

3.1 R.W. Beck's Response to Division's Questions

On January 15, 2002, R.W. Beck received a communication from the Division of Public Utilities (Division) stating that the final Beck report is incomplete because it understates the impact to donors. The main issue seems to be that the Division wishes to see a measure where the \$1.9M collected from donors during the first year of the program is evaluated. The Division's communication then proceeds to solicit responses to seven questions that address the program's benefits, negative impacts and other issues.

R.W. Beck believes that the Division's concerns have been addressed in the report and will proceed to answer the Division's questions in an effort to further clarify the issues presented.

IMPACT ON DONORS

The following table lists the proposed measures from the report that show the program's impact or possible impact to donors. The details of each measure are included under Section 4 of the report.

Table 1 Measures that Illustrate Impact on Donors

Measure Title	Measures	Is data available, quantifiable & attributable?	Results
Account balance	1) Amount collected from donors and 2) Amount distributed to recipients	Yes	\$1,897,652 was collected from donors
Donors' missed investment opportunity	Possible missed investment opportunity for program donors per year	Data is available and quantifiable. Measure presents an attributability challenge	Investment at 3% - \$1,928,777 Investment at 12% - \$2,025,641
Donors' after and pre-tax contributions	Shows direct and indirect cost to donors since contribution is after tax	Data is available, quantifiability and attributability are challenged	Measure applies to residential customers only. At a 22% tax rate, cost is \$84,576
Recipient and donor's perspective and attitudes	Donors' perspective and attitude toward the program	Data will be available once survey is conducted	Results will be available once survey is conducted
Economic stimulus from dollars "taken" through the subsidy	Aggregate impact of the consumer dollars that are "taken" up through subsidy dollars	Measure is extremely challenged for data attributability	Data attributability needs to be addressed before results are obtained.



From the measures listed above, the only measure that meets the criteria regarding the availability, quantifiability and attributability of the data is the account balance. The account balance measure includes two pieces of information: (1) The dollars collected from donors and (2) the dollars distributed to recipients. The measure was designed to include both pieces of information because they are related and presenting the results together shows the difference between collection and distribution.

The results of this measure show that \$1,897,652 was collected from donors and that \$1,044,260 was distributed to recipients, during the first year of the program. We see a shortfall in the distribution of collected funds as a first year anomaly.

IMPACT ON RECIPIENTS

The following table lists the proposed measures from the report that show the program's impact or possible impact on recipients. The details of each measure are included under Section 4 of the report.

Table 2 Measures that Illustrate Impact on Recipients

Measure Title	Measures	Is data available, quantifiable & attributable?	Results
Balance in arrears	The average balance in arrears for recipients	Data attributability is challenged	Refer to Table 4.2.1 in Section 4.
Terminations	The monthly of number service terminations and termination notices for recipients	Data attributability is challenged	Refer to Table 4.2.2 in Section 4.
Reconnections	The monthly of number service reconnections	Data attributability is challenged	Refer to Section 4.
Accounts Sent to Collection Agencies	The monthly of number recipient accounts and outstanding balances sent to collection agencies	Data attributability is challenged	Refer to Table 4.2.4 in Section 4.
Write-offs	The monthly number of recipient accounts and dollar amount for these accounts written off	Data attributability is challenged	Refer to Table 4.2.5 in Section 4.
Recoveries	The monthly number of recoveries to write-offs from recipient accounts	Data attributability is challenged	Refer to Table 4.2.6 in Section 4.
Account balance	1) Amount collected from donors and 2) Amount distributed to recipients	Yes	\$1,044,260 was distributed to recipients

Penetration	Program's penetration over time	Yes	Refer to Table 4.2.9 in Section 4
Recipient and donor's perspective and attitudes	Recipients' perspective and attitude toward the program	Data will be available once Data survey is conducted	Results will be available once survey is conducted
Average electricity energy burden	Electric energy cost for low-income families participating in the program	Presents a data availability challenge	Once data is available
Program stability	Stability of program participation	Presents a data availability challenge	Once data is available
Economic stimulus from dollars "freed" through the subsidy	Aggregate impact of the consumer dollars that are "freed" up through subsidy dollars	Measure is extremely challenged for data attributability	Data attributability needs to be addressed before results obtained.

At the time this report was prepared, the only measures that meet the criteria regarding the availability, quantifiability and attributability of the data are account balance and penetration. As stated above, the account balance measure includes two pieces of information: (1) The dollars collected from donors and (2) the dollars distributed to recipients. The measure was designed to include both pieces of information because they are related and presenting the results together shows the difference between collection and distribution.

In reference to program penetration, as the results presented under Section 4.2.9 illustrate, the number of participants for the latter five months of the program increased and tended to remain stable, however a sharp decrease in participation was experienced in September 2001. The results obtained from the first six months of the program were not included in the analysis, because the number of participants had not stabilized and the program was experiencing predictable start-up challenges.

IMPACT ON THE UTILITY

The following table lists the proposed measures from the report that show the program's impact or possible impact on PacifiCorp. The details of each measure are included under Section 4 of the report.

Table 3 Measures that Illustrate Impact on the Utility

Measure Title	Measures	Is data available, quantifiable & attributable?	Results
Balance in arrears	The average balance in arrears for recipients	Presents a data availability and	Refer to Table 4.2.1 in Section 4.

		attributability challenge	
Terminations	The monthly of number service termination and termination notices for recipients	Presents a data availability and attributability challenge	Refer to Table 4.2.2 in Section 4.
Reconnections	The monthly of number service reconnections	Presents a data availability and attributability challenge	Refer to Section 4.
Accounts Sent to Collection Agencies	The monthly of number recipient accounts and outstanding balances sent to collection agencies	Presents a data availability and attributability challenge	Refer to Table 4.2.4 in Section 4.
Write-offs	The monthly number of recipient accounts and dollar amount for these accounts written off	Presents a data availability and attributability challenge	Refer to Table 4.2.5 in Section 4.
Recoveries	The monthly number of recoveries to write-offs from recipient accounts	Presents a data availability and attributability challenge	Refer to Table 4.2.6 in Section 4.

At the time this report was prepared, none of the measures meet the criteria regarding the availability, quantifiability and attributability of the data in order to show the program's impact on the utility. PacifiCorp does not have data available that would show the costs of the business processes mentioned in the table. This information would be useful in evaluating the program's possible impact on the utility, when looked in conjunction with other economic measures, as explained in the report.

IN SUMMARY

At the time this report was prepared, few measures met the criteria of data availability, attributability and quantifiability determined by the Commission. Undoubtedly with additional research and collection of more data several of the measures mentioned in the tables, will overcome the data availability challenges currently experienced.

DIVISION'S QUESTIONS

The communication received from the Division on January 15, 2002, also includes the following seven questions. R.W. Beck's response follows the restatement of each question.

1. *What benefit(s) did Beck identify in the program for recipients, PacifiCorp and the utility customers in general? Please identify, along with the available and attributable data, the measure and standard for each.*

The measures and their components are detailed in Section 4. In addition, Tables 1, 2 and 3 above list the data challenges each measure presents. The following benefits are concluded based on the measures that at this time meet the data challenges:

Benefits for Recipients:

- \$1,044,260 distributed during the first year of the program. Data provided by the account balance measure.
- The number of recipients has increased since the program's implementation. Data provided by the penetration measure.

Benefits for Donors:

- No direct benefits for the donors are observed from the program.

Benefits for PacifiCorp

- No data was available to determine the direct benefits for the utility.

2. *What negative impacts or detriments did Beck identify that the program has for recipients, PacifiCorp and utility customers in general?*

Negative Impact for Recipients:

- Of the \$1,850,000 capped for distribution, only \$1,044,260 was distributed. Data provided by the account balance measure.
- Program participation has reached approximately 30%. The defined participation rate is 42%. Data provided by the penetration measure. Please refer to Section 5.2.2 for additional comments regarding this measure.

Negative Impact for Donors

- \$1,897,652 was collected from the donors during the first year of the program. Data provided by the account balance measure.
- Given that no direct benefits for donors are observed, the \$1,897,652 represents a negative impact for donors.

Negative Impacts for PacifiCorp

- No data was available to determine the direct negative impacts for the utility observed from the program.

3. *Is it Beck's position that the \$1.9M cost is not a detriment or "direct negative consequence" to donors?*

R.W. Beck understands that the program design, which was approved by the Commission, involves monthly surcharges to utility customers in general. During the first year of the program the cost to donors was \$1,897,652. Certainly, this is

considered a detriment to donors in that no direct benefit is observed from the program.

4. *Is it Beck's overall position that the HELP program does not overly burden ratepayers?*

The HELP program is funded from surcharges collected from the utility customers in general. Utility customers pay a surcharge to fund the program and receive no direct benefit from the program.

The account balance measure shows that during the first year of the program \$1,897,652 was collected from the donors. The amount collected from the donors varies from \$0.12 per month for residential customers to \$6.25 per month for industrial or commercial customers. The low-income families participating in the program receive \$8.00 per month.

When looking at the size of the program compared to the State of Utah's economy and the national economy, the impact on donors seems negligible. Even though the donors do not receive any direct benefits from the program and during the first year of the program more money was collected than distributed, R.W. Beck considers that the HELP program does not overly burden ratepayers.

5. *Is it Beck's overall position that the benefits will offset the negative impacts in year one? Please explain.*

No. During the first year of the program more money was collected from donors than was distributed to recipients. The excess amount collected is approximately \$850,000. This difference is most likely due to the fact that program participation had not stabilized during this timeframe.

6. *Is it Beck's overall position that the benefits will offset the negative impacts in future years? Please explain.*

As designed, the donors will continue to fund the program and will continue to experience this cost. Once the program has overcome the initial start-up challenges and program participation has stabilized, it is expected that the difference between the dollar amount collected and distributed will be less.

It is necessary to consider that in the future, the availability data challenges associated with other measures should be overcome. Further careful analysis of the results of those measures will be required to determine if the benefits offset the negative impacts.

7. *Is it Beck's evaluation that delaying the program evaluation will enhance the overall evaluation of the program's effectiveness? Please describe specifically what measures will improve with that delay and explain how they will become usable in the future. Please explain if they are not attributable now, how they will be in the future.*

R.W. Beck considers that evaluating the overall evaluation of the program is appropriate, as explained in Section 5.1 Analysis Summary. The Division asks how measures that present attributability challenges will become attributable.

They will not. As stated in the report, these measures are to be used in conjunction with a broader economic study that considers factors such as fuel prices. They will provide information useful in identifying potential problems with the program. The following measures will provide more accurate information if the evaluation is delayed:

Table 4 Available Information If Evaluation is Delayed

Measure Title	Benefits of Delay
Balance in arrears, terminations, reconnections, write-offs, accounts sent to collections agencies, recoveries	A year of data exists for these measures. However the first six months of data do not provide an accurate picture because the program participation had not stabilized. An additional year of data will be useful in identifying trends and when looked in conjunction with a broader economic study, will provide information that may be used to assess the program's impact on the recipients and utility.
Account balance	Data provided from years where the program participation had stabilized would provide a more accurate picture of the results.
Penetration	Data provided from years where the program participation had stabilized would provide a more accurate picture of the results
Recipient and donor perspective and attitude	The survey needed to obtain the results for this measure has not been performed.
Average Electric Energy Cost	The data needed for this measure was not available at the time the report was finalized. More than one year of data would be useful to identify trends and measure if the program has reduced the electric burden for participants.
Program stability	The data needed for this measure was not available at the time the report was finalized. More than one year of data would be useful to identify trends and measure if the program has tended to stabilize

Please refer to Section 5 of the report for further detail on the program evaluation.