



RECEIVED

2011 APR 28 PM 4:47

IDAHO PUBLIC  
UTILITIES COMMISSION

LISA D. NORDSTROM  
Lead Counsel  
[lnordstrom@idahopower.com](mailto:lnordstrom@idahopower.com)

April 28, 2011

**VIA HAND DELIVERY**

Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
P.O. Box 83720  
Boise, Idaho 83720-0074

Re: Case No. IPC-E-11-07  
Craig R. Muchow v. Idaho Power Company

Dear Ms. Jewell:

Please find enclosed for filing an original and seven (7) copies of Idaho Power Company's Answer in the above-referenced matter.

In addition, included in a separate envelope are an original and seven (7) copies of the **confidential** attachments.

Very truly yours,

  
Lisa D. Nordstrom

LDN:csb  
Enclosures



customer's name. Account 4301660008 was active in Mr. Muchow's name from May 8, 2008, until November 8, 2010, at which time the service was disconnected due to nonpayment.

During 2010, Idaho Power issued Mr. Muchow monthly billing statements for each of his three irrigation accounts. Each bill issued during 2010 in which the corresponding account was active included the following message:

Please remember, it is important to pay your agricultural irrigation service bill on or before the due date. Should you receive two or more Initial Reminder Notices on this account during a twelve month period, a deposit will be required for all of your agricultural irrigation service accounts prior to the next irrigation season.

In total, during 2010, Mr. Muchow received 28 billing statements that included this irrigation deposit reminder message, one of which is included for illustrative purposes as confidential Attachment No. 1.

On September 10, 2010, and again on October 11, 2010, Idaho Power issued Initial Reminder Notices to Mr. Muchow for Accounts 4301660008 and 1342930754.

Included on each of the four Initial Reminder Notices was the following message:

You are responsible for ensuring payment is received by Idaho Power before 9/23/2010. If service is terminated and you wish to reconnect, a fee will be assessed for each service connection. If you receive two or more Initial Reminder Notices on this account during a 12-month period, or if service is terminated, a deposit may be required on all irrigation accounts.

Also included on the Initial Reminder Notices was detailed information concerning Idaho Power's deposit requirements. Specifically, the Initial Reminder Notices included the following section:

Tier 2 Deposit: Customers who have an outstanding unpaid balance greater than \$1,000 on December 31 during any of the previous four years may be required to pay a Tier 2 Deposit for all agricultural irrigation service accounts for which they are financially responsible. A Tier 2 Deposit will be equal to approximately four times the average in-season bill amount for each service.

One of the four Initial Reminder Notices is included for illustrative purposes as confidential Attachment No. 2.

On September 15, 2010, Idaho Power issued Past Due Notices to Mr. Muchow for Accounts 4301660008 and 1342930754 (confidential Attachment No. 3). Past Due Notices are sent to customers taking agricultural irrigation service during the irrigation season when no payment is made in response to receipt of an Initial Reminder Notice. Past Due Notices include the same detailed information concerning Idaho Power's deposit requirements as that included on Initial Reminder Notices.

On October 14, 2010, Idaho Power issued Final Termination Notices to Mr. Muchow for Accounts 4301660008 and 1342930754 (confidential Attachment No. 4). Final Termination Notices include the same detailed information concerning Idaho Power's deposit requirements as that included on Initial Reminder Notices.

All together during 2010, Mr. Muchow received 36 separate statements or notices informing him that deposits would be required on all of his irrigation accounts if any account received two or more Initial Reminder Notices or if he owed an unpaid balance greater than \$1,000 on December 31.

Each December, Idaho Power sends a courtesy letter with information regarding Idaho Power's deposit requirements and detailed information on past due balances to each agricultural irrigation customer who has an outstanding unpaid balance greater

than \$1,000. On December 3, 2010, Idaho Power sent a courtesy letter to Mr. Muchow reminding him of Idaho Power's deposit requirements and providing him with the past due balance on each of his three accounts (confidential Attachment No. 5). The total past due balance for Mr. Muchow's three agricultural irrigation accounts as of December 31, 2010, was \$2,545.17. As stated in the December 3 letter, "A larger Tier 2 Deposit is required if the past due balance on your account(s) is greater than \$1,000 as of December 31."

In mid-December, Idaho Power's Agricultural Representatives were asked to contact each customer who was mailed the December 3 courtesy letter to answer any questions the customer may have had and to remind the customer that the total past-due balance for all of their accounts needed to be less than \$1,000 by December 31 in order to avoid a Tier 2 Deposit for the 2011 irrigation season. On December 15, 2010, Idaho Power's Agricultural Representative Mr. Gerald Orthel contacted Mr. Muchow to discuss the status of his irrigation accounts and to remind him of the Tier 2 Deposit criteria. Notes added to Mr. Muchow's account by Mr. Orthel on December 15 indicated Mr. Muchow intended to pay his irrigation balance in full by the end of the year. No payments for Mr. Muchow's accounts were received between December 15 and December 31.

On January 13, 2011, Idaho Power issued a Request for Deposit for each of Mr. Muchow's three accounts (confidential Attachment No. 6). The deposit amounts requested were \$653 for Account 1342930754, \$3,929 for Account 2032093611, and \$2,388 for Account 4301660008. For all three accounts, the deposit amounts requested totaled \$6,970.

On January 19, 2011, Mr. Muchow contacted Idaho Power questioning the required deposit for Account 1342930754 as the past due balance on the account had not been greater than \$1,000 as of December 31. Idaho Power's Customer Service Representative advised Mr. Muchow that a deposit is requested of an account holder when the balance is \$1,000 or greater on any of the customer's irrigation accounts. On January 25, 2011, Mr. Muchow contacted the Idaho Public Utilities Commission ("Commission") to file an informal complaint. When that was not resolved to his satisfaction, the Commission issued Idaho Power a Summons on this Complaint on April 19, 2011.

## **II. IRRIGATION DEPOSITS**

Prior to the implementation of the Tier 2 Deposit provisions, irrigation customers who received two or more Initial Reminder Notices of \$100 or more during a 12-month period were required to make a deposit for the next irrigation season. The required deposit was equal to one and one-half times the average in-season monthly bill. As described in Case No. IPC-E-04-20, Idaho Power experienced an increase in unpaid irrigation bills (accounts receivable) and a corresponding increase in bad debt (net write-offs) from 2000-2004. At the same time, the number of irrigation service points increased while the number of persons responsible for those agreements decreased, raising the level of financial risk of nonpayment.

To minimize exposure to uncollectible debt associated with unpaid irrigation account balances, Idaho Power proposed in Case No. IPC-E-04-20 to revise its deposit policy for irrigation customers by collecting a higher deposit from those customers who pose a higher credit risk. As approved by the Commission in Order No. 29639, Tier 1

Deposits continue to be equal to one and one-half times the average in-season monthly bill amount and are assessed on customers who receive two or more Initial Reminder Notices of \$100 or more during a 12-month period. Tier 2 Deposits are equal to four times the expected average in-season monthly bill amount and are required from customers who have an unpaid past-due balance greater than \$1,000 on December 31. Customers who have been discharged from bankruptcy or who have had receivership proceedings terminated are also required to pay a Tier 2 Deposit. A specific deposit amount is calculated for each account, which allows customers with multiple accounts the flexibility to pay deposits only on those accounts that will be active during the upcoming irrigation season.

For both Tier 1 and Tier 2 Deposits, the criteria for determining whether a deposit is required are evaluated at the customer level, not at the account level, because it is the customer who poses the payment risk, not the account. Idaho Power routinely evaluates deposit requirements at the customer level as a standard business practice.

Both Tier 1 and Tier 2 Deposits are calculated for each specific installation as follows:

- (1) The Monthly Billing Demand is determined by multiplying 80 percent times the connected horsepower;
- (2) The Monthly Energy (billing kilowatt-hours) is determined by multiplying 50 percent times 720 hours times the Monthly Billing Demand;
- (3) The Monthly Billing Demand and the Monthly Energy are multiplied by the current In-Season rates and added to the Irrigation In-Season Service Charge to determine the estimated monthly bill; and

(4) The estimated monthly bill is multiplied by a factor of one and one-half for Tier 1 Deposits and by a factor of four for Tier 2 Deposits.

Tier 1 Deposits plus accrued interest are applied to the customer's account at the time service is disconnected or the September bill is prepared, whichever is earlier. A portion of the Tier 2 Deposit plus accrued interest is applied to the customer's account each month until the deposit is depleted. Any remaining deposit plus accrued interest is applied to the customer's account at the time service is disconnected or the September bill is prepared, whichever is earlier.

### **III. IDAHO POWER'S POSITION**

The Company contends that it has properly calculated the irrigation deposits appropriate for Mr. Muchow's multiple accounts as required by Schedule 24. Idaho Power maintains that it provided adequate notice that it would require deposits for each of his accounts if one or more of them had a past due balance greater than \$1,000 as of December 31, 2010.

Although Idaho Power stands by its interpretation of Schedule 24, that deposits are determined based on the uncollectable risk posed by the "customer" rather than each account, the Company acknowledges that the language in Schedule 24 could be clarified to make this outcome more explicit. Idaho Power is willing to work with Commission Staff to identify clarifying revisions to Schedule 24. If the Commission desired such a change to be made to the tariff, Idaho Power could submit conforming tariff language in this docket, in a separate tariff advice, or could propose it in its next general rate case.



#### **IV. COMMUNICATIONS AND SERVICE OF PLEADINGS**

Service of pleadings and communications with reference to this case should be sent to the following:

Lisa Nordstrom  
Jason Williams  
Idaho Power Company  
1221 West Idaho Street (83702)  
P.O. Box 70  
Boise, Idaho 83707  
[lnordstrom@idahopower.com](mailto:lnordstrom@idahopower.com)  
[jwilliams@idahopower.com](mailto:jwilliams@idahopower.com)

Maggie Brilz  
Scott Sparks  
Idaho Power Company  
1221 West Idaho Street (83702)  
P.O. Box 70  
Boise, Idaho 83707  
[mbrilz@idahopower.com](mailto:mbrilz@idahopower.com)  
[ssparks@idahopower.com](mailto:ssparks@idahopower.com)

#### **V. REQUESTED RELIEF**

For the reasons stated above, Idaho Power requests that the Commission deny Mr. Muchow's Complaint and uphold the reasonableness of the irrigation deposit calculation in accordance with Idaho Power's approved Schedule 24.

Dated at Boise, Idaho, this 28<sup>th</sup> day of April 2011.

  
\_\_\_\_\_  
LISA D. NORDSTROM  
Attorney for Idaho Power Company

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 28<sup>th</sup> day of April 2011 I served a true and correct copy of the within and foregoing ANSWER upon the following named parties by the method indicated below, and addressed to the following:

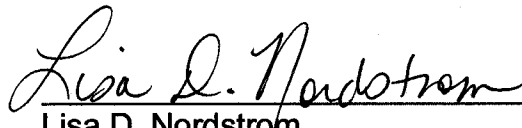
**COMMISSION STAFF**

Deputy Attorney General  
Idaho Public Utilities Commission  
472 West Washington Street  
P.O. Box 83720  
Boise, Idaho 83702

☒ Hand Delivered  
☐ U.S. Mail  
☐ Overnight Mail  
☐ FAX  
☒ Email

Craig R. Muchow  
1451 South 1700 East  
Gooding, Idaho 83330

☐ Hand Delivered  
☒ U.S. Mail  
☐ Overnight Mail  
☐ FAX  
☐ Email

  
\_\_\_\_\_  
Lisa D. Nordstrom

**BEFORE THE**  
**IDAHO PUBLIC UTILITIES COMMISSION**  
**CASE NO. IPC-E-11-07**

**IDAHO POWER COMPANY**

**ATTACHMENT NO. 1**  
**BILLING STATEMENT**

**THIS ATTACHMENT CONTAINS  
CONFIDENTIAL CUSTOMER  
INFORMATION AND IS SEPARATELY  
FILED**

**BEFORE THE**  
**IDAHO PUBLIC UTILITIES COMMISSION**  
**CASE NO. IPC-E-11-07**

**IDAHO POWER COMPANY**

**ATTACHMENT NO. 2**  
**INITIAL REMINDER NOTICE**

**THIS ATTACHMENT CONTAINS  
CONFIDENTIAL CUSTOMER  
INFORMATION AND IS SEPARATELY  
FILED**

**BEFORE THE**  
**IDAHO PUBLIC UTILITIES COMMISSION**  
**CASE NO. IPC-E-11-07**

**IDAHO POWER COMPANY**

**ATTACHMENT NO. 3**  
**PAST DUE NOTICES**

**THIS ATTACHMENT CONTAINS  
CONFIDENTIAL CUSTOMER  
INFORMATION AND IS SEPARATELY  
FILED**



**BEFORE THE**  
**IDAHO PUBLIC UTILITIES COMMISSION**  
**CASE NO. IPC-E-11-07**

**IDAHO POWER COMPANY**

**ATTACHMENT NO. 4**  
**FINAL TERMINATION NOTICES**

**THIS ATTACHMENT CONTAINS  
CONFIDENTIAL CUSTOMER  
INFORMATION AND IS SEPARATELY  
FILED**

**BEFORE THE**  
**IDAHO PUBLIC UTILITIES COMMISSION**  
**CASE NO. IPC-E-11-07**

**IDAHO POWER COMPANY**

**ATTACHMENT NO. 5**  
**COURTESY LETTER OF DECEMBER 3, 2010**

**THIS ATTACHMENT CONTAINS  
CONFIDENTIAL CUSTOMER  
INFORMATION AND IS SEPARATELY  
FILED**

**BEFORE THE**  
**IDAHO PUBLIC UTILITIES COMMISSION**  
**CASE NO. IPC-E-11-07**

**IDAHO POWER COMPANY**

**ATTACHMENT NO. 6**  
**REQUESTS FOR DEPOSIT**

**THIS ATTACHMENT CONTAINS  
CONFIDENTIAL CUSTOMER  
INFORMATION AND IS SEPARATELY  
FILED**