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Department of Commerce
Division of Public Utilities

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MEMORANDUM

To: Utah Public Service Commission

From: Utah Division of Public Utilities
Philip Powlick Millington, Director
Energy Section
Abdinasir M. Abdulle, Technical Consultant
Charles Peterson, Technical Consultant
Artie Powell, Manager

Date: May 15, 2008

Re: Docket 05-035-54, MEHC Acquisition of PacifiCorp
Transaction Commitment U26
Low Income Arrearage Study

RECOMMENDATION

The Division of Public Utilities (DPU) recommends the Commission acknowledge PacifiCorp's Low-Income Arrearage Study report in conjunction with the "Arrearage Addendum" and "Low Income Arrearage Study: Recommendations and Future Direction," attached here as satisfying the Acquisition Commitment U26.

ISSUE

In Docket No. 05-035-54, MEHC and PacifiCorp committed to study and design an arrearage management project for low-income customers in its service territory (U26). For the benefit of the reader Commitment U26 is reproduced here:

MECH commits to provide shareholder funding to hire a consultant to study and design for possible implementation of an arrearage management project for low-income customers that could be made applicable to Utah and other states that PacifiCorp services. PacifiCorp will provide a resource for facilitation of a working

group to oversee the project. The study shall commence no later than 180 days after close of the transaction and be completed, through the issuance of a formal report to the Commission, no later than 365 days after the close of the transaction. MEHC recognizes that such a program may have to be tailored to best fit the unique low-income environment of each individual state. The project will be developed by PacifiCorp in conjunction with relevant regulatory and governmental agencies, low-income advocates, and other interested parties in each state that is interested in participating. The goals for the project will 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. The cost of this study will be at least \$66,000 on total company basis paid for by the shareholders. If less than six states participate, the amount of the shareholder funds will be reduced proportionately.

On March 20, 2007, in compliance with this commitment, the Company filed its Low Income Arrears Study, which had been prepared by Quantec for PacifiCorp, with the Commission. On November 16, 2007, in response to an Action Request, the Division submitted a memorandum to the Commission commenting on Rocky Mountain Power's (RMP) Low Income Arrearage Study Report, Docket No. 05-035-54 and recommended the Commission not acknowledge the report as satisfying the Acquisition Commitment U26. The reasons for the Division's recommendation were that report did not contain any information as to how:

1. The list of the recommended strategies was deduced from the analysis that was made and why those best practices that were not included in the final list of recommendations were omitted; and
2. How the recommended strategies could be implemented in Utah.

On January 9, 2008, the Division met with RMP and discussed the Division's concerns regarding the Arrearage report. As a result of this meeting, the Company agreed to obtain additional information from Quantec regarding its arrearage report. The Company further agreed that it would provide information, with as much detail as currently available, regarding how the Company will proceed in this matter.

On February 1, 2008, the Company provided Quantec's Low-Income Arrears Addendum (attached here) and the Division reviewed it. This document contains a Table that lists the best practices and notes whether one or more of Quantec's recommendations were based on it. The

Table also contains, for those best practices that were not included in final recommendations, an explanation regarding the rationale behind its exclusion. The Division believes that this addendum adequately addresses the Division's concern.

On April 28, 2008, the Company provided the Division and other interested parties a document outlining concepts regarding how they may incorporate Quantec's recommendations into practice in Utah. The Company indicated its willingness to work with the interested parties in trying to implement Quantec's recommendations. The Division reviewed this document and concludes that it adequately addresses the Division's concern.

Therefore, the Division believes that these two documents along with the original Arrearages report satisfy Acquisition Commitment U26.

Cc Jeff Larson, Rocky Mountain Power
Dave Taylor, Rocky Mountain Power
Michele Beck, Committee of Consumer Services
Betsy Wolf, Salt Lake Community Action Program