

DECISION MEMORANDUM

TO: COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSIONER KEMPTON
COMMISSION SECRETARY
COMMISSION STAFF

FROM: DONOVAN E. WALKER

DATE: NOVEMBER 20, 2007

SUBJECT: AVISTA'S APPLICATION TO IMPLEMENT A PILOT PROGRAM FOR
REMOTE DISCONNECTS AND RECONNECTS, CASE NO. AVU-E-07-09

On August 31, 2007, Avista Corporation filed an Application seeking approval to implement a one-year pilot program for the remote disconnection and reconnection of customers to its system. The Company also requested a limited waiver of Utility Customer Relations Rule 311.03 and 311.04 (IDAPA 31.21.01.03 and .04) related to the final customer notification prior to disconnection. The Company requested that its Application be processed by Modified Procedure. IDAPA 31.01.01.201-.204.

On September 19, 2007, the Commission issued a Notice of Application and Notice of Modified Procedure, establishing a deadline for the submission of comments and/or protests. Commission Staff filed comments supporting the Company's Application. The American Association of Retired People, Idaho (AARP) filed comments opposing the Company's Application. Likewise, the Community Action Partnership Association of Idaho (CAPAI) filed comments opposing approval of the Company's Application as well as the Commission's use of Modified Procedure. Additionally, CAPAI requested that the Commission convene a technical hearing and order a workshop regarding the Company's proposal.

This matter is now fully submitted for the Commission's consideration under its Rules for Modified Procedure. IDAPA 31.01.01.201-.204.

THE COMPANY'S APPLICATION

The Company proposes to install approximately 250 remote disconnect collars which would utilize Power Line Carrier (PLC) as the communication protocol in rural areas and approximately 350 wireless meter devices for use in urban areas. The devices would allow for

the remote enabling and disabling of electric service from Avista's office. Customers selected for the pilot would include customers with 200 amp services that either: have had multiple disconnects, are located in rural areas, or otherwise occupy premises where the Avista employee may be "at risk" for manually performing disconnects and/or reconnects.

The Company states that the anticipated benefits of remote disconnect and reconnect capability include: (1) reducing operating and maintenance expenses related to multiple disconnections and reconNECTIONS for urban and rural accounts; (2) productivity gains of employees by eliminating multiple trips to customer homes for collections; (3) enhancing employee safety; (4) quicker response time to reconnect service leading to increased customer satisfaction; and (5) recognizing a reduction in bill defaults and write-offs by encouraging prompt consumer payment over time. Avista proposes to report on the following at the conclusion of the one-year pilot program: (1) number of disconnect devices installed; (2) reason for installation; (3) utilization of the disconnect devices after installation; and (4) costs together with realized savings.

COMMENTS OF AARP IDAHO

AARP comments opposed approval of the pilot program and asked the Commission to deny it. AARP Comments at 1. AARP stated that the Company's Application is deficient, the Company has not provided sufficient information regarding the pilot such as costs to the ratepayers, and that the proposal is poor public policy and increases risks to health and safety. *Id.*

AARP urged the Commission to deny the proposed pilot because Avista's Application is deficient. *Id.* AARP argued that Avista has provided no cost information. *Id.* AARP stated that Avista did not disclose how it intends to recover the costs of the devices, and whether shareholders will cover the costs of the pilot, or if the Company will ask the Commission for ratepayers to cover the expense through rates, through a surcharge to all customers, or a surcharge on pilot participants. *Id.* AARP stated that for this reason alone the pilot should be denied. *Id.* Additionally, AARP argued that Avista has not provided adequate information regarding how pilot participants will be chosen, and that there is no customer education component to the pilot. *Id.* at 2.

AARP also urged the Commission to deny the proposed pilot because it is bad public policy. *Id.* at 3. AARP argued that maintaining service is a health and safety issue, and that

remote disconnection may raise the number of disconnections, impacting health and safety. *Id.* AARP stated that faster and easier disconnection of service has severe health and safety implication citing extreme weather, and particularly high temperatures, as putting the health and safety of more households at risk. *Id.* AARP stated that there is currently some percentage of accounts which are slated for disconnection that are not actually disconnected because the customer makes payment at the time the utility employee comes to the premises to perform the disconnection, and without this last opportunity more households will lose service and be at risk. *Id.* They also argued that elimination of the premise visit prior to shut-off removes the opportunity for the utility employee to observe signs of a health or safety danger, such as a customer using a respirator or other medically necessary device requiring electric service. *Id.* at 4. AARP also argued that the terms of the pilot are skewed against the customer because it does not include a waiver of the reconnection fee, and does not propose any measurement and evaluation to consider the impact of the program on customers. *Id.*

Finally, AARP stated that if the Commission were to approve the pilot it should place a number of conditions that are in the public interest upon the pilot prior to proceeding. *Id.* Those conditions are: Shareholders should be required to cover the costs of the pilot; costs of the meters and installation should be disclosed; criteria for selecting customers for the pilot should be more detailed and disclosed; vulnerable customers, including low-income, seniors, ill and disable, and families with young children should not be included; all pilot participants should have telephones; the pilot should use representative sampling; reconnection fees should be waived, and reconnection should occur within one hour of payment; a customer education program should be required; notices should emphasize that disconnection will be done remotely; telephone notice should be done by a live operator able to take electronic payment and offer bill payment plans; measurement and evaluation should include impact on customers. *Id.* at 4-5.

COMMENTS OF CAPAI

CAPAI opposed the approval of the Company's Application, objected to the Commission's use of Modified Procedure, and requested that the Commission "conduct a brief technical hearing in this matter." CAPAI Comments at 1. CAPAI stated that the Company was clearly proposing the program because it believed it would benefit shareholders. *Id.* CAPAI stated that while not sending a representative to personally attempt collection from the customer

could decrease costs for the Company, the proposed pilot not only fails to offer a quid pro quo to customers, but also diminishes the level of service currently being provided. *Id.*

CAPAI contends that the number of disconnects will “increase dramatically” if the pilot is approved, as the Company will no longer be limited by the number of available field staff and vehicles. *Id.* CAPAI stated that by losing the “premise visits” the customers lose the benefit of a “health and human safety check that the company field representatives frequently provide.” *Id.* CAPAI also expressed concern for the “very low-income customers residing in the Company’s service territory who might not have the benefit of either a telephone or transportation.” *Id.* CAPAI stated that currently 15% of potential disconnections avoid being disconnected by paying at the door when the Company is there to disconnect them, and that “presumably” this is at least partially due to an inability to arrange transportation to the nearest pay station making it more difficult for them to avoid disconnection or get reconnected. *Id.* at 1-2. CAPAI recommended that the existing notice requirement remain unchanged. *Id.* at 2. CAPAI stated that it was “disturbed” that remote disconnections and even reconnections takes away a vital communication connection between low-income customers and the Company. *Id.*

CAPAI also stated that it was “concerned” about: (1) the precedent that the program would set for other utilities that do not have the same customer service record that Avista has; (2) that approval of the program “could easily lead to time-of-use issued and their disproportionate affect on low-income customers”; and (3) it is concerned about the cost of the program and how those costs will be allocated, and ultimately if the program is to reduce costs, why should there be cost recovery at all. *Id.*

CAPAI closed its comments by stating that as an alternative to conducting a full, technical hearing that the Commission defer approval of the program “for a limited, reasonable period of time for all interested persons to express their concerns and attempt to work out reasonable solutions with the company.” *Id.* CAPAI suggested that the Commission also order a workshop, “to include any interested person and possibly avoid regretting mistakes that could have been corrected at the commencement of the pilot period.” *Id.*

COMMENTS OF COMMISSION STAFF

Staff supported approval of the Company’s Application with certain conditions. Staff Comments at 2. Staff stated generally that the Commission has encouraged utilities to implement “smart meter” technology, and as with any new technology, evaluation and

adjustments are necessary. *Id.* Staff stated that the proposed pilot would provide an opportunity to determine the costs and benefits of remote connection and disconnection, test the equipment, and perhaps more importantly, allow all interested parties to evaluate the impact of such a program on customers. *Id.*

Staff was concerned with the Company's selection criteria for inclusion of customers in the pilot program. The selection criteria was stated as customers with multiple disconnections, location in a rural area, or the customer occupies a premise where an Avista employee may be at risk. Staff worked with the Company on its definitions of "multiple disconnections," "rural area," and "at risk." *Id.*

Staff supports the Company's request for a limited waiver of Utility Customer Relations Rule 311.03 and 311.04 relating to an actual visit by a company representative to the premises prior to disconnection, and that would no longer take place with remote disconnections. *Id.* at 4. Currently, the first disconnection notice is sent to the customer at least seven calendar days before the proposed date of disconnection (Rule 304.01, Utility Customer Relations Rules (UCRR)). *Id.* at 3. A final (second) notice is sent at least three days before the proposed date of disconnection. *Id.* A call must be made to the customer at least 24 hours before actual disconnection (Rule 304.02, UCRR). *Id.* at 3-4. All notices must provide information on steps the customer may take to avoid disconnection. *Id.* at 4. Under the pilot, the Company intends to continue providing these written and oral notices. *Id.* The day service is disconnected, the utility is required to knock on the door to give the customer a final opportunity to pay the amount required to prevent disconnection (Rule 311.03, UCRR). *Id.* If no one is at the premises at that time, the employee must leave a notice advising the customer that service has been disconnected and what steps must be taken to get service reconnected (Rule 311.04, UCRR). *Id.*

The Company has proposed a special notice that would be given to customers or left at the premises when the remote connect/disconnect equipment is initially installed. *Id.* The notice will advise the customer that the device has been installed and explain how that will change the disconnection and reconnection procedure from that point forward. *Id.* The notice also requests updated customer contact information so that the Company can call the customer immediately prior to disconnection. *Id.* The notice provided to the customer includes information on action the customer needs to take after the Company restores service, i.e., push the reset button on the meter. *Id.* at 4-5. The customer will be given the same information when

the customer contacts the Company to request reconnection. *Id.* at 5. Staff supports this special notice, but believes the text of the draft/special notice could be rewritten to provide greater assistance to program participants. *Id.* Staff recommended that the Company work with Staff in preparing this special notice for customers selected for the pilot program. *Id.* In particular, Staff believes the notice should encourage customers to contact the Company if there are any questions or concerns or if there are reasons why the customer would not be able to reset the meter. *Id.*

Staff reported that the evaluation effort identified by the Company in its Application focuses on the hardware used in the pilot program and a financial cost/benefit analysis. *Id.* at 6. The Company does not mention any effort to evaluate the impact upon customers and customer payment behavior. *Id.* Avista has expressed a willingness to work with Staff and other interested parties to develop an evaluation plan designed to make meaningful analysis of customer impacts possible. *Id.*

Staff reported that an advantage of the pilot program is the ability of the Company to restore service within minutes, 7 days a week, 24 hours a day, once the customer has satisfied all the conditions required to restore service. *Id.* Normally, it can take up to several hours to restore service, taking into account scheduling and drive time to the customer's premise. *Id.* Customers who request reconnection outside of Avista's normal business hours (8 a.m. to 7 p.m. weekdays and 8 a.m. to 4 p.m. on weekends and holidays) must wait until the following day to be reconnected. *Id.* For these customers, remote reconnection will be a major benefit, since service will be restored much more quickly. *Id.*

Staff stated that the Company estimates the cost of the pilot to be \$104,000. *Id.* Staff noted that Avista is already in the process of installing metering equipment under its Advanced Meter Reading (AMR) program to enable the Company to read meters remotely. *Id.* The same technology used to read meters remotely can be used to connect and disconnect service remotely. *Id.* Therefore, the Company anticipates that it will not necessarily incur additional equipment cost for every customer selected for the pilot. *Id.* To the extent that is true, it will reduce the overall cost of the pilot program. *Id.*

Staff recommended that the Commission approve the proposed pilot and grant a limited waiver of Rule 311.03 and 311.04 (IDAPA 31.21.01.311.03 and .04) with respect to customers selected for the pilot under the following conditions: (1) the Company modify its

selection criteria to define “multiple disconnections” as two or more disconnections within the past 12 months and change its location focus to customers whose premises are in remote areas; (2) direct the Company to work with Staff on preparing its special notice for customers selected for participation in the pilot program; and (3) direct the Company to work with Staff and other interested parties to prepare a plan for evaluation that includes the pilot’s impact on customers and customer behavior as well as the technological and financial aspects of the program.

COMMISSION DECISION

Under Modified Procedure, if protests, supports, or comments are filed within the deadline, the Commission must consider them and may set the matter for hearing or may decide the matter and issue its Order on the basis of the written positions before it. IDAPA 31.01.01.204. Persons desiring a hearing must specifically request a hearing in their written protests or comments. IDAPA 31.01.01.203.

CAPAI filed a protest to the use of Modified Procedure and specifically requested a hearing in its comments. CAPAI Comments at 1. CAPAI also proposed as an alternative to defer approval of the program, order a workshop and a reasonable period of time for all interested to attempt to work out an agreement. *Id.* at 2.

1. Does the Commission wish to set this matter for hearing, or does it desire to decide this case based upon the written record before it?
2. Does the Commission wish to approve the Company’s Application?
3. Does the Commission wish to direct that any workshops be conducted?
4. Does the Commission wish to order any of the conditions recommended by AARP or Commission Staff?
5. Does the Commission wish to order any other procedure or conditions, etc...?


DONOVAN E. WALKER

M:AVU-E-07-09_dw2