- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Utah Power and Light Tariff regarding Electric Service Regulation 9	)))	DOCKET NO. 03-035-T09 ORDER SUSPENDING TARIFF

ISSUED: July 14, 2003

By The Commission:

For reasons stated in the memorandum from the Division of Public Utilities, Utah Department of Commerce (DPU), attached hereto and incorporated herein by this reference, we issue the following:

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

- The proposed changes to Utah Power and Light Electric Service Regulation 9 be, and they are, suspended pending further Order of the Commission, all existing provisions to remain effective in the interim.

Dated at Salt Lake City, Utah, this 14th day of July, 2003.

/s/ Ric Campbell, Chairman

/s/ Constance B. White, Commissioner

/s/ Ted Boyer, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary

G#34511

Action Request Response

To: Public Service Commission

Ric Campbell, Chair

Connie White, Commissioner

Ted Boyer, Commissioner

From: Division of Public Utilities

Lowell Alt, Director

Judith Johnson, Energy Section Manger

Artie Powell, Utility Economist

Date:	July 8, 2003
Subject:	03-035-T09; Change in Regulation 9 - Deposits

Introduction

On June 11, 2003 PacifiCorp filed a request to change Electric Service Regulation No. 9 ("Regulation 9"). The proposed change would, in addition to the existing criteria, allow PacifiCorp to charge a deposit where customers applying for service fail to meet minimum credit requirements relative to a credit scoring formula. PacifiCorp requests that the change be made effective July 15, 2003.

Recommendation

The Division has reviewed PacifiCorp's application and recommends that the Commission suspend the implementation of the change in deposit criteria to allow the Division and other parties, such as Salt Lake Community Action Program and the Committee of Consumer Services, time to thoroughly investigate and analyze the impact this change would have on PacifiCorp and various groups of ratepayers.

Discussion

According to PacifiCorp's application, assessing deposits to those customers who fail to meet minimum credit requirements will mitigate the risk of not recovering monies in situations involving poor credit. Additionally, PacifiCorp claims that the change to Regulation 9 will eliminate the need to assess deposits for customers who meet the minimum credit requirements, reduce the upward pressure on the amount of write-offs, reduce the opportunity for subterfuge and its associated losses, and help increase the detection of identity theft.

PacifiCorp, in response to data requests, explains that,

The company plans on working with an outside credit bureau to identify the point on a credit scoring scale that a customer would be classified as "high risk" to trigger when a deposit would be required. To begin the process the company would provide information to the credit bureau on accounts that have been written off. Form this information the credit bureau will work with the Company to determine at what point in the credit scoring system the scores represent "high risk" customers. For example, if the majority of accounts written off had a credit score of 500 or below this would be used as a cut off point to assess a deposit.

PacifiCorp's responses also indicate that it currently has a similar policy in Idaho and is holding discussions with the intent of implementing credit scoring criteria in Oregon.

In its application, PacifiCorp reports that, for fiscal year 2003, "the net write-off in Utah was approximately $4.3 million dollars from accounts where **no** deposit was on file." (Emphasis added). PacifiCorp continues by explaining that, "Of this amount, $1.3 million was written off due to bankruptcies." PacifiCorp concludes that bankruptcy "is a significant problem in Utah."[(1)]

Bankruptcy filings have increased significantly in Utah in the last several years: 30% in 2001, 14% in 2002, and 6.4% in 2003 over the same three months January through March in 2002.[(2)] This increasing trend follows a national trend and is certainly, at least in part, due to the economic recession. However, "Utah is known as a state with an unusually high number of bankruptcies." (Overbeck, October 16, 2001) Indeed, Utah has earned the dubious reputation as the "household insolvency capital of the nation." (Overbeck, April 8, 2003). According to reports in the Salt Lake Tribune, for the 12-month period ending September 30, 2002, on average, 1 out of every 38 households in Utah filed a petition for bankruptcy. Of these petitions, the majority, 66%, were filed under Chapter 7, which allows debts to be forgiven. The remaining 34% were filed under Chapter 13, which allows individuals to repay their debts usually over an extended period of time. (Overbeck, April 8, 2003). However, according to recent studies conducted by Professor Jean Lown of Utah State University, only about 11% of those filing for bankruptcy under Chapter 13 in Utah actually complete their debt repayment plans. (Overbeck, July 16, 2002). Thus, the Division agrees with PacifiCorp that, bankruptcy is a significant problem in Utah.

However, despite the economic recession, the increase in bankruptcy filings in Utah does not appear to translate into increased write-offs. According to data provided by PacifiCorp, write-offs were approximately $0.60 per ratepayer on Schedule 1 in September 2000 and remained at this level over the intervening months, except for December 2002 and March 2003, the last month data was available.[(3)]

So, while the increase in bankruptcies poses a potential risk to PacifiCorp and its ratepayers, the extent of that risk is unclear.

Additionally, it is not clear from PacifiCorp's application or from data responses how the credit scoring will be accomplished. For example, some of those likely to be assessed a deposit based on credit risks are also likely to be those least likely to afford a deposit. What allowances, if any, will be made for low-income customers is not specified in PacifiCorp's application.

The Division also notes that the change could potentially affect the revenue requirement in the current case in two ways. First, the amount in deposits is an offset to ratebase. If the policy better targets deposits, as PacifiCorp's application indicates, and the amount of deposits increases then the revenue requirement could be lower. Second, if the credit scoring lowers bad debt, PacifiCorp's revenue requirement may be lower.

Therefore, the Division recommends that the Commission suspend the implementation of the change to Regulation 9 to allow other parties and the Division an opportunity to thoroughly analyze the effect this change would have on PacifiCorp and various groups of ratepayers. In addition, given the potential effect on PacifiCorp's revenue requirement, it may be appropriate to hear this issue in the current PacifiCorp rate case.

CC. Rea Peterson, Division of Public Utilities
Dan Gimble, Committee of Consumer Services
Betsy Wolf, Salt Lake City Community Action Program
John Stewart, PacifiCorp

[1] PacifiCorp Advice Filing 03-08, Electric Service Regulation 9, June 11, 2003, p. 2.

[2] Steven Overbeck, *The Salt Lake Tribune*, http://www.sltrib.com, TribAccess Internet Archives. Articles dated 10/16/2001, 7/16/2002, 1/11/2003, and 4/8/2003.

[3] PacifiCorp's Quarterly HELP report to the Utah Public Service Commission, April 30, 2003.