's analysis found that only 5.5 percent¹⁴ of the NON low-income accounts were assigned to a collection agency while 13.3 percent of the "identified" low-

⁸ United States Census Bureau, State and County QuickFacts. Available at: Kittitas:

http://factfinder2.census.gov/bkmk/table/1.0/en/ACS/12_5YR/S1701/0500000US53037

⁹ Id, Columbia: http://factfinder2.census.gov/bkmk/table/1.0/en/ACS/12_5YR/S1701/0500000US53013

¹⁰ Id, Garfield: http://factfinder2.census.gov/bkmk/table/1.0/en/ACS/12_5YR/S1701/0500000US53023

¹¹ Id, Walla Walla: http://factfinder2.census.gov/bkmk/table/1.0/en/ACS/12_5YR/S1701/0500000US53071

¹² Id, Yakima: http://factfinder2.census.gov/bkmk/table/1.0/en/ACS/12_5YR/S1701/0500000US53077

¹³ Id, WA State: http://factfinder2.census.gov/bkmk/table/1.0/en/ACS/12_5YR/S1701/0400000US53

¹⁴ Exhibit No. BAC-1T, p. 9. 6,208 of its 104,928 (5,843 low-income accounts; 99,100 non low-income accounts) Washington residential accounts were assigned to a collection agency. 12.5 percent of these were identified as low-income accounts (6,208 x 12.5% = 776 low-income accounts referred to a collection agency). This leaves 5,432 Non low-income accounts (i.e., accounts that were not specifically identified as low-income) that were assigned to a collection agency. 5,432 divided by 99,100 = 5.5% of the NON low-income accounts were assigned to a collection agency in 2013.

1 income customer population of 5,843 were assigned to a collection agency.¹⁵ The
2 Company's "identified" low-income customer population is 5.6 percent of its total
3 residential customer base of 104,928. The number of identified low-income customers
4 assigned to a collection agency (13.3 percent) is over twice as high as the NON low-
5 income customers assigned to a collection agency (5.5 percent). This contradicts the
6 Company's assertion that its proposal does not disproportionately affect low-income
7 customers.¹⁶

8 Also, the Company's identified low-income customer population is a much
9 smaller population than the poverty levels indicated by the United States Census
10 Bureau of between 23 and 38 percent. Pacific Power has a much higher low-income
11 customer population than it has identified. Therefore, Staff considers the Company's
12 analysis of the impact on low-income customers deficient.

13
14 **Q. Did the Company report any changes in the amounts of debt recovered by its**
15 **collection agencies in Wyoming and Utah as a result of this policy?**

16 **A. No.**¹⁷

17
18 **B. PROPOSED INCREASES TO SCHEDULE 300 RECONNECTION**
19 **CHARGES SHOULD BE REJECTED**
20

21 **Q. Please describe the reconnection charge.**

¹⁵ Id, p. 9.

¹⁶ Id, at 9: 1-2.

¹⁷ Id, p. 11.

1 A. The reconnection charge is the fee the Company charges for reconnecting a customer
2 who has been disconnected for non-payment of their energy bill and who has
3 requested restoral of the electric service.¹⁸

4
5 **Q. What is the requirement for a customer to get reconnected when they are**
6 **disconnected for non-payment of their bill?**

7 A. WAC 480-100-133 allows the Company to charge a reconnect fee plus one-half of the
8 deposit amount. The deposit amount is defined in WAC 480-100-113(3) as two-
9 twelfths of the estimated annual billing for utilities billing monthly. WAC 480-100-
10 113(4) allows the consumer to pay one-half of the required deposit amount prior to the
11 reconnection of service.

12
13 **Q. What are the average deposit amounts collected by Pacific Power?**

14 A. The average deposit collected by Pacific Power for a low-income account (customer
15 participating in the Company's low-income program) is \$185.¹⁹ The average for all
16 residential customers is \$162.²⁰

17
18 **Q. Why is this a concern?**

19 A. Low-income customers are already paying a higher deposit amount than the general
20 customer population. Pacific Power's proposed reconnection fees worsen the low-
21 income families' financial distress at a time when they need essential electric service.

¹⁸ Id, p. 15.

¹⁹ Pacific Power's Response to Staff Data Request No. 10.

²⁰ WAC 480-100-113(3) (a) Residential services deposit requirements, Two-twelfths of the estimated annual billings for utilities billing monthly.

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Q. What changes is Pacific Power proposing to its reconnection charges?

A. The Company is proposing²¹ to increase its reconnection charges from \$25 to \$50 for service performed during normal business hours (Monday-Friday 8 a.m. to 4 p.m., excluding holidays) and from \$50 to \$175 for service reconnections requested to be performed after hours (Monday-Friday 4 p.m. to 7 p.m.) and from \$75 to \$310 for service connections on weekends and holidays. The Company also requested an increase in the charge for reconnections associated with meter tampering from \$75 to \$110.²²

Q. What analysis does Pacific Power use to support its request?

A. The Company developed a work tracking application called Mobile Work Management (MWM). It used this application to track its metering employees travel times to the service location as well as the amount of time spent performing the work. The Company used the completed work-order data in calendar year 2013 from MWM for reconnection visits and disconnection visits to determine the reconnection charges by simply multiplying the hours worked by the Company's applicable wage scale.²³

Q. Please provide your assessment of this analysis.

A. The Company's MWM work only provides a snapshot of the Company's time spent performing certain tasks. It will need more work covering a longer period before it

²¹ Exhibit No. BAC-1T, p. 15.
²² Id, pp. 15-16.
²³ Exhibit No. ____ (BAC-4).

1 can be useful to set rates, particularly when the rate increases are as dramatic as those
2 proposed by the Company. Furthermore, the Company has not sufficiently analyzed
3 the effect of these higher rates on low income customers. As I discuss in my
4 testimony, the dramatic rate increases imposed by the Company would further impair
5 the ability of low-income customers to remain on the system.

6 Any increases in these charges will have a much more severe effect on low-
7 income customers (who are more subject to disconnect and reconnect fees) and to
8 renters (who are more subject to the Account Activation Charge). The Company's
9 testimony minimizes the impact on its low-income customers. The United States
10 Census Bureau, State and County QuickFacts (see Table 1) show that the low-income
11 population (150 percent of the Federal Poverty Level) in Yakima County (38 percent)
12 and Walla Walla County (28 percent) is significantly higher than the Company's
13 "identified" low-income customers of approximately 5.4 percent.

14 Staff is also concerned of the potential adverse safety impacts if the proposed
15 large increases present an undue burden to low-income families. The Company has
16 presented only limited analysis of the financial impact of the proposals on such
17 customers or the safety risks created²⁴ if the burden of the increase becomes too great
18 and prevents customers from reconnecting electric service. It would be premature to
19 adopt these large fee increases without adequate research on the impacts. For this
20 reason, I recommend that the proposed fee increases be rejected until the impacts on
21 low-income households and on safety can be studied.

²⁴ Consumers may resort to drastic measures for heating and cooking to provide for their children, elderly, and sick family members which may result in fire, carbon monoxide poisoning, and death.

1 **Q. Do you have any other concerns why Pacific Power's proposed increases to its**
2 **reconnection charges are not appropriate?**

3 A. The Company proposed a significant base rate increase of 9.5 percent for residential
4 customers. The proposed increased reconnection charges could have a particularly
5 negative impact on low-income customers who may already be struggling to pay their
6 electric bills. These customers would be subject to a substantially increased energy
7 burden, the proportion of income that customers pay for energy, and the increased
8 reconnection charges could hinder their ability to reconnect vital electric service.

9

10 **Q. Doesn't Pacific Power have a low-income program to assist its low-income**
11 **customers?**

12 A. Yes. Pacific Power's low-income program is currently capped at 4,720 customers.
13 The Company has proposed to increase the cap to 5,664²⁵. Pacific Power's total
14 residential customer base was 104,928²⁶ in 2013. Although Pacific Power does not
15 fully serve all customers in the counties of its service territory, it would be a fair
16 assumption that Pacific Power's customers are representative of the general population
17 in the counties it serves. Pacific Power's Washington service territory has a
18 disproportionately high number of people living below the poverty level compared to
19 other areas in the state. The economic hardship facing many of Pacific Power's
20 Washington customers highlights the need to take a serious look at the negative impact
21 of the large increases in the reconnection charges in addition to the proposed increase

²⁵ Exhibit No. JRS-1T, p. 27.

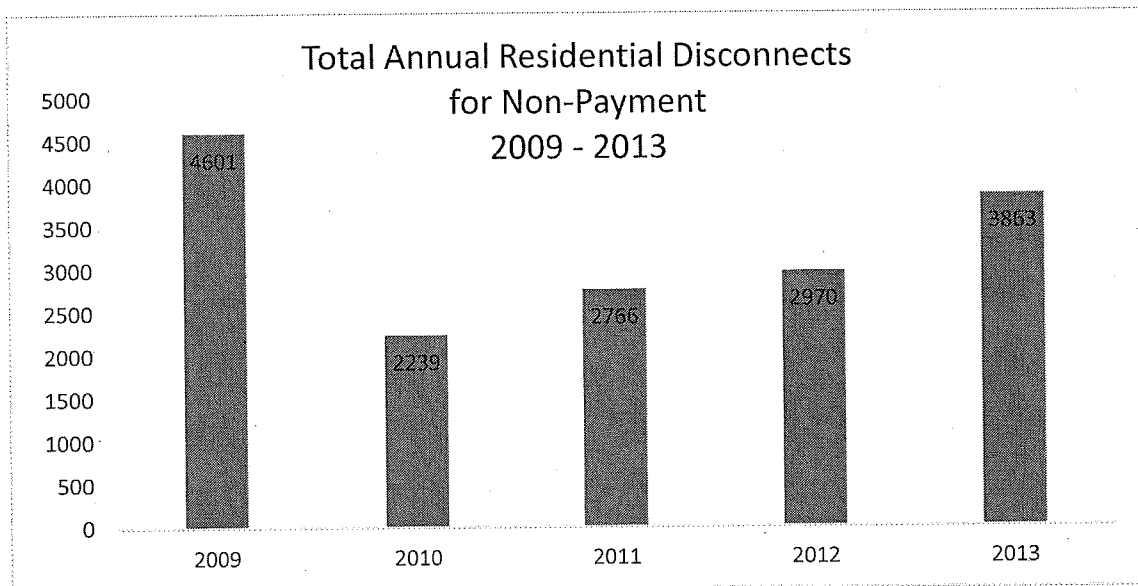
²⁶ Pacific Power's Response to Staff's Data Request 3.

1 in general rates. It further supports the rejection of Pacific Power's proposed increases
2 to these charges.

3
4 **Q. Have the number of Pacific Power's customer disconnections increased or**
5 **decreased during recent years?**

6 A. Since 2009 the number of disconnections for non-payment have steadily increased
7 (see Chart 1 below).

8 **Chart 1: Total Annual Residential Disconnects for Non-Payment (2009 – 2013)**



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10
11 **Q. What is the significance of this trend?**

12 A. This shows that more of Pacific Power's customers are struggling to pay electric bills
13 which continue to increase almost annually. Increasing the reconnection charges at a
14 time the company is disconnecting more customers makes the situation worse for
15 Pacific Power's low-income customers.

1 **Q. How do Pacific Power’s reconnection charges compare to the reconnection**
 2 **charges in its other jurisdictions?**

3 A. Table 2 below compares Pacific Power’s currently authorized charges and proposed
 4 reconnection charges in Washington to what the Company charges in its other
 5 jurisdictions. The table shows that Pacific Power’s proposed charges are higher than
 6 in any of its other jurisdictions. The Company’s current connection and reconnection
 7 charges are more in alignment with what it charges in its other jurisdictions. This is
 8 further reason to keep the existing rates in effect.

9
 10 **Table 2: Comparison of Washington Connection and Reconnection Charges**
 11 **to Other Pacific Power Jurisdictions.²⁷**
 12

	WA Proposed	WA Current	CA Actual	Idaho Actual	Oregon Actual	Utah Actual	Wyoming Actual
Connect Charge- Wknd/Hol Hours	\$295	\$175	\$175	\$50	\$175	\$100	\$60
Connect Charge – After Hours	\$160	\$75	\$75	\$50	\$75	\$100	\$60
Reconnect Charge – Wknd/Hol Hours	\$310	\$75	\$75	\$50	\$175	\$100	\$100
Reconnect Charge – After Hours	\$175	\$50	\$60	\$50	\$75	\$100	\$100
Reconnect Charge – Office Hours	\$50	\$25	\$30	\$25	\$30	\$30	\$20

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 14
 15 **Q. How do Pacific Power’s reconnection charges compare to the rates for the other**
 16 **Washington Investor Owned Utilities (IOUs)?**

²⁷ Pacific Power’s Response to Staff Data Request 9.

1 A. Table 3 shows a comparison of Pacific Power’s Washington reconnection charges to
 2 other Washington IOUs. The table shows that all the charges proposed by Pacific
 3 Power are significantly higher than the connection and reconnection charges of all
 4 other Washington IOUs. In fact, Pacific Power’s current (actual) connection and
 5 reconnection charges are already significantly higher²⁸ than Avista Corporation’s
 6 current connection and reconnection charges for electric service. Avista’s low-income
 7 population is similar to the low-income population in Pacific Power’s service
 8 territory.²⁹

9
 10 **Table 3: Comparison of Pacific Power’s Washington Reconnection Charges**
 11 **to Other Washington IOUs**
 12

	Pacific Power Proposed	Pacific Power Actual	Avista (electric) Actual	PSE (electric) Actual	Cascade Actual	NWN Actual
Connect Charge- Wknd/Hol Hours	\$295	\$175	N.A.	\$61	N.A.	N.A.
Connect Charge – After Hours	\$160	\$75	N.A.	\$74	N.A.	N.A.
Reconnect Charge – Wknd/Hol Hours	\$310	\$75	\$32	\$74	\$60	\$50
Reconnect Charge – After Hours	\$175	\$50	\$32	\$74	\$60	\$50
Reconnect Charge – Office Hours	\$50	\$25	\$16	\$37	\$24	\$25

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 14
 28 Data from Table 3 show Pacific Power’s reconnection fees are between 156% - 234% higher than Avista’s reconnection charges.

29 United States Census Bureau, State and County QuickFacts Available at http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_12_5YR_S1701. Avista’s serving territory includes parts of Adams, Asotin, Ferry, Franklin, Garfield, Lincoln, Spokane, Stevens, and Whitman Counties. The census data shows the low-income population for customers at 150 percent of the federal poverty level to range from a low of 24% to a high of 41%. Census data for Pacific Power for the same group ranges from 21% to 38%.

1 **C. PROPOSED INCREASES TO SCHEDULE 300 CONNECTION**
2 **CHARGES SHOULD BE REJECTED**
3

4 **Q. Please describe the connection charge.**

5 A. The Company assesses a connection charge when an applicant applies for service and
6 requests the Company connect service outside normal business hours (8 a.m. to 4
7 p.m.).³⁰

8
9 **Q. What changes is Pacific Power proposing to its connection charges?**

10 A. The Company is proposing an increase in its after-hours connections Monday –
11 Friday, 4 p.m. to 7 p.m. from \$75 to \$160 and connections during weekends and
12 holidays (8 a.m. to 7 p.m.) from \$175 to \$295.³¹

13
14 **Q. Do you have any concerns regarding the Company's proposed increases to its**
15 **connection charges?**

16 A. Yes. Pacific Power has proposed significant increases to its after-hours and
17 weekends/holidays connection charges. These increases could pose undue hardships
18 for low-income customers. From 2011 through 2013 an average of 7 customers per
19 year paid the weekend/holiday connection charge of \$175 while an average of 73
20 customers per year paid the after-hours connection charge of \$75. This indicates the
21 current connection charges are sufficiently high to deter customers from requesting
22 after-hours and weekend/holiday connections, while allowing customers experiencing
23 specific circumstances to warrant paying more for connection outside of normal

³⁰ Exhibit No. BAC-1T, p. 13.

³¹ Table 3, p. 17.

1 business hours. These circumstances could include but not limited to small children,
2 health issues, or work restrictions.

3 Additionally, Tables 2 and 3 both show that the Company's proposed increases
4 in its connection charges are dramatically higher (from 160 to over 200 percent
5 greater) than its other jurisdictions and the other Washington IOUs.

6
7 **Q. Are there any other facts that should be considered regarding Pacific Power's**
8 **proposed increases in its connection and reconnection charges?**

9 A. Yes. While LIHEAP is outside Pacific Power's control, the Federal Low-Income
10 Home Energy Assistance Program (LIHEAP) does play a significant role in the total
11 impact of the Company's proposal to increase connection and reconnection charges.
12 There is a significant gap between the number of customers eligible for the Federal
13 Low-Income Home Energy Assistance Program (LIHEAP) and the number of
14 customers actually receiving assistance. Low-income programs have been established
15 at the Federal, State and local levels. The Federal Program (LIHEAP) was first
16 established in 1981 and funded annually through Congressional appropriations.
17 Eligibility requirement for LIHEAP grants is 125 percent of the federal poverty level.

18 The state Department of Commerce provided energy assistance to 72,615
19 families with the funds available through LIHEAP at the end of its 2014 program
20 year.³² This is roughly 26 percent of the state's eligible population. Table 1 shows
21 that Washington State has a population of approximately 1,112,279 low-income
22 individuals at 125 percent of the federal poverty level. Assuming an average low-

³² Washington State Department of Commerce LIHEAP Household Report for FY 2014.

1 income family has a family size of four, there are approximately 278,069 low-income
2 families in the state. The amount of federal funds available experienced a dramatic
3 drop off since 2009 (see Table 4 below).
4

5 **Table 4: Federal LIHEAP Funds Provided to Washington State³³**

YEAR	WASHINGTON STATE FEDERAL LIHEAP GRANT
2008	\$41,313,672
2009	\$83,605,841
2010	\$80,571,607
2011	\$75,339,722
2012	\$57,968,290
2013	\$56,436,836
2014	\$59,338,231

6
7 There is also a recognized shortfall in the Company's Low-Income Program
8 which is called Low-Income Bill Assistance (LIBA). While the Company has
9 proposed increases to this program in accordance with the stipulations in Docket UE-
10 111190 and approved by Order 07³⁴, the increases fall short of reaching the eligible
11 population.
12

³³ Information provided by Mr. Tony Hanson, Managing Director of the Community Economic Opportunities Unit, Community Services & Housing Division, Department of Commerce.

³⁴ Steward, Direct, Exhibit No. ___ (JRS-1T) at 27: 1-17.

1 **Q. What proportion of Pacific Power's eligible population participates in LIBA?**

2 A. Pacific Power's LIBA program currently serves roughly 13 percent of the total eligible
3 low-income families. This information must be calculated from the available low-
4 income data. Pacific Power expects the number of certified participants to increase
5 from 4,720 to 5,664 for the November 2015 – April 2016 program year.³⁵ To qualify
6 for this program, a customer must earn no more than 150 percent of the Federal
7 Poverty Level.³⁶ I estimate Pacific Power has roughly 36,935 low-income customers
8 who are at 150 percent of the Federal Poverty Level.³⁷ Pacific Power's LIBA program
9 currently serves about 13 percent (4,720) of the total eligible low-income families.³⁸
10

11 **Q. Why is this important?**

12 A. State law³⁹ allows the Commission to approve discounts for low-income customers.
13 The overriding goal of energy assistance action should be to achieve affordability with
14 minimal adverse effects on other regulatory objectives. Unaffordability hurts both
15 utilities and non-poor households. A utility incurs lower collection costs if energy
16 assistance results in fewer arrearages, uncollectible accounts, and debt write-offs,
17 which benefits all ratepayers.

³⁵ Id.

³⁶ WN U-75, Schedule 17.

³⁷ The Federal Census data (Table 1) shows the population at 150 percent of the Federal Poverty Level in counties served by Pacific Power is 104,928 of the total population of 298,206. The low-income customer base is approximately 35.2 percent. Pacific Power stated that its total Washington customers in 2013 was 104,928. The estimate of low-income customers would be 104,928 multiplied by 35.2 percent or 36,935 low-income customers in Pacific Power's customer base.

³⁸ This is based on the best available information. Staff agrees that the information relies on census data surveys and is the best estimate of the population. However, the data does imply that there is a significant gap in the eligible population and the population that is served by the Company's LIBA.

³⁹ RCW 80.28.068.

1 The Commission hosted a workshop on electric and natural gas low-income
2 assistance program design in May 2014.⁴⁰ Staff stated that it is essential to understand
3 the impact of low-income assistance programs on customers' ability to stay connected
4 to electric or natural gas service to effectively manage ratepayer funds and informing
5 program strategy. Staff further stated that the primary goal should be keeping low-
6 income customers connected to electricity and natural gas service and there should be
7 a secondary goal of reducing low-income customers' energy burden to an appropriate
8 amount compared to non-low-income customers to be determined in coordination with
9 Community Action Agencies (CAAs) and Staff.⁴¹

10
11 **Q. Please briefly describe what you mean by “energy burden.”**

12 A. Energy burden is a statistic that measures the proportion of a customer's annual
13 income that is spent on energy costs. Total energy costs might include the annual
14 energy usage bill, connection costs, reconnection costs, and potential collection costs
15 if Pacific Power is allowed to pass these costs on to its customers. It is important to
16 understand the “energy burden” for Pacific Power's low-income customers in order to
17 determine whether the increases the Company is proposing for collection costs,
18 connection costs, and reconnection costs are potentially harmful this this group of
19 customers.

⁴⁰ Dockets UE-140188 and UG-140189, Williams Direct, Exhibit No. JMW-1T at 6: 1-15.

⁴¹ Id at 8: 17-21.

1 A 2005 study estimated that the United States average energy burden for non-
2 low-income customers was just over three percent.⁴² RCW 80.28.010(4)(d) identifies
3 seven percent as an energy burden ceiling for arrearage payment plans.

4 In Staff's testimony in the Avista General Rate Case in Dockets UE-140188
5 and UG-140189, it notes that RCW 80.28.080 allows utilities to establish free and
6 reduced rates for "destitute and indigent persons." Staff believes low-income
7 customers fall into this definition.⁴³

8
9 **Q. Does Pacific Power's low-income program prescribe a goal for the energy burden**
10 **of its low-income customers?**

11 A. No. Pacific Power stated that it does not calculate energy burden nor does it have a
12 prescribed energy burden goal.⁴⁴

13 The Company's lack of a prescribed energy burden goal is inconsistent with its
14 statement regarding collection agency fees: "The Company is concerned about
15 mitigating impacts on low-income customers and examined how this change in
16 practice might affect these customers."⁴⁵ Staff's thinking is that the Company's
17 examination is incomplete without a detailed assessment of the energy burden of its
18 low-income customers.

19

⁴² Id at 9: 5-6.

⁴³ Id at 4: 5-7.

⁴⁴ PP&L's Response to Staff Data Request No. 11.

⁴⁵ Exhibit No. BAC-1T at 9: 2-3.

1 **Q. Are there any adjustments associated with your recommendations?**

2 A. Yes. I recommend the Company's adjustment 3.8 be rejected. This pro forma
3 adjustment removes the actual connection and reconnection charges from the
4 historical test year and replaces them with the proposed amounts using historical
5 numbers of connections and reconnections. Because I am recommending no increases
6 to the connection and reconnection charges be allowed, it is necessary to remove the
7 additional revenues associated with the increased connection and reconnection
8 charges. This adjustment increases revenue requirement by \$83,324.

9

10 **Q. Do you have any closing observations?**

11 A. Yes. Pacific Power has not adequately demonstrated that the low-income customers
12 will not be unduly harmed by the added changes in language regarding collection
13 practices proposed in Rule 11D and in the increased connection and reconnection
14 charges in Schedule 300. The only data offered by the Company regarding impacts to
15 low-income customers is the data collected on those customers enrolled in its LIBA
16 program. As was mentioned earlier in my testimony, this accounts for roughly 13
17 percent of Pacific Power's low-income customers.

18 Low-income customers have additional costs when they are disconnected. In
19 addition to the reconnection costs, these families can have other costs such as the loss
20 of food in the refrigerator, increased medical costs due to loss of heat, and the high
21 cost of "payday loans" to get reconnected. All these costs make it more difficult for
22 these financially distressed families to continue to pay their bills going forward.

1 Staff has recommended increased tracking of low-income program
2 performance data collection.⁴⁶ Specifically, in addition to tracking basic data essential
3 to manage its LIBA program by income tier⁴⁷, the metrics should include the number
4 of customers receiving assistance in each income tier, the total rate discount
5 expenditures, the average annual assistance amount, average annual consumption of
6 qualified customers, the impact of the program on preventing disconnections and
7 reducing arrearages, the average reduction in energy burden from each type of
8 assistance by income tier, and the number of customers receiving both a rate discount
9 and other assistance. Additionally, Staff recommends Pacific Power begin tracking
10 the locations of customers receiving the rate discounts for comparison with the
11 residences receiving low-income weatherization, to inform programmatic outreach and
12 long-term trends.

13 In order to get a clear understanding of the impact on low-income customers,
14 Staff recommends Pacific Power clearly define its data needs and data collection plan
15 for determining the impact of low-income assistance, and help low-income customers
16 avoid disconnection if they have started the process of applying for assistance.⁴⁸ Staff
17 also recommends Pacific Power look at potential low-income funding plans to
18 minimize the impact of future general rate increases on its low-income customers once
19 the current Five-Year LIBA plan (2012 – 2017) is completed in 2017.

⁴⁶ Dockets UE-140188 and UG-140189, Williams Direct, Exhibit No. JMW-1T at 19: 1-20.

⁴⁷ Exhibit No. __ (JRS-11) Low-Income Bill Assistance Program Adjustments, p. 2. The Company defined three tiers as a percentage of the Federal Poverty Level (0-75%; 76-100%; and 101-150%).

⁴⁸ Id at 20: 1-4.

1
2
3 **V. SUMMARY**

4 **Q. Please summarize your testimony.**

5 A. I recommend the Commission reject Pacific Power’s proposed modification to Section
6 B of Rule 11D, Field Visit Charge, which expands the instances when the field visit
7 charge may be assessed. The language was originally intended to allow the Company
8 to charge a field visit charge when the Company employee did not disconnect a
9 customer for nonpayment because the customer paid the amount owing at the door.
10 The proposed language is too vague and allows the Company employee to make
11 judgment calls without specific guidelines. This can lead to unequal treatment of
12 customers. The Company indicated that it does not have a plan in place or a plan to
13 develop standard measures for determining whether “an action by the customer” has
14 prevented a field service agent from disconnecting service.⁴⁹

15 I recommend the Commission reject Pacific Power’s proposed new language
16 in Rule 11D making its customers responsible for paying the collection agency costs
17 associated with the collection of unpaid debt. No other Washington electric or gas
18 IOU subscribes to this practice. Also, only two of the Company’s six state
19 jurisdictions (Wyoming and Utah) allow this practice. The Company stated that this
20 has not changed the amounts of debt recovered by its collection agencies in Wyoming
21 and Utah.

22 I recommend the Commission reject Pacific Power’s proposed increases to its
connection and reconnection charges. These charges should remain at the current

⁴⁹ Pacific Power’s response to Public Counsel’s DR number 96.

1 levels. The Company's proposed connection and reconnection charges are
2 significantly higher than the other regulated IOUs. Staff remains concerned about the
3 impact of the proposed increases on low-income households. Before allowing the
4 company to increase these charges, staff believes the Company needs to provide a
5 detailed assessment of the energy burden on its low-income customers.

6 I recommend the Company's adjustment 3.8 be rejected. This adjustment
7 increases revenue requirement by \$83,324.

8 Since Pacific Power did not provide sufficient data to determine the effects of
9 the increases on the Company's low-income customers, I recommend the Company be
10 required to increase tracking of low-income program performance data collection.

11 Staff's thinking is that this information would be beneficial in determining the energy
12 burden on low-income families. The proposed increases pose an added energy
13 burden to those customers affected; especially to low-income families who are already
14 financially distressed. The available data presented in staff's testimony indicates that
15 the proposed increases in the connection and reconnection charges are potentially
16 harmful to low-income families.

17
18 **Q. Does this conclude your testimony?**

19 **A. Yes.**