July 27, 2007

Ms. Carol Rockney, Director
Customer & Regulatory Liaison
Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

Re: Docket No. UE-051090, MEHC Acquisition of PacifiCorp
Transaction Commitment Wa13, O21, C19, I15, U26, Wy28
Low Income Arrearage Study

Dear Ms. Rockney,

As advocates for low-income energy programs in four of the states PacifiCorp serves, we appreciate PacifiCorp's willingness to undertake the Low-Income Arrearage Management Study (Study) pursuant to the settlement of Mid-American Energy Holdings Company (MEHC) acquisition of PacifiCorp (state specific agreements: OR 21; WA 13, UT 26, and ID 15). As participants of the multi-state Working Group assembled by PacifiCorp to provide guidance on the task, however, we must express severe disappointment in the process and object to the conclusions drawn by the authors. We, individually and as a group

- believe the way the Company handled the process undercut the value of our input
- are profoundly in disagreement with many facets of the final report, and
- are unified in our belief that this report not only represents a profound lost opportunity that was offered by the MEHC Commitment, but also that this Final Report should not be utilized by either PacifiCorp or MEHC as a tool or benchmark in future investigations aimed at reducing low-income arrearages.

The Commitment

MidAmerican agreed as part of the settlement "to provide shareholder funding to hire a consultant to study and design for future implementation of an arrearage management project of low-income customers that could be made applicable to …. the states that PacifiCorp serves"(OR language). In addition, the explicitly stated goals "include reducing service terminations, reducing referral of delinquent customers to third party collection agencies, reducing collection litigation and reducing arrearages and increasing voluntary customer payments of arrearages."

It was our expectation going into the process that PacifiCorp was going to fund the development of a study that would look specifically at arrearage management program options that would meet these goals by exploring the problems associated with low-income arrearages. A template for such an exploration would include:

A. An analysis of the problems that an arrearage management program would address. Our working assumption would be that the problems of low-income arrears are not only real but that the problem manifests itself in different ways for different people – each manifestation requiring possibly a different approach toward solution.

B. An analysis of what has led up to the arrears. This type of an analysis would evaluate the different ways customers get into arrears in the first place. Is it a seasonal issue? A chronic issue where a customer simply can't make full payments so the balance in arrears grows over time? Or has the customer simply stopped paying their bill?

C. What alternatives exist for arrears? A variety of program and payment options emerges including combinations with existing energy assistance and rate discount programs. While a list of such programs is included in the report, no attempt is made to analyze which of these might be appropriate or effective in any part of PacifiCorp's territory.

D. What kinds of costs are imposed on the utility, on customers who are in the cycle of arrears, and all customers in general? What proportion of a low-income customer's bill is comprised of non-usage charges (late fees, disconnect and reconnect charges, and collection costs)? How can overall utility costs be lower with the development and implementation of arrearage management (forgiveness) programs?

It is extremely frustrating that the resulting document focuses all its energy on the last group of questions while essentially ignoring or, at best, glossing over the first three. This is how the study profoundly misses the point. While substantial analysis is spent on these quantitative questions, the whole realm of qualitative issues is not examined. As a result, one is left with the implication that the problem is not great. While this may be true for the utility (especially since bad debt can be recovered in rates), it could not be further afield from the perspective of those households who cannot pay the bill. The report and subsequent presentation by Quantec on May 24, 2007, draws the conclusion that the problem can be solved by instituting a program to offer pre-paid meters to payment-troubled households. Certainly this will address some of the goals stated in the commitment: "reducing referral of delinquent customers to third party collection agencies, reducing collection litigation and reducing arrearages," but at the cost of significant hardship to the participating households in that they are automatically terminated unless they sacrifice some other necessity immediately in order to pay into the meter. We will also note that Roger Colton, a consultant who worked with Quantec on aspects of the report, has written extensively on the problems caused by pre-paid meters and the inappropriateness of their use with low-income customers. Consequently, we do not believe all the study participants are in agreement regarding that “solution”. While we agree that numbers, metrics and statistics are of critical importance to developing and evaluating low-income programs, one cannot see the associated program problems clearly without looking through qualitative lenses.

Process Problems

In hindsight, it may be that the $66,000 budget was insufficient for producing a useful product. On the other hand, it may be that a more inclusive use of the 15-member, six-state, Working Group assembled by PacifiCorp would have focused the funding more accurately on the target. The Working Group represents many decades of experience in actively participating in studies of this nature and in the review and comment process that typically leads to the eventual release of final reports. The process employed by PacifiCorp and Quantec unfortunately did not adhere to such a process.

In our opinion, the process employed by PacifiCorp in guiding the production of this analysis and report was flawed in the following ways:

- The Working Group had only one opportunity to review the parameters of the Study at the start of the process.

- The Working Group had only one opportunity to glimpse into the detail of the study metrics and data requirements at the start of the process.

- The Working Group had no opportunity to review any of the study details or report contents until the “Draft Final Report” was released on March 8, 2006. Further, not only was the Working Group explicitly instructed not to share the draft report with other parties but we were also informed by that our comments and observations would not be incorporated into, or influence the Report itself but would instead be relegated to a Report Appendix.

1) Members of the Working Group participated in a conference call with PacifiCorp and Quantec on September 27, 2006. During this call Quantec discussed the project’s Scope of Work, Deliverables and Timeline. Discussions included ways to mitigate risks associated with arrearage problems and the development of strategies for mitigating these risks. The timeline shared with the group anticipated that a final draft report would be submitted by February 9 with a final report provided by the end of the month. It was further stated that ”if necessary” a conference call would be scheduled after review of the draft report. It was our assumption that the Working Group would be actively involved in reviewing and commenting on the draft report allowing sufficient time for our comments to be incorporated in the report itself.

Additionally, on this September 27 conference call it was announced that Roger Colton was to be included on the Quantec study team. Low-income advocates, in particular, that were on the Working Group were pleased to see the inclusion of Mr. Colton, who has a long and storied national reputation as a low-income advocate and thought leader, on a study team that was overly laden with quantitative skills.

2) On October 13, 2006 a second conference call was held where a further discussion of the study metrics took place. Following this call a second data request was made of PacifiCorp for information needed to produce the study. This call represented the last major contact between Quantec / PacifiCorp and the study Working Group until the release of the Final Draft Report.

3) On March 8, 2007, the Final Draft Report was released to the Working Group with the requirement that our comments be provided to Quantec by March 14, 2007. We were not only taken aback to be given only four working days to comment on the report but we were distressed to learn that our comments would be relegated to the report's appendices. We were further troubled when later that same day an email was sent from PacifiCorp to the Working Group instructing us that we were NOT to share the draft report with people outside of the group. Upon receiving complaints from several Working Group members the comment deadline was slightly relaxed to 12:00 noon on March 19 – giving Working Group members an additional two working days to comment. On March 20, the Final Report was released. Only five of the fifteen Working Group members submitted comments. Two of the five commenting parties explicitly noted the time constraints placed upon them by PacifiCorp in making their comments.

4) On May 24, PacifiCorp held a conference call with the primary contractor and several of the parties signing below, during which many of these issues were discussed. Subsequently, the company requested final comments by July 31, before they take the information internally to determine the next steps.

Data and Report Problems

Several reviewers report problems and concerns with the Final Report. We have identified several factual errors in the report that could have been corrected had we been given the opportunity to more fully review draft report material. A number of the Final Report's recommendations are of value, but are not fully supported by the empirical data. Other conclusions and areas for further inquiry are not of value to low-income customers and are equally unsupported by the data.

Some of our problems and concerns with this report include;

- Data responses from PacifiCorp were transmitted to Quantec a little over one week before the Draft Final Draft of the report was issued on March 8. This indicates to us that there was a rush to complete a draft final document that was not really open to review outside of the Working Group and where our comments were relegated to the Report's appendix.

- The Report notes that specific cost effectiveness analyses were not conducted on each potential strategy.

- The Report mentions hot-button “solutions” to low-income arrears (such as prepaid meters) that do not flow from the analysis included in the report, and in fact are likely to increase the frequency of one of the very results of poor arrearage management we hoped to learn how to avoid – disconnections.

- The Report, in our opinion, erroneously mentions that Oregon Revised Statute 757.600 (as created by Oregon Senate Bill 1149, 1999) should be modified to allow for a rate discount program. The law already has that flexibility. Additionally, the Report calls for the diversion of some of the existing bill payment assistance funding allowed under ORS 757.600 to fund this discount program. The proposal to divert funding from this successful program is not supported by the data included in the Report.

- In Table 3 of the Report, data is presented on the number of Total Low-Income Households that, at least in the case of Oregon, contradicts data provided by other reliable statistical sources. Without a productive process in place where the Study Team and the review team can collaborate on issues presented in the draft report these issues remain unresolved.

- A number of questions emerge on Table 9 of the report where Quantec calculates the amount of Total Arrears. Again, without a process in place for the Study Team and the review team to work together to resolve questions and discrepancies the issues remain unresolved.

Conclusions

In sum, the thrust of the study at least falls short, if it does not entirely miss the whole point of the exercise, and the process did not allow the stakeholder group sufficient opportunity to provide guidance before the report was finalized. The overall frame of the report takes the perspective of whether arrears are a problem for the utility, whereas we believe an equal, if not overarching, perspective that should have been addressed is: For which customers are arrears a problem? Why? Are there methods that can remedy these causes? ,And what are the benefits to the participant, other customers, and the utility itself from taking this or that alternative approach. We strongly encourage the utility to undertake investigating these latter, overarching, questions as the next step in this process. That is, identify a distinct payment-troubled low-income group, investigate the cause(s) of the problem(s), determine what they want to accomplish, and develop an approach to work with these customers that provides benefits for as many parties as possible. Finally, we categorically reject the use of prepayment meters as a viable approach to humanely address the problems of low-income payment-troubled households.

Respectfully submitted,

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Michael Karp, The Energy Project and A W.I.S.H., Washington
Teri Ottens, CAPAI, Idaho
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