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BEFORE  THE  IDAHO  PUBLIC  UTILITIES  COMMISSION

IN THE MATTER OF THE)

APPLICATION OF IDAHO POWER)CASE  NO.  IPC-E-96-2

COMPANY FOR AUTHORITY TO)

IMPLEMENT YEAR-ROUND )

CONNECTION PROCEDURES AND)

AND RELATED CHARGES FOR)COMMENTS OF

IRRIGATION CUSTOMERS.)THE COMMISSION

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The Staff of the Idaho Public Utilities Commission, by and through its Attorney of Record, Brad Purdy, Deputy Attorney General, pursuant to the Notice of Modified Procedure issued in this case on March 29, 1996, hereby submits the following comments in response to Idaho Power Company's application.

BACKGROUND

Idaho Power is proposing to implement a year-round irrigation program that it tested on a pilot basis in its Blackfoot District Irrigation Service Pilot Program, which was approved by the Commission on May 24, 1994, in Order No. 25502, Case No. IPC-E-94-2.  Under this program

irrigators would be encouraged to remain connected to electric service year-round, rather than be connected and disconnected each irrigation season.  The basic elements of the proposal are:

∙The monthly customer charge of $10 would be lowered to $2.50 for the out of season months (8 months of the year).  Irrigators not covered under the Blackfoot Pilot are currently not billed or charged while they are disconnected.

∙The current policy of one disconnection and connection at no charge will be replaced by a $30 account processing charge for those customers who request disconnection at the end of the season.

∙A new charge, called the Maintenance Service Charge, of $50 will replace the current policy of charging actual time and mileage for disconnections/reconnections requested by irrigators for maintenance work.

∙Customers with two or more late payments of $50 or more during a 12-month period will have service disconnected at the end of the pumping season, and will be required to pay a seasonal advance for the upcoming pumping season in order to have service restored.  These customers will also be charged the $30 account processing charge.

∙Monthly seasonal advances will no longer be required.

∙Idaho Power will affix dual language warning stickers to the front of all irrigation pump panels.

∙An interim Schedule 24 is proposed for this first summer that implements the seasonal advance payment provisions.  The full program would be implemented on September 1.  The tariff for the Blackfoot Pilot, which ends on October 1, would be revised to end on September 1, when the system-wide program would be implemented.

Idaho Power claims that the program is essentially revenue neutral.  The Company presents a simple analysis to demonstrate that the program would have resulted in a net revenue reduction to the Company of approximately $22,000, based upon 1995 data and the results of the Blackfoot Pilot Program.

ANALYSIS

A number of comments were received by the Commission regarding the Company's Application.  Nearly all of them were in opposition to the proposal.  Most of the objections have focused on the charges that would be required during the off season when no electricity would be used.  Several irrigators pointed out that they could not use electricity for pumping during the off season because there would not be any water in their ditches.  They felt that to impose charges for something that could not be used was inappropriate.

Many also indicated that they used the period when the electricity was disconnected in the off season to maintain their systems, and objected to the requirement that they pay to have the power reconnected after being disconnected for annual maintenance.  Others expressed concern for the safety of their workers and others.   As one irrigator commented “Somewhere, someplace, someone is going to try to save money and do things they shouldn’t do with the power on.”

Another concern was that of vandalism.  Many pumps are in remote locations that are already prone to vandalism.  The potential for damage, and especially harm to life, is increased when the power is left on.

 In addition, Staff is also concerned that the requirement for a full seasonal advance from someone whose final bill was paid in full and on time, but who may have been late with a couple payments during the season, is excessive.  A few customers also expressed concerns about these changes to the credit policies.

Although the proposal may be revenue neutral to the Company, it will result in increased costs to a large number of individual farmers.  Those who are currently connected for five or fewer months will see costs increase, while those that are currently connected for seven or more months would see costs decrease.  Using data supplied by the Company, Staff has determined that based upon current connection patterns, nearly 5500 customers would see cost increases, a similar number would see cost decreases and over 1800 customers, those currently connected for six months, would not see a change in customer costs under the Company’s proposal.  (See  Table A).

This proposal is not expense neutral.  The Company admits that it would be the primary beneficiary of this proposal.  There will be considerable cost savings to the Company because it would no longer expend personnel time disconnecting and reconnecting all of the irrigation pumps each fall and spring.  These expenses were included in the costs the Company would be expected to incur during the last rate case, and Idaho Power should be recovering these expenses from the rates the irrigators are now paying.  The Company does not propose sharing these savings with the irrigators.

Some irrigators would also realize some benefits from this proposal.  Those irrigators with water available early or late in the season, such as those on wells, could use the availability of power in the off season to pump water for either late or early season watering (sometimes used to make harvesting easier or to give plants additional moisture to enhance germination). Emergency watering can also protect plants from freezing under certain conditions.  Some would use the water for stock watering or other purposes.  Those farmers with center pivot and/or some side roll systems could use the available energy to move sprinkler systems out of the way when working the fields.

In addition, the irrigator would be provided the flexibility of starting pumps when needed, and not having to wait for the Company to come out and energize the panel each spring.  In years with a hot, dry spring, this advantage could be very significant.

Based upon the number of complaints, as well as its own concerns, Staff approached the Company in an effort to seek alternatives to the elements of the proposal that had raised the most objections.  Those discussions led to an offer by the Company to modify its proposal so that three, instead of two late payments in the previous 12 months would trigger a seasonal advance.  The  Company indicated that less than 15% of its irrigation accounts were late on three or more payments in 1995.

However, it is Staff's understanding that this 15% includes accounts that would not be considered late under the terms of this proposal (past due accounts less than $50 or individual accounts of customers with multiple accounts that were paid prior to the preferred due date).   The actual percent required to provide a seasonal advance would be less than 15%, but it was not possible to obtain a more accurate number in time for these comments.

In response to a question from the Staff, the Company clarified that for the purposes of this proposal, a payment would be considered late if it is received after the due (or preferred due) date.  The Company does not collect interest on a payment unless it is more than 30 days past due.

Staff asked for information that would indicate the number of accounts with past due balances, and was provided the information in Table B, attached hereto.  This information shows a tremendous increase in the number of such accounts in the months of October and November.  Staff believes that this reflects  the tendency of many farmers to hold their last few payments until they have received their tax reimbursement from the Company.

Under the provisions of Sections 63-105J and 63-106 of the Idaho Code, electric utilities are to provide a reimbursement or credit on the bills of irrigation consumers to reflect the benefits that accrue to the utility from an exemption from property taxes for utility property used to generate or deliver energy used for irrigation.  This credit is provided in December of each year and varies from year to year, depending upon the value of the property tax exemption to the Company and the amount of energy used by the irrigator.

Staff does not believe it is appropriate to force an irrigator to pay a full seasonal advance because the irrigator was late in paying Idaho Power an amount that is essentially the same as what Idaho Power will pay them later that year.

Staff is willing to support the Company’s proposed change from two to three late payments if the Company will not consider a payment late unless the amount past due exceeds by more than $50 the amount the irrigator eventually receives from the Company in their tax reimbursement.  Staff support of the change to three late payments is also based upon the assumption that the Commission accepts the Staff recommendation outlined below that irrigation accounts not be billed during the off season.

Staff and the Company were not able to reach agreement on the other objections raised by those submitting comments and Staff.

Because many of those providing comments appear to be smaller irrigators, and because the impact of the changes is greater on those with smaller systems and those who pump out of ditches, options that might apply based upon the size of system or type of pump were explored.  However, Idaho Power does not have the ability to identify accounts by the type of system (i.e. pivot, deep well, ditch pump, etc.).  The Company does try to obtain information on the horsepower of the pump, but that information is not complete and is not a reliable indicator of the type of system or the impact of the proposal.

Staff proposed that the minimum payment of $2.50 not be required during the off season, and that the Company not provide a bill during this period.  The Company has indicated that the $2.50 charge was approximately equal to their cost of preparing and mailing bills during this period.   (Meters would not be read, so meter reading cost savings were already addressed in the proposal.)  This would address the concerns of those individuals who did not feel it was appropriate that they be charged during periods when electricity could not be used, as well as address the concerns of the Staff regarding cost increases to many customers.

The Company indicated that in preparation for anticipated changes that would be required in the event of deregulation, it did not want to establish a precedent of customers being connected without being charged at least some minimal amount.

Staff believes, however, that sending a customer a bill that barely covers the cost of billing simply because it is a policy produces inefficiency.  If the Company can save the customer and itself money by not billing, then that is the policy that should prevail.  The Commission should encourage this efficiency now and save both the ratepayer and the Company these costs.

To promote safety, reduce vandalism, and facilitate maintenance, Staff proposed that one disconnection and reconnection at no charge should be available per year to each customer.  Those who so desire could elect to disconnect in the fall and reconnect in the spring as they currently do, and leave panels without energy during the winter.  Others may choose different time frames for their period of disconnection.

In order to relieve the labor requirements placed upon the Company for such disconnections and reconnections, the Company could be allowed to perform such connections and disconnections at their convenience subject to a liberal time limit, such as five days.  Those desiring a more immediate response from the Company could be required to pay the $50 fee Idaho Power identified in its proposal.

The Company objected to this proposal, arguing that it would not provide Idaho Power with the labor savings it was seeking.  The Company contends that most farmers would simply continue their current practices of disconnecting in the fall and re-connecting in the spring.

If farmers were able to enjoy the benefits identified by the Company, which Staff agrees are beneficial to many farmers, then Staff maintains that many would change their practices to take advantage of the benefits.  At a minimum, Staff believes that this would spread out the requests for disconnections and reconnections, alleviating the labor constraints considerably.

Utah Power and Light has policies similar to those proposed by Staff (power stays connected unless requested otherwise, one disconnect/reconnect at no charge, no billing or minimum bills during the off season), and that experience would indicate that many irrigators will leave their power connected and that the spring and fall rush to connect/disconnect is significantly reduced.

In summary, the modifications to this proposal that Staff recommends are as follows:

∙Idaho Power would not impose a minimum charge during the off season, nor would it bill customers during this period.

∙One disconnection and reconnection per year would be available at no charge to each irrigation account.  The Company would be allowed to perform this disconnection and reconnection at its convenience subject to a liberal time limit, such as 5 days.  The $30 Account Processing Charge for reconnection at the beginning of the season would not be implemented.  Customers requesting more than one connection/disconnection would be charged the $50 Maintenance Service Charge proposed by the Company.

∙Those customers with three (rather than two) or more late payments during the irrigation season will be disconnected at the end of the season and required to pay a seasonal advance prior to having service reconnected.  For seasonal advance purposes, payments for amounts that are less than $50, or payments for August and/or September bills that do not exceed by more than $50 the amount the irrigator eventually receives from the Company for reimbursement of tax exemptions pursuant to Section 63-106 of the Idaho Code, will not be considered late.  Payments from customers with multiple accounts will not be considered late if all monthly payments are received by the monthly preferred due date.

Staff believes that if modified as Staff has suggested, this proposal will provide benefits to the Company, the irrigators and the ratepayers.

DATED  at Boise, Idaho, this            day of May 1996.

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Brad Purdy

Deputy Attorney General

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Wayne Hart

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