



This is an extract of order 99-035-10 which implemented the HELP program. The full text of the order is available at http://www.psc.state.ut.us/elec/00orders/May/9903510ro.htm

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Investigation ) DOCKET NO. 99-035-10
Into the Reasonableness of Rates )
and Charges of PacifiCorp, dba )
Utah Power & Light Company ) REPORT AND ORDER

ISSUED: May 24, 2000

SHORT TITLE

PacifiCorp 1999 General Rate Case

SYNOPSIS

The Commission changes Pacificorp's annual revenue requirement by \$17.04 million, based on an adjusted 1998 test year and an allowed rate of return on equity of 11 percent. The Commission also adopts a Lifeline rate for customers who qualify and establishes a new line extension policy. The percent revenue increase to residential, irrigation, small commercial, and lighting customers is 4.24 percent. The percent revenue increase to large commercial and industrial customers is less than 1 percent.

III. PRICING OF TARIFFED RATE SCHEDULES

C. DESIGN OF RATES

1. Lifeline Rate

As in our last rate case, Salt Lake Community Action Program and Crossroads Urban Center (SLCAP/CUC) propose a lifeline rate for low-income residential customers. This program would give an \$8 per month credit for eligible participants. That case contained an extended discussion and analysis of the proposal, which we will not repeat here but reference and again rely on, in addition to evidence introduced in this case, as basis for our decision here.

In the prior case, this Commission found that we have the authority to implement a lifeline rate; that a real need exists and is not otherwise being met by other programs; that the program as proposed in that case was successfully targeted and would not overly burden other customers; that the benefits offset negative impacts; and the proposed program was administratively simple and inexpensive to administer. Despite these findings, we declined to institute the lifeline rate in that case because of several concerns and unanswered questions, which were explained fully in

40 **that Order.** We requested that a Low-Income Task Force be established to investigate these  
41 issues further. In brief, **we asked for more information on** what we characterized as primarily  
42 "practical concerns," asking for a Lifeline Plan which would include clear and specific proposals  
43 and information on the following: (1) a proposed cap on the total amount the program would  
44 raise and spend annually; (2) how to calculate charges, and on which users; (3) targeting eligible  
45 customers; (4) experience of other states; (5) **proposed measurements and standards by which we**  
46 **could judge the success of a program;** and (6) any future studies which might be appropriate.

47 Members of the Task Force issued a "Report to the Utah Public Service Commission" on  
48 December 17, 1999. The Task Force, acknowledging that "the diversity of economic and  
49 ideologic interests prevent the Task Force from recommending a low-income energy assistance  
50 program," could not reach agreement on all of the issues. However, SLCAP/CUC proposes that  
51 we effect a lifeline rate in this case nevertheless. Its proposal here is substantially the same one  
52 as proposed in the prior case with some additions in response to our Order, and some additional  
53 information from the Task Force Report. It argues that, considering the evidence and findings in  
54 the prior rate case, the Task Force Report, and additional evidence on the record in this case, it  
55 has answered the Commission's concerns and we should institute the lifeline rate.

56 The following discussion examines the items as to which we requested more information. We  
57 continue to rely on and incorporate the findings and conclusions from the earlier Order and add  
58 to them the analysis from this case.

59 **Cap.** SLCAP/CUC's proposal, set forth fully in the exhibits to the direct testimony of the three  
60 SLCAP/CUC witnesses, estimates that the program would cost approximately \$1.8 million per  
61 year plus administrative costs totaling approximately \$50,000 per year. These costs would be  
62 divided among the rate classes in proportion to class revenue. For example, Schedule 1  
63 (individual) customers would be capped at \$0.13 per month, possibly rising to \$0.19 per month  
64 assuming a higher participation level. In contrast, Schedules 6, 9, and 31 customers, the largest  
65 users, would pay \$6.25 per month, to a maximum of \$75 per year. This approach, at least for  
66 residential customers, would constitute a much smaller percentage of the average monthly bill of  
67 \$40.04 (0.32%) than comparable lifeline programs for telephone assistance.

68 **Targeting Eligible Customers.** The proposal indicates that to qualify, a customer must be  
69 qualified for the Utah Home Energy Assistance (HEAT) Program (which we examined in our  
70 prior order and found that by itself it is inadequate to meet the needs of eligible customers); or  
71 earn no more than 125% of the federal poverty level. The Utah Department of Community and  
72 Economic Development would administer the program in conjunction with its HEAT program.

73 **Experience in Other States.** The Task Force Report contains a discussion of its findings in this  
74 area. It tells us that many other states have low-income assistance programs and that they vary in  
75 range, cost, and design. Whether they offer real benefits was a hotly contested issue among Task  
76 Force participants. Some possible benefits identified are to society at large and thus, it is argued  
77 by some, this decision properly belongs to the legislature and not the commission. **The Division**  
78 **asserts that there are no benefits to nonparticipants from direct assistance programs. It cautions**  
79 **the Commission against "effectuating social policy by means of altered electricity rates."** During  
80 the hearing we learned that in most states with similar programs, they were adopted by  
81 commissions in those states, and then the legislatures generally codified them.



82 **Proposed Standards of Measures of Success.** The task force report indicated some confusion  
83 as to what the Commission intended with its questions in this area. "If the Commission's  
84 intention were to provide assistance to a given number of customers, or a percentage of low-  
85 income households, measurement would likely be quite simple . . ." The Task Force identified  
86 some problems in trying to measure effectiveness of any low-income assistance program. It  
87 asserted that some of the information needed is not currently tracked by PacifiCorp and it would  
88 be cost prohibitive to do so. It recommended that we ask the Division to develop a set of  
89 standards and measures.

90 **Future Studies.** The Task Force recommended that a major review should be undertaken no  
91 later than three years after implementation of this, or any, program, to make sure the program is  
92 effective and to suggest changes or an end to the program. Beyond that, the Task Force members  
93 had differing opinions.

94 We conclude that, considering the additional information provided in this case, it is in the public  
95 interest to have a Lifeline program in Utah as proposed and we are ordering that it be  
96 implemented. We find sufficient benefits to the intended beneficiaries, to the utility, and to utility  
97 customers in general through reduced cost to the utility of collections, terminations,  
98 reconnections, and arrearages. As for arguments that the program would benefit one class of  
99 customers only, and thus should be paid by them only, we note that it is not done in other  
100 arguably similar areas and we decline to do so here. One specific example is that each class of  
101 service does not pay precisely its "share" of costs. This is true, for example, of the large customer  
102 groups, or special contract customers, according to some views of allocations. Yet they do not  
103 agree with any allegations that they are being subsidized by residential customers. Examples  
104 abound to demonstrate that one person's improper "social welfare" program is another person's  
105 legitimate regulation of utilities in the "public interest".

106 Nor has the Commission's current rules on a lifeline rate for telephones, enacted under our  
107 general authority in Section 54-4-1 and 54-4-4 of the Utah Code, ever been challenged. We find  
108 that the program proposed here is a rather simply-designed program with relatively modest goals  
109 and is analogous to the lifeline program for telephone service. We expect that experience in  
110 administering the telephone lifeline program will provide guidance as the Company, the  
111 Division, and others work to effect, and monitor, the Lifeline program we now institute.  
112 Although the large customer group questioned whether taxation of the amounts raised and spent  
113 for the Lifeline program might diminish its efficacy, it pointed to no evidence that that actually is  
114 happening with respect to the Lifeline program in the telephone arena. If that in fact turns out to  
115 be a problem, we expect to be advised of that, as the program is monitored.

116 Accordingly, we order the Division, the Committee, and SLC/CAP to work with the Company to  
117 implement, within 90 days following the effective date of this Order, the Lifeline program as  
118 proposed in the last case and as discussed herein. We anticipate that the program be capped at no  
119 more than \$1.8 million per year; that it continue to be monitored by the Division and that it be  
120 thoroughly audited within three years.

121 ...

122

#### IV. ORDER



123 Wherefore, pursuant to our discussion, findings and conclusions made herein, we order:

124 ...

125 4. The Division of Public Utilities and PacifiCorp to prepare, with the participation of the  
126 Committee of Consumer Services and the Salt Lake Community Action Program and any other  
127 interested party, a Lifeline rate and program, as discussed herein, to be implemented within 90  
128 days after this report and order. We further direct the Division of Public Utilities to monitor and  
129 audit the program, submitting, at a minimum, annual reports over an initial three-year period.

130 ...

131 CONCURRING AND DISSENTING STATEMENT OF  
132 COMMISSIONER STEPHEN F. MECHAM

133 I concur in all of the decisions in this order with the exception of two: the Lifeline Rate and the  
134 Line Extension Policy. I do not challenge the Commission's authority to establish the lifeline rate  
135 because UCA 54-3-1 permits the Commission to consider the economic impact of utility rates on  
136 every category of customers. In addition, in 1986 the Commission adopted a lifeline rate for  
137 qualifying telecommunications customers without any more explicit statutory language. The  
138 difference is that the benefits for non-lifeline rate telecommunications customers are more  
139 identifiable than those suggested in this docket for non-lifeline electric customers. There are also  
140 federal offsets that enhance the benefits for telecommunications customers on the lifeline rate not  
141 available to electric customers who qualify. I do not personally oppose the lifeline proposal, but  
142 without concrete, identifiable benefits to all customers, I believe the legislature should  
143 specifically address this issue during its debate of electric industry deregulation before the  
144 proposal is implemented.

145 I also disagree with the Line Extension Policy established in this order. I am concerned that the  
146 policy may lead to double counting of parts of the system, like the transformer for example, and  
147 therefore result in double recovery. It also strikes me that the policy shifts more costs to the  
148 distribution system and the end use customer as the industry is preparing for restructuring. Many  
149 of the customers who cover those costs will be the last to benefit from a restructured electric  
150 industry. We should be wary of that movement. Lastly, though I prefer the new 15 year term for  
151 the facilities charge compared to the perpetual charge permitted today by tariff, that charge and  
152 how it is treated needs much more thorough analysis.

153

154 /s/ Stephen F. Mecham, Chairman