BEFORE THE WASHINGTON

UTILITIES & TRANSPORTATION COMMISSION

Complainant,

v.

PACIFIC POWER & LIGHT COMPANY

Respondent.

DOCKET UE-140762 ET AL.

DIRECT TESTIMONY OF STEFANIE A. JOHNSON (SAJ-1T)

ON BEHALF OF

PUBLIC COUNSEL

OCTOBER 10, 2014

DIRECT TESTIMONY OF STEFANIE A. JOHNSON (SAJ-1T)
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I. INTRODUCTION / SUMMARY

Q: Please state your name and business address.

A: My name is Stefanie Ann Johnson. My business address is 800 Fifth Avenue, Suite 2000, Seattle, WA, 98104.

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

A: I am employed by the Attorney General of Washington as a Regulatory Analyst.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of the Public Counsel Unit of the Washington Attorney General's Office (Public Counsel).

Q: Please describe your professional qualifications.

A: I received a B.A. in Political Studies and History from Whitworth University in 2002. In 2005, I received a Master of Public Administration degree from the Evans School of Public Affairs at the University of Washington. Since joining Public Counsel in December 2005, I have worked on a wide range of energy and telecommunication issues and cases.

Q: Have you previously testified before this Commission?

A: I have filed testimony and testified as a member of settlement panels supporting a number of settlements, including the Puget Sound Energy 2013 Power Cost Only Rate Case (Docket UE-130617, et al.), CenturyLink's 2013 AFOR (Docket UE-130477), Frontier's Petition for Competitive Classification (Docket UT-121944), the CenturyLink/Qwest Merger (Docket UT-100820), Avista Utilities' 2010 General Rate Case (Dockets UE-100467 and UG-100468), and the CenturyTel/Embarq merger (Docket No. UT-082119).

Q: What is the purpose of your testimony in this case?

A: My testimony addresses Pacific Power and Light Company's ("PacifiCorp" or "Company") proposed modifications to Rule 11D related to collection agency charges, and the proposed increases to its connection and reconnection charges, as addressed in the testimony of Company Witness, Ms. Barbara A. Coughlin.

Q: Please summarize your recommendations.

A: I recommend that the Commission reject the Company's proposals to directly allocate costs associated with collection activity to individual customers and to dramatically increase its connection and reconnection charges. Instead, I recommend maintaining the status quo treatment of collection agency charges and the connection and reconnection fees currently included in PacifiCorp's tariffs.

II. CHARGES FOR COLLECTION ACTIVITY

Q: What is PacifiCorp's proposal with regard to collection costs?

A: PacifiCorp proposes to add language to Rule 11D of the Company's General Rules and Regulations of its tariff schedules to directly allocate costs associated with collection activity to individual customers. Currently, the collection agencies bill the Company, and the costs are recovered from all customers through rates. Under the proposed change, the collection agency fee would be added to the amount due (for example, if a customer owed $100 to PacifiCorp, and the collection agency fee is 20%, the customer would need to pay $120 to the collection agency). Ms. Coughlin states that this change is consistent with the principle of cost causation, and will benefit all customers by holding down costs included in rates.[1]

Q: Do you believe this proposal is in the best interest of customers?

A: No, I do not. This proposal unnecessarily adds to the burden of customers who are likely experiencing financial hardships. PacifiCorp's service territory includes areas that have significantly higher poverty levels than elsewhere in Washington. In Yakima County, 22.3% of the population lives below the poverty level, and in Walla Walla County it is 17.8% of the population, compared to a statewide estimate of 12.9%.[2] In light of these circumstances, the Company's proposal seems punitive, and not in the best interest of customers.

Q: Ms. Coughlin testifies that this proposal does not disproportionately impact low-income customers. Do you agree?

A: No, I do not agree. Data provided by the Company contradicts Ms. Coughlin's position. In 2013, low-income customers (defined narrowly as customers who received low-income energy assistance within 365 days prior to the collection agency assignment) were assigned to a collection agency at over twice the rate of all residential customers.[3]

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[1] Exhibit BAC-1T, p. 5:22-6:1.
[2] 2008-2012 American Community Survey 5-year Estimates, available at: http://quickfacts.census.gov/qfd/states/#.
[3] The Company has limited information regarding which customers are low-income, and derives the number of low-income customers from those who have received energy assistance, which is roughly 5.6% of all residential customers. Based on the Census data associated with Pacific Power's service territory, it is reasonable to assume that there are many customers who would qualify as "low-income" but who do not receive energy assistance.

Table 1: Low-Income Customers and Accounts in Collection.

	Total	Accounts in Collection	% Accounts in Collection
All Customers	104,928	6,208	5.9%
Low-Income	5,843	777	13.3%
% Low-Income Customers	5.6%	12.5%	

Source: PacifiCorp Response to Staff Data Request No. 4, Attachment 4-1 (2013 data).

As shown above, 5.9% of all Washington residential accounts were assigned to a collection agency, while 13.3% of all low-income customer accounts were referred to collections. Moreover, of the residential accounts assigned to collections, 12.5% belonged to low-income customers, but low-income assistance recipients only account for 5.6% of all residential customers.

Also, this proposal would also disproportionately harm low-income customers in that low-income customers will likely pay more in collection agency fees. In 2013, the average amount of an account in collections was $357.78 for all customers, but the average was $421.69 for low-income customers.[4] As shown below, adding a hypothetical 20% collection fee[5] would raise the average amount due for low-income customers to over $500.

Table 2: Average Account Balances Referred to Collection Agency.

	Average Amount in Collections	**20% Fee**	**Total with fee**
All Customers	$357.78	$71.56	$429.34
Low-Income	$421.69	$84.34	$506.02

Source: PacifiCorp Response to Staff Data Request No. 4, Attachment 4-1.

[4] PacifiCorp Response to Staff Data Request No. 4, Attachment 4-1

[5] Ms. Coughlin used a hypothetical 20% collection agency charge in her example illustrating the proposed policy change, Exhibit No. BAC-1T, p. 8.

Q: Does your analysis rely upon the same data the Company relied upon in its assessment of the impact on low-income customers?

A: Ms. Coughlin and I rely on the same data, but we draw very different conclusions. For example, as a part of her explanation why the impact is not disproportionate on low-income customers, Ms. Coughlin states,

> This data indicates that the majority of collection agency assignments are not identified as low-income and that the collection agency recovers a very small percentage from low-income accounts.[6]

While this statement is factually true, her conclusion is logically flawed. Her testimony implies that in order to be disproportionately harmed, the *majority* of collection agency assignments and the *majority* of the dollars recovered would need to be identified as low-income.

It is important to remember that only 5.6% of all residential customers meet the definition of low-income in this assessment. Thus, it certainly does not require that a "majority" of the accounts in collection are low-income to conclude that there is a greater impact to low-income customers.

Additionally, Ms. Coughlin argues that only "a very small percentage" (8.31%) of the total recovered by the collection agency is from low-income customers.[7] Yet, by comparison, of the total amount ($2,221,115) of residential customer debt assigned to a collection agency in 2013, 14.75% ($347,629) was associated with low-income customer accounts.[8] These numbers contradict

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[6] Exhibit No. BAC-1T, p. 9:14-16.
[7] *See*, Exhibit BAC-1T, p. 9:15-16.
[8] PacifiCorp Response to Staff Data Request No. 4, Attachment 4-1. Amounts assigned to a collection agency in any specific year will be collected over numerous years. For example, in 2013, collection agencies recovered $370,833 from accounts assigned between 2005-2013.

Ms. Coughlin's argument, and reinforce the notion that low-income customers have a difficult time paying balances in collection. PacifiCorp's proposal would further, and unnecessarily, add to these customers' burden.

Q: Are there any limitations posed by the data provided?

A: Yes. Only 5.6% of customers receive low-income energy assistance, while Census data indicate that 18-22% of the residential population in PacifiCorp service territory lives below the federal poverty level. Thus, it is evident that the data we have does not provide a complete picture of the *actual* low-income population. I do not know what the proportionate impact might be with complete data, but it is clear that, in gross numbers alone, more low-income customers will be impacted by this change than can be tracked through the energy assistance program. It is noteworthy that the available data indicates that low-income customers who *received* energy assistance have a disproportionately high number of accounts referred to a collection agency. It seems unlikely that low-income customers who *did not receive* energy assistance fared better.

Q: What is your recommendation with respect to the treatment of collection costs?

I recommend that these costs continue to be spread across all customers instead of directly allocating costs associated with collection activity to individual customers.

Q: Why is it reasonable to spread these costs across all customers instead of applying strict cost causation principles?

A: The status quo treatment of collection costs, spreading them across all customers for recovery through general rates, is not problematic. There are multiple examples of costs that are spread in this way in order to provide benefits or protections to customers. For example, the programs in place to aid PacifiCorp's low-income customers are paid for by all customers. Indeed, this case includes a proposal to increase funding for the low-income energy assistance program from $2.0 million to $2.4 million (21%).[9] Additionally, in 2013, PacifiCorp ratepayers paid $700,365 for low-income energy efficiency programs.[10] This proposal runs contrary to the goals of these programs.

Ms. Coughlin argues that "subsidization of the collection agency costs currently affects 100 percent of low-income customers."[11] However, the Commission should weigh the magnitude of the direct allocation of these costs to a small number of customers against the impact of spreading collection costs across all customers. The Company projects this policy change will reduce expenses by $42,060 in 2015, and could save $75,222 by 2018.[12] This amount, when spread across all customers is *de minimus* compared to the fees that would accrue directly to individual customers, who are likely already struggling financially. Public Counsel believes it is important to try to reduce costs when at all possible, but in this instance, the benefit does not merit the risk it raises for the customers who would be impacted by the change.

[9] *See*, Exhibit JRS-1T, pp. 26-28. According to the five-year plan for the LIBA program set forth in the stipulation in Docket UE-111190 and approved by the Commission, the Company would file changes to the Schedule 91 surcharge around May 1, 2015. Docket UE-111190, Order 07, ¶ 17 (Mar. 30, 2012)
[10] The report is found on the Company website at http://www.pacificorp.com/content/dam/pacificorp/doc/Energy_Sources/Demand_Side_Management/2014/WA_AnnualReport_FINAL%20Report_032714.pdf , at p. 15.
[11] Exhibit BAC-1T, p. 9:18-19.
[12] The Company will still pay the collection charges for all debts previously assigned to a collection agency. Because collection of debts assigned in any single year is collected over numerous years, the Company anticipates some collection costs will be ongoing.

In its final order in PacifiCorp's most recent general rate case, the Commission stated:

> The customer testimony heard at our public comment hearings in PacifiCorp's service territory, written comments from customers, and testimony and customer comments in earlier cases make us keenly aware of the struggle PacifiCorp's low-income customers face as they balance their needs for goods and services against their financial resources.[13]

Weighing the potential benefits and harms of the Company's proposal, the Commission should reject the proposed treatment of collection costs, and maintain the status quo.

III. CONNECTION AND RECONNECTION CHARGES

Q: Please explain PacifiCorp's connection charge.

A: A connection charge is assessed when a customer requests service connection at a new location or when a former customer requests service restoration at the same location more than 20 days after a previous disconnection for non-payment.[14] The charge varies, depending on the time and day of service; however, there is no charge for this service if it occurs within normal business hours.

Q: Please describe the Company's proposal with regard to connection charges.

A: PacifiCorp proposes a sizable increase in its connection charges. The proposed increases are included below in Table 3.

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[13] Docket UE-130043, Order 05, ¶ 252 (citations omitted).

Table 3: Proposed Connection Charge Increase.

	Current Charge	Proposed Connection Charge	% Increase
Monday-Friday 8AM-4PM	$0	$0	N/A
Monday-Friday, 4PM-7PM	$75	$160	113%
Weekends & Holidays, 8AM-7PM	$175	$295	69%

Q: Please explain the reconnection charge.

A: A reconnection charge is assessed when a customer who was disconnected for non-payment later requests that power be restored at the same location within 20 days of the disconnection of service.[15] The reconnection charge includes the costs associated with both connecting and disconnecting the service. This charge also varies by time and day, however, unlike the connection charge, a reconnection charge is assessed to a customer for services performed during business hours as well as non-business hours.

Q: What is the Company's proposal for increases to reconnection fees?

A: PacifiCorp proposes to dramatically increase reconnection fees, as shown in the table below.

Table 4: Proposed Reconnection Charge Increase.

	Current Charge	Proposed Reconnection Charge	% Increase
Monday-Friday 8AM-4PM	$25	$50	100%
Monday-Friday, 4PM-7PM	$50	$175	250%
Weekends & Holidays, 8AM-7PM	$75	$310	313%

Q: Why is the Company proposing these increases?

[14] PacifiCorp Response to Public Counsel Data Request No. 105.
[15] As mentioned above, customers with power restored more than 20 days after disconnection for non-payment are assessed the connection charge rather than the reconnection charge.

A: PacifiCorp proposes to increase its connection charge and reconnection charges "to more closely align with the Company's costs to perform the work."[16]

Q: Has the Company provided information regarding the methodology used to develop the proposed charges?

A: Yes. As explained in Ms. Coughlin's testimony, the Company developed its proposed connection and reconnection charges using data from its scheduling and work tracking application (known as Mobile Work Management, or MWM). PacifiCorp calculated an average time per connection or reconnection, and multiplied the average time by the "weighted activity rate" associated with completing the connection and reconnection services.

Q: Does Public Counsel support the proposed charges?

A: No. These proposed increases are unreasonable. While the Company has provided information regarding its cost estimates as the basis of these charges, PacifiCorp has not provided a compelling justification to warrant this dramatic change. Moreover, sudden changes of this magnitude conflict with the principle of gradualism, which this Commission applies in setting rates.

PacifiCorp states that this approach would more closely align the charges with the Company's costs to perform the work, but these proposed changes are not necessary. The Company is able to recover its costs for these services through general rates. PacifiCorp's proposal provides no persuasive argument in favor of allocating these costs to customers in this manner. As noted previously in my testimony, various utility program costs and operating costs are often spread across all customers.

[16] Exhibit BAC-1T, p. 11:16-17.

Q: How do the proposed connection and reconnection charges compare to those of Avista Utilities and Puget Sound Energy?

A: PacifiCorp's proposed charges are considerably higher than those of the other Washington electric IOUs.

Table 5: Comparison of Electric IOU Connection and Reconnection Charges.

		PacifiCorp Current	PacifiCorp Proposed	PSE	Avista
Connect	M-F, 8AM-4PM	$0	$0	$24	$0
	M-F, 4PM-7PM	$75	$160	$24	$32
	Weekend/Holiday	$175	$295	$61	$32
Reconnect	M-F, 8AM-4PM	$25	$50	$37	$16
	M-F, 4PM-7PM	$50	$175	$37	$32
	Weekend/Holiday	$75	$310	$74	$32

Q: Do you have any additional concerns with this proposal?

A: Yes. As mentioned above, a considerable portion of the population in PacifiCorp's service territory lives below the poverty level, many of whom do not receive any sort of energy assistance. Increases of this nature are likely to harm these customers. Moreover, these oversized charges may reduce customer access to the system, and/or prolong periods of disconnection from essential utility service. As with the collection agency charge proposal discussed above, the benefit of the proposed reduction in revenue requirement ($88,934) that would occur under the proposal to dramatically increase connection and reconnection charges is *de minimus* when compared to the magnitude of the proposed charges and the harm they could impose on customers.

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IV. RECOMMENDATION AND CONCLUSION

Q: What is your recommendation?

A: I recommend that the Commission reject PacifiCorp's proposed change to Rule 11D with regard to Collection Agency fees and reject PacifiCorp's proposed increases to its connection and reconnection fees.

Q: What is the revenue requirement impact of your recommendation?

A: This recommendation would reverse PacifiCorp's Adjustment 3.8, related to the connection and reconnection charge proposals, which increases revenue requirement by $88,934. My recommendation would also reverse PacifiCorp's Adjustment 4.12, associated with Collection Agency fees, which increases revenue requirement by an additional $44,138. These adjustments have been incorporated into Public Counsel's revenue requirement recommendations included in the testimony of Ms. Donna Ramas.

Q: Does this conclude your testimony?

A: Yes.