

BARTON L. KLINE ISB #5734
MONICA B. MOEN ISB #1526
Idaho Power Company
P. O. Box 70
Boise, Idaho 83707
(208) 388-2682

RECEIVED
FILED
2004 NOV 12 AM 11:18
IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Idaho Power Company

Street Address for Express Mail:

1221 West Idaho Street
Boise, Idaho 83702

FAX Telephone No. (208) 388-6936

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE)	CASE NO. IPC-E-04-20
APPLICATION OF IDAHO POWER)	
COMPANY FOR AUTHORITY TO)	REPLY OF IDAHO POWER
REVISE DEPOSIT REQUIREMENTS FOR)	COMPANY TO COMMENTS
SCHEDULES 24 & 25 FOR ELECTRIC)	OF THE IDAHO IRRIGATION
SERVICE TO IRRIGATION CUSTOMERS)	PUMPERS ASSOCIATION, INC.
_____)	AND COMMISSION STAFF

COMES NOW Idaho Power Company ("Company") and hereby submits the following reply comments to the comments offered in this matter by the Idaho Irrigation Pumpers Association ("Irrigation Pumpers") on September 28, 2004 and by Commission Staff ("Staff") on September 29, 2004 regarding the Company's Application to revise the deposit requirements under Schedules 24 and 25 for electric service to irrigation customers.

I.

The Need for Robust Deposit Criteria for Irrigation Customers

The Irrigation Pumpers assert in their comments that the Company's Tier 2 Deposit proposal imposes more stringent deposit rules on irrigation customers than on residential or small commercial customers. The Company agrees with the Irrigation Pumper's assertion but only to the extent that more robust deposit criteria are needed as a result of the greater credit risk that the Company is exposed to by way of its irrigation customers. There is a significant difference in the Company's credit and collection practices for irrigation versus residential and small commercial customers that supports the more stringent deposit provisions requested by the Company for the irrigation customers.

Residential and small commercial customers may have their service disconnected after only two months of unpaid bills. In contrast, the Company will not disconnect service to irrigation customers during the irrigation season or while crops are still in the ground. This is a time period that regularly extends over a period of at least four months and, depending on the crop, can extend over a period of six months or more. In addition, the amount of energy consumed and, thus, the anticipated revenue per irrigation customer present a far greater risk than the potential loss from an average residential or small commercial customer. These additional exposures support the Company's need to implement robust deposit rules for its irrigation customers.

In their comments, the Irrigation Pumpers also contend that the proposed deposit provisions are unfair when compared to deposit rules for large commercial and special contract customers. The Company believes that, in setting deposit provisions,

the unique set of circumstances presented by each customer class, including different levels of credit risk, should be considered. Deposit policies should recognize the inherent risk the Company faces in serving its customers. The following table of uncollectable net write-offs illustrates the range of risk posed by the various rate classes:

Net Write-offs per \$1000 of billed revenue

	<u>Commercial (1)</u>	<u>Industrial</u>	<u>Irrigation</u>	<u>Special Contracts</u>
2001	\$1.87	\$0.00	\$4.86	\$0.00
2002	2.14	0.00	4.53	0.00
2003	2.04	0.00	4.45(2)	0.00
2004(3)	1.01	0.00	6.64	0.00

- (1) Includes both small and large commercial accounts.
- (2) Does not include the \$668,724 write-off of a single irrigator.
- (3) Through September.

Given the unique circumstances and the significantly greater credit risk presented by the irrigation class, the Company believes the proposed Tier 2 Deposit provisions are fair and reasonable.

II.

Amount of Tier 2 Deposit

The Irrigation Pumpers express concern in their comments that customers will be required to pay a deposit that is four times their highest estimated monthly bill. This concern is based on a misunderstanding of the Company's proposal. The amount of the proposed irrigation deposit is not based on the "highest" estimated monthly bill. If this were the Company's intention, the deposit would be computed based on the largest energy use at the height of the irrigation season. In stark contrast, the deposit amount is based on the following:

- a. Monthly Demand is determined by multiplying connected horsepower by 80%.
- b. Monthly Energy is determined by using a modest 50% load factor that translates into only 360 hours of usage out of the maximum 720 hours in a month. In other words, the formula estimates the customer runs the irrigation pump for only 1440 hours per season. For a majority of irrigation customers, this would be a low-end estimate.
- c. All the bill components (Monthly Demand, Monthly Energy, Service Charge) are combined to determine the “estimated monthly bill.”

It is this “estimated monthly bill” and not the “highest monthly bill” that is multiplied by a factor of four (4). The results are significantly different.

It is important to note that the Company’s proposed Tier 2 Deposit methodology results in requested deposits that are very similar to the Company’s past policy of requiring a “seasonal advance.” The primary difference is that, instead of relying on past bill history that may be inaccurate based on crop rotation and weather, it is based on computations for estimated future bills using the horsepower size of the pump.

The Irrigation Pumpers assert in their comments that the amount of the proposed Tier 2 Deposit would, in essence, collect more than the customer’s total bill for the following irrigation season. While some customers’ Tier 2 Deposits may exceed their bills for the entire irrigation season, and, in fact, this situation may even occur with the current deposit requirements, the Company’s data suggest that the instance of this

occurring is minimal. The Company believes the proposed formula for computing a Tier 2 Deposit would provide an equitable means of collecting a seasonal amount that conservatively estimates the customer's bill in addition to mitigating risk for the Company.

Based on the most recent 2004 irrigation year, the Company has identified 77 customers from year-end 2003 who would have been requested to pay a Tier 2 Deposit under the Company's proposal. Out of these 77 customers, it is significant to note that only 46 customers remained active irrigation customers for the 2004 irrigation season; the other 31 customers were not active irrigation customers during the 2004 irrigation season. Of those 46 remaining customers, the computed Tier 2 Deposits on their 177 service points would have equaled \$1.6 million. In comparison, the total bills for these 46 customers for 2004 equaled \$1.8 million. The computed Tier 2 Deposit would have exceeded total bills for only 16 customers while the remaining 30 customers had total bills that would have exceeded their deposits.

For the 31 customers who were not active during the 2004 irrigation season, the Company has already written-off a total of \$437,770.15. The Company is still working with some of these 31 customers in an attempt to receive payment on the remaining outstanding balance of \$566,707.76. The combined financial impact of these 31 customers is over \$1 million in actual or potential uncollectable bills. The ability to collect a Tier 2 Deposit from customers with outstanding balances greater than \$1,000 at December 31 would effectively reduce this risk of nonpayment.

In summary, the data indicates two important points: (1) in aggregate, the Company would not have over-collected deposits in excess of bills and, (2) while it is

possible for a customer's deposit to exceed his or her seasonal bills, those situations are in the minority. The Company believes the proposed Tier 2 Deposit amount appropriately addresses the higher risk that certain irrigators pose to the Company.

III.

Tier 1 Deposits

The Irrigation Pumpers recommend that the Company modify the existing Tier 1 deposit requirement by changing the multiplier from 1.5 to 2, in effect, increasing the amount of the deposit for all customers. An increased deposit amount for all customers would have adversely affected 423 of the 500 irrigation customers who made deposits for irrigation year 2004. The Company does not believe it is necessary to request larger deposits from customers who were late with payments during the year but have only small or no outstanding balances at the end of the year. The proposed Tier 2 Deposit requirements are only intended to address those irrigation customers with sizeable outstanding balances that pose a higher credit risk to the Company.

IV.

Further Proceedings

The Company does not believe further proceedings to examine the deposit requirements for all customers as recommended by the Irrigation Pumpers are necessary. As part of its effort to decrease uncollectable expenses, the Company is taking a multi-pronged approach. As part of its recent general rate case, the Company proposed and the Commission approved provisions allowing for deposits from industrial and special contract customers. In addition, the Company is investigating how it may utilize the revisions made to the Commission's Utility Customer Relations Rules

adopted in 2003 to collect even more deposits from its credit-risk customers. Proposing a Tier 2 Deposit mechanism for irrigation customers is just one of many efforts the Company is making to decrease uncollectable expenses.

Even though the introduction of a Tier 2 Deposit mechanism will not eliminate all the issues and problems associated with unpaid irrigation bills, the Company contends it is a valuable step toward fairly reducing uncollectable amounts while, thereby, protecting the Company and the overwhelming majority of its other irrigation customers.

V.

Notification to Customers

Staff recommends that the Company, upon approval by the Commission of its Application, provide its irrigation customers at least 30 days advance notice of the change in deposit provisions in order to allow customers with large past due balances sufficient time to take action to reduce their outstanding balances. The Company agrees with Staff's suggestion to provide notice to its customers. However, since the Company provided information regarding its proposed changes in the deposit provisions to all of its irrigation customers through a direct mailing at the time the Application was filed, the Company would suggest that an additional direct mailing be made immediately only to those customers with current outstanding balances in excess of \$1,000. In this way, the Company would provide prompt information to targeted customers and could utilize more cost-effective means of providing information to the remaining customers in a timely fashion.

RESPECTFULLY SUBMITTED the 12th day of November, 2004.

Monica B. Moen

MONICA B. MOEN
Attorney for Idaho Power Company

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on this 12th day of November 2004, I served a true and correct copy of the within and foregoing document upon the following named parties by the method indicated below, and addressed to the following:

Donovan E. Walker	<input type="checkbox"/>	Hand Delivered
Deputy Attorney General	<input checked="" type="checkbox"/>	U.S. Mail
Idaho Public Utilities Commission	<input type="checkbox"/>	Overnight Mail
P.O. Box 83720	<input type="checkbox"/>	FAX
Boise, Idaho 8320-0074		

Randall C. Budge	<input type="checkbox"/>	Hand Delivered
Racine, Olson, Nye, Budge & Bailey	<input checked="" type="checkbox"/>	U.S. Mail
201 E. Center	<input type="checkbox"/>	Overnight Mail
P.O. Box 1391	<input type="checkbox"/>	FAX
Pocatello, ID 83204-1391		

Monica B. Moen

MONICA B. MOEN