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Attorney for the Commission Staff

## **BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF IDAHO POWER COMPANY FOR</b>	)	<b>CASE NO. IPC-E-04-20</b>
<b>AUTHORITY TO REVISE DEPOSIT</b>	)	
<b>REQUIREMENTS IN SCHEDULES 24 AND</b>	)	<b>COMMENTS OF THE</b>
<b>25 FOR ELECTRIC SERVICE TO</b>	)	<b>COMMISSION STAFF</b>
<b>IRRIGATION CUSTOMERS.</b>	)	
	)	

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**COMES NOW** the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Donovan E. Walker, Deputy Attorney General, in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 29609 on October 8, 2004, submits the following comments.

### **INTRODUCTION AND BACKGROUND**

On September 17, 2004, Idaho Power Company filed an Application requesting authority to revise the deposit requirements under Schedules 24 and 25 for electric service to irrigation customers. In the Application Idaho Power requests an effective date of October 18, 2004, and that its Application be processed under Modified Procedure. The Company states that letters were sent to its current irrigation customers to advise them of the Application's filing with the Commission. The Commission issued Order No. 29609 authorizing modified procedure and

suspending the effective date requested by the Company for a period of 60 days, or such earlier time as the Commission may issue an Order in this case.

According to the Application, Idaho Power indicates that it has experienced an increase in unpaid irrigation bills (accounts receivable) and a corresponding increase in bad debt (net write-offs). At the same time, the number of service locations has been increasing while the number of persons responsible for those service locations has been decreasing. The Company states that consolidation of accounts into the hands of fewer customers raises the level of risk to which it is exposed.

In order to minimize its exposure to uncollectables, Idaho Power proposes to revise its deposit policy for irrigation customers by collecting a higher deposit from those customers who pose a higher credit risk. Customers asked to pay a deposit will continue to have the option of providing an irrevocable Letter of Credit from a financial institution. If approved, a customer who owes an outstanding balance of over \$1,000 on December 31 will be required to pay a "Tier 2" deposit based upon a formula that in essence collects the customer's bill for the next irrigation season in advance. A customer who has been discharged from bankruptcy or who has had receivership proceedings terminated will also be required to pay a Tier 2 deposit. The Tier 2 deposit will be applied to each monthly bill as it becomes due throughout the season. A customer who owes less than \$1,000 on December 31 but who has received two or more reminder notices of \$100 or more during a 12-month period or customers whose service is disconnected during the out-of-season period due to non-payment (i.e., customers who meet the current criteria for requiring a deposit) will be required to pay a "Tier 1" deposit. The deposit criteria and formula currently in use for calculating deposit amounts would be applied to calculate Tier 1 deposits. A customer required to pay a Tier 2 deposit one year will be required to pay a Tier 1 deposit the following year.

#### **STAFF ANALYSIS**

Staff has reviewed supporting data supplied by Idaho Power and confirmed that there is a slight trend towards consolidation of irrigation accounts over the past few years. As of July 2004, there were 6,457 persons associated with 16,811 service locations, a ratio of 2.6 service locations per person. As of July 2001, there were 6,590 persons associated with 15,930 service agreements, a ratio of 2.4 service locations per person.

The Company's bad debt exposure has increased dramatically. Over the past three years, the total amount owed on irrigation accounts at year-end doubled, climbing from \$1,414,666 in 2001 to \$2,867,849 in 2003. Net write offs increased at nearly the same rate, rising from \$223,426 to \$413,712.<sup>1</sup> Although it is comforting to note that the majority of irrigation customers pay their bills eventually, some do not. Typically, customers whose accounts are written off in one year do not come back on service the following year. If the prior customer does not want to reestablish service, there is less incentive for the customer to pay an old bill, and Idaho Power's opportunity to collect payment is diminished. Idaho Power's existing credit policy already recognizes that certain irrigation customers pose a higher credit risk than others. In its Application, Idaho Power seeks to further refine its policy to address those circumstances where there is an even greater credit risk.

A rising level of bad debt places upward pressure on rates. The consolidation of accounts into fewer hands, coupled with significant increases in bad debt, is cause for concern for Idaho Power and its ratepayers. If Idaho Power's proposed credit policy had been in place last year, approximately 500 customers would have been asked to pay a deposit for the 2004 irrigation season. Of these 500 customers, 77 would have been required to pay the higher Tier 2 deposit amount. These 77 customers owed a total amount past due of \$2,643,101 as of December 31, 2003, and would have been asked to pay an aggregate Tier 2 deposit amount of \$3,766,301 for the 2004 season. Each individual deposit would have been applied towards monthly bills throughout the season.

As of October 28, the Commission had not received any comments from the general public regarding the Application.

## **STAFF RECOMMENDATIONS**

Staff recommends approval of Idaho Power's Application. The Company has proposed a reasonable and impartial method for assessing the degree of credit risk posed by each irrigation customer. Based on information supplied by Idaho Power, Staff anticipates that a relatively small percentage of customers will be affected by the proposed change in deposit policy. Asking those customers who pose the greatest risk to pay higher deposits will minimize bad debt.

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<sup>1</sup> For purposes of comparing normal year-to-year changes in net write offs, this figure excludes a \$668,724 write off amount for a single irrigation customer. The actual total net write off for irrigation accounts in 2003 was \$1,082,436.

Staff notes that under the Company's proposal, customers with balances exceeding \$1,000 as of December 31<sup>st</sup> will be required to pay a Tier 2 deposit. If the Commission approves the Application as proposed, Staff recommends that the Company provide its irrigation customers at least 30 days advance notice of the change in policy in order to allow customers with large past due balances sufficient time to take remedial action. To accomplish this, Idaho Power would need to send letters to customers no later than December 1, 2004.

**DATED** this 29<sup>th</sup> day of October 2004 at Boise, Idaho.

A handwritten signature in black ink, appearing to read "Don Walker", written over a horizontal line.

Donovan E. Walker  
Deputy Attorney General

Technical Staff: Beverly Barker

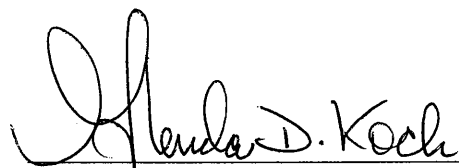
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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 29TH DAY OF OCTOBER 2004, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-04-20, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY

CERTIFICATE OF SERVICE