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BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

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

REBUTTAL TESTIMONY OF BRUCE W. FOLSOM
REPRESENTING AVISTA CORPORATION

| | | |
|-------------------------------------|--------------------------|--------------------------|
| WUTC | | |
| DOCKET NO. <u>UE-991606</u> | | |
| EXHIBIT # <u>326</u> | | |
| ADMIT | W/D | REJECT |
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Exhibit T- (BWF-T)

1 Q. Please state your name, business address and position with the Avista
2 Corporation?

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

6 Q. Have you previously submitted direct testimony in this proceeding?

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

9 Q. What is the scope of your rebuttal testimony?

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

12 Q. What is SNAP's primary recommendation?

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

16 Prior to reviewing SNAP's data responses, the Company had understood Mr.
17 Colton's 67 pages of prefiled direct testimony to be broader in scope than a call for a
18 collaborative. The context of Mr. Colton's testimony appeared to be a criticism of the
19 Company's low-income customer practices. However, Mr. Colton's testimony does "not
20 recommend or advocate specific low-income programs in his Avista testimony", as stated in
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22 ¹ Mr. Colton's specific language at page 4 of his testimony is: "(1) Avista should be directed to initiate
23 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
24 responses utilizing the planning process that I outline in the text of my testimony below..."

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

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

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

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

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

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

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

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

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

11 Avista Utilities provides four dedicated customer service representatives who assist
12 customers in financial need through its CARES program. The CARES representatives
13 direct customers to community energy assistance programs and arrange payment plans.
14 In essence, CARES representatives are advocates for low-income customers.

15 In 1999, Avista Utilities:

- 16 • made 159,069 payment arrangements for Washington customers,
- 17 • had disconnection time periods of less than four hours on average, and
- 18 • wrote off \$1,633,823 in unpaid Washington residential accounts, of which
19 \$816,000, or half, originated from low-income customers.

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

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

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

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

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

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

18 What is lacking in Mr. Colton's analysis of the poverty level within the Company's
19 service territory is that Avista Utilities' residential retail rates, as previously stated, are
20 among the lowest in the country. If the Company's full rate request is granted, Avista
21 Utilities would still be among the ten lowest cost utilities in the country. This relates
22 directly to Mr. Colton's contention that the energy burdens of Avista low-income customers
23 are unsustainable. His metric for unsustainable, or perhaps better called "unaffordable",

1 energy costs is the percentage of income by customers spent on utility bills. He states at
2 page 8 of his testimony that this valuation “would yield sustainable [or affordable] energy
3 burdens of from 6% to 8% of income. The energy burdens of low-income consumers
4 routinely exceed these figures.” It appears that this latter statement is in reference to
5 national figures, not Avista Utilities’ rates.

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

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

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

1 **TABLE 1—Residential Rates in Cents/kwh ¹**

| 2 <u>Utility</u> | <u>Residential Electric Rate</u> | <u>Utility</u> | <u>Residential Electric Rate</u> |
|---|----------------------------------|----------------------------|----------------------------------|
| <i>Pennsylvania</i> | | <i>Maryland</i> | |
| 4 West Penn Power Co. | 6.82 | Potomac Edison Co. | 7.42 |
| Penn. Power & Light Co. | 8.03 | Potomac Elec. Power Co. | 8.47 |
| 5 Pike Co. Light & Power Co. | 9.74 | Baltimore G&E Co. | 8.60 |
| PECO Energy | 11.15 | <i>New Jersey</i> | |
| 6 Duquesne Light Co. | 11.38 | Rockland Electric Co. | 10.28 |
| <i>New York</i> | | <i>Arizona</i> | |
| 7 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 |
| 8 Orange & Rockland Util. | 12.19 | <i>Massachusetts</i> | |
| Niagara Mohawk Power | 12.23 | Mass. Electric Co. | 9.24 |
| 9 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 |
| 11 Pacific Gas & Elec. Co. | 10.90 | | |
| Southern Cal. Edison | 11.45 | | |
| <i>Washington</i> | | | |
| <i>Avista Corp.—current²</i> | <i>4.78</i> | | |

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

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

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

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

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

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

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

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

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

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

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

23 Through responses to data requests, Mr. Colton does not provide support for any
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1 benefits that would accrue to the Company's total ratepayer population; rather, he cites
2 published papers and orders relating to other jurisdictions.

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

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

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

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

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Q. If the Commission were to direct Avista Utilities to enter into a collaborative process 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.