

UTAH PUBLIC
SERVICE COMMISSION

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Utah Public Service Commission
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84111

RECEIVED

Attention: Julie P. Orchard, Commission Secretary

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

This letter is in response to the Memorandum to the Utah Public Service Commission from the Utah Division of Public Utilities (DPU) dated November 16, 2007 recommending that the Commission not acknowledge PacifiCorp's Low-Income Arrearage Study report as satisfying Transaction Commitment U26. Rocky Mountain Power believes Transaction Commitment U26 was satisfied by the Arrearage study and provides a point by point response to demonstrate that issues raised by the DPU and which form the basis for their opposition have indeed been addressed.

Transaction Commitment U26 stated:

“MEHC 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 serves. 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 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 the 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 payment of arrearages. The costs of this study will be at least \$66,000 on a total company basis paid for by shareholders.”

The major activities leading up to achievement of this commitment are shown below to establish the timeline for this commitment:

- Rocky Mountain Power hired an outside consultant, Quantec through an RFP process in summer 2006
- A working group was named to include representatives from all six states (Representatives from Utah included Rea Peterson of the Utah Division of Public Utilities, Cheryl Murray of the Committee of Consumer Services, and Betsy Wolf of Salt Lake CAP.)

- A kick-off meeting was held September 27, 2006
- A meeting to discuss details of the study metrics and data requirements was held on October 13, 2007
- A draft report was issued in early March 2007
- The final report was submitted to each state commission on March 20, 2007

The first issue to be raised with regard to the DPU's recommendation is that the DPU misstated the scope and intent of Transaction Commitment U26. On page 2 of their memorandum the DPU states "The Division understands the intention of this commitment (U26) as being to study and design a low-income arrearage project that is tailored to fit the unique low-income environment of each state and achieves the aforementioned goals." This is not correct. Instead, Transaction Commitment U26 states "MEHC 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...". It is that *possible* implementation of an arrearage management project that the company is currently investigating to see if it *could* apply in Utah, as well as other states. The commitment did not require Rocky Mountain Power to implement an arrearage management project that must be applicable to Utah.

On page 3 of their memorandum the DPU concluded that the goals of the study, which are listed in the commitment, are interrelated and that the key goal is the reduction in arrears. The five goals listed in the commitment are:

- Reducing arrearages
- Increasing voluntary customer payments of arrearages
- Reducing service terminations
- Reducing referral of delinquent customers to collections
- Reducing collection litigation

Rocky Mountain Power agrees with the DPU that the goals of Transaction Commitment U26 are interrelated and that if arrearages are reduced, the other goals will be achieved. To achieve these five goals, the Low Income Arrearage Study included five strategies for the Company to help reduce company arrearages.

The five strategies recommended by the consultant to achieve the above goals are:

1. Identification of low income households
2. Maximize use of energy assistance
3. Maximize use of new trends
4. Rate discounts
5. Longer term solutions

The DPU states on page 3 of their memo, that all of the five strategies above, with the exception of #1 (identification of low-income households), can potentially reduce arrearages, service terminations, referrals of delinquent customers to third party collection agencies and collection litigation among the low-income customers (see key goals of transaction commitment shown above).

By their statement, the DPU acknowledges that the study can achieve the key goal of the commitment to reduce company arrearages.

The DPU goes on to state that four of the recommendations will result in an increase in the ability of low-income households to make payments and potentially increase voluntary customer payments of arrearages. Again, the DPU has acknowledged that the arrearage report and findings met the goal of the commitment.

While the DPU takes issue with one of the consultant's recommendations regarding the use of **voluntary** (emphasis added) prepaid meters for low-income customers, the consultant merely points out how this could benefit households by establishing a direct link between price and consumption and encouraging conservation. Also, households do not need a significant sum of money to get reconnected and would just need a few dollars to buy more energy versus several hundred dollars to get reconnected under a traditional scenario. While the DPU and others may not support voluntary prepaid meters (and this is not an option that Rocky Mountain Power has expressed any interest in pursuing at this time), this does not mean that this is not a viable recommendation that *could* be considered.

In reaching their conclusion that the report did not satisfy Transaction Commitment U26, the DPU analyzed the five recommendations issued in the report from the point of view of their usefulness to only the state of Utah.

Recommended Strategy #1: Identification of low income households

"PacifiCorp needs to create and implement processes that allow for the identification of confirmed low-income households, the collection of regular data on the billing and payment patterns of those households, the analysis of the data, and the translation of data into company policies and programs. It should be noted that this process is complicated by the fact that PacifiCorp does not currently request income information from its customers so as to not infringe on customer privacy."

DPU Response #1

The DPU states that identifying and collecting data on Utah households receiving some form of energy assistance is useful and can help the company develop policies and design programs to reduce arrearages.

RMP Response #1

Rocky Mountain Power agrees that the identification of low-income households could be useful to develop policy and program design and we are exploring this issue.

Recommended Strategy #2: Maximize use of energy assistance

"PacifiCorp may want to maximize the external energy assistance available to its individual confirmed low-income households. This process can be enhanced by having better tracking of low income households.

PacifiCorp unduly restricts its view of public energy assistance to the federal LIHEAP program. Total energy-assistance dollars available through the Excess Shelter Deduction of the federal Food Stamp program, as well as through utility allowances provided to tenants of public and assisted housing, may well be greater than through LIHEAP. PacifiCorp should help its arrearage-confirmed low-income households pursue that assistance, and seek to capture that assistance to help retire low income arrears....”.

DPU Response #2

The DPU states that Utah’s low income advocates and state agencies already know the assistance resources available to Utah’s low-income customers and are utilizing this assistance efficiently, therefore, this recommendation does not benefit Utah.

RMP Response #2

While Utah low income advocates may be well versed in the LIHEAP program, as outlined in Ms. Wolf’s comments, however the arrearage report challenged the company and others to look beyond LIHEAP to the Excess Shelter Deduction of the federal Food Stamp program, for example. The report challenged the company to take a broad view of assistance resources and relay this information to the various agencies. Rocky Mountain Power disagrees with the DPU that all possible energy assistance is being utilized in Utah and that this recommendation does not benefit Utah.

Recommended Strategy #3: Maximize use of new trends

“Prepaid meters are another option to consider. Many, for good reasons are opposed to this solution for low-income clients. We believe that its use, on a *voluntary* basis, can benefit the households as well as the utility....”.

DPU Response #3

Maximize the use of new trends – The DPU does not believe this strategy would reduce arrears therefore does not support this recommendation for Utah.

RMP Response #3

As pointed out in the report if implemented on a *voluntary* basis, prepaid meters can establish a direct link between price and consumption and thus encourages conservation. Encouraging conservation could reduce arrears. It was also pointed out in the report that households do not need significant amounts of money to get reconnected and for a small outlay of dollars their service could be restored. While the use of *voluntary* prepaid meters is not something the company intends to pursue at this time, the DPU has not demonstrated that this strategy may not reduce arrears.

Recommended Strategy #4: Rate discounts

“PacifiCorp serves a low-income population, some portion of which will have inadequate resources to pay its home energy bills in a full, regular, timely and automatic basis. As a result of the absolute mismatch of household resources and home energy bills, the company will incur unnecessary and unproductive expenses, which ultimately also prove to be ineffective in accomplishing its purpose of preventing or resolving arrearages....”.

DPU Response #4

The DPU does not think that this recommendation benefits Utah as there is already a rate discount in place.

RMP Response #4

Rocky Mountain Power disagrees with the DPU that this recommendation has no benefit in Utah. The report indicated that states with rate discounts have less arrearage problems than states without rate discounts. The report goes on to mention that it particularly likes the bill discount program in Washington, which offers a tiered approach to the bill discount. This approach gives greater assistance to those who are at the lower income levels which is different than the program offered in Utah which provides a flat discount of \$8.00/month to income qualified customers. Thus, further exploring other rate discount designs does have the potential to benefit low income customers in Utah.

Recommended Strategy #5: Longer term solutions

“PacifiCorp should take a long-term perspective in addressing the arrearages of its confirmed low-income population. One aspect of an appropriate utility response to low-income arrearages is to participate in larger social efforts to address the underlying issue of poverty. Such participation does not call for PacifiCorp to be the sole participant, nor even necessarily the primary participant. Nonetheless, PacifiCorp would benefit by emulating Entergy’s financial support of local and/or state Individual Development Account (IDA) programs...”. The report also recommended that PacifiCorp “should consider working with States on the LIHEAP allocation formula.”

DPU Response #5

Longer term solution – DPU feels this recommendation was general and does not benefit Utah specifically in its current form.

Company Response #5

The report does provide specific longer term actions that Rocky Mountain Power could investigate to reduce arrearages, i.e. emulating Entergy’s IDA program and working with states on the LIHEAP allocation formula. Both of these actions may benefit Utah specifically.

The DPU states that the arrearage report strategies and recommendations can help achieve all the goals set forth in the commitment for some of the states in which PacifiCorp serves, the DPU does not think that these recommendation will help Utah achieve these goals. As shown above, these recommendations *could* potentially benefit Utah low income customers which is how the transaction commitment was intended and worded.

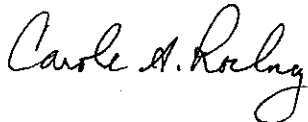
Finally the DPU states that the consultant conducted the study based on the set of objectives they developed which include:

- 1). Assess the level of low-income arrearages
- 2) Estimate the impacts of the arrearages on PacifiCorp and its ratepayers, and
- 3) Recommend cost-effective strategies to reduce low-income arrearages, and mitigate operation costs.

The DPU states that the report is primarily about the first two objectives. Rocky Mountain Power believes that the third objective was achieved as well. Five strategies to reduce low-income arrearages were recommended, as discussed above. With regard to the cost effectiveness issue, as the report states on page 5, "cost effectiveness was considered when reviewing possible arrearage abatement strategies." Specific low-income program design was not included in the report and thus the report did not provide specific program cost effectiveness calculations. Cost effectiveness was considered, however. It should also be noted that cost effectiveness was not discussed at all in the Transaction Commitment itself.

Rocky Mountain Power believes that the arrearage report satisfies the requirements of Transaction Commitment U26. Both the budget and timing for this report were quite ambitious and did not accommodate specific programs but instead provided recommended strategies that could be considered in more depth by Rocky Mountain Power and individual states as appropriate. The information gleaned will be used to review current company practices and determine if policies and procedures can be changed to mitigate the arrearages of low income customers in our service territory.

Sincerely,



Carole Rockney, Director
Customer & Regulatory Liaison

Cc: Jeffrey Millington, Director Energy Section, Utah Division of Public Utilities
Abdinasir M. Abdulle, Technical Consultant, Utah Division of Public Utilities
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