DECISION MEMORANDUM

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WORKING FILE

FROM:BRAD PURDY

DATE:MAY 10, 1996

RE:CASE NO.  IPC-E-96-2

IDAHO POWER’S PILOT IRRIGATION PROGRAM

On February 28, 1994, the Idaho Power Company (Idaho Power; Company) filed an Application with the Commission requesting approval of a pilot program for electric service to irrigation customers in the Company’s Blackfoot district.  Under the provisions of that pilot program, certain irrigation customers’ pumps remain connected year-round rather than being connected and disconnected for the irrigation season in order to provide the Company, its customers and the Commission with the information needed to evaluate the impacts and benefits of revising the connection procedures and related charges for electric service offered to irrigation customers.

On May 12, 1994, the Commission issued Order No. 25502 approving the Company’s Application and the pilot program was implemented on September 1, 1994.  According to Idaho Power, the program was successful and, as a result, the Company filed an Application on February 29, 1996, for authority to implement new connection procedures and related charges for irrigation service effective September 1, 1996, throughout the Company’s entire service territory in the state of Idaho.  Idaho Power proposes to leave all irrigation customers’ pumps connected throughout the year unless the customer requests otherwise.  The Company will disconnect service to a pump at the end of the irrigation season if the customer had two or more late payments of $50 or more during a 12-month period.  In this event, Idaho Power will reconnect service the following spring upon receipt of a seasonal advance.

The Company also proposes to reduce the monthly customer charge from $10 to $2.50 for out-of-season months.  The $10 monthly customer charge will continue to apply during the in season period.

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.  In addition, a new charge known as 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 who are disconnected at the end of the pumping season for having two late payments in excess of $50 will also be charged the $30 account processing charge upon reconnection the following spring.  The Company will no longer require monthly seasonal advances.

Idaho Power will also affix dual language warning stickers to the front of all irrigation pump panels stating that the panels are energized at all times and including a phone number to call for more information.

Finally, the Company proposes an interim Schedule No. 24 for the upcoming irrigation season implementing the seasonal advance payment provisions.  The full program would be implemented on September 1, 1996.  The tariff for the Blackfoot pilot program, which ends on October 1, 1996, would be revised to terminate on September 1, 1996, assuming Commission approval of the system wide program.

Idaho Power claims that the program is essentially revenue neutral and presents a simple analysis to show 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.

On March 29, 1996, the Commission issued a Notice of Modified Procedure soliciting comments in response to the Company’s Application.  Comments were submitted by the Commission Staff, the Idaho Irrigation Pumpers Association, and numerous irrigators.

Commission Staff

Staff has several concerns regarding the Company’s proposal.  First, Staff agrees with the concerns expressed by individual irrigators regarding the unfairness of being charged for electric service during the off-season when pumping is not possible because of the lack of surface water available.  In addition, many irrigators use the off-season to maintain their systems and, under the Company’s proposal, would be required to pay to have the power reconnected after being disconnected for annual maintenance.

Staff is also concerned with the possibility of vandalism and the potential for damage when power to irrigation pumps is left on.

In addition, Staff is concerned that the requirement for a full seasonal advance from a customer 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.

Staff further notes that although the Company’s proposal may be revenue neutral to Idaho Power, it will result in increased charges to a large number of individual irrigators.  Those who are currently connected for five or fewer months will see overall charges increase, while those that are currently connected for seven or more months would see charges decrease.  Using data supplied by the Company, Staff has determined that, based upon current connection patterns, nearly 5,500 customers would see increases, a similar number would see decreases and over 1,800 customers, would not see a change in customer charges under Idaho Power’s proposal.

In addition, the Company’s proposal is not expense neutral.  Idaho Power admits that it would be the primary beneficiary of its proposal due to the considerable cost savings to the Company.  These result from the fact that Company personnel would no longer be required to disconnect and reconnect all of the irrigation pumps each fall and spring.  Incidentally, Staff notes, these expenses were included in the costs the Company would be expected to incur during the last general rate case and Idaho Power is already recovering these expenses through the rates that irrigators are now paying.  The Company does not propose sharing these savings with the irrigators.

Staff notes that some irrigators will benefit from the Company’s proposal, i.e., those with water available early or late in the season who could use the availability of power to pump water later or early in the season.  In addition, the irrigators 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, which, in hot, dry years, could be a significant advantage.

Following the filing of the Company’s Application, Staff raised its concerns with Idaho Power which agreed to modify its proposal so that three, instead of two, late payments in the previous 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.  It is Staff’s understanding, however, that this 15% includes accounts that would not be considered late under the terms of the Company’s proposal (past due accounts less than $50 or individual accounts of customers with multiple accounts that were paid prior to the preferred due date).

Idaho Power has indicated that for the purposes of its proposal, a payment would be considered late if received after the due (or preferred due) date.  Idaho Power does not collect interest on a payment unless it is more than 30 days past due.

Based upon information received from the Company, Staff has reached the conclusion that many irrigators tend to hold their last few payments until they have received their tax reimbursement from Idaho Power, pursuant to Idaho Code §§ 63-105J and 63-106.  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 the Company an amount that is essentially the same as what the Company will be required to reimburse that irrigator later in the year.

Staff would be willing to support the Company’s proposed change from two to three late payments if Idaho Power would 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 his tax reimbursement.   Staff support of this change 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 also proposed to the Company that the minimum payment of $2.50 not be required during the off-season and that Idaho Power not provide a bill during this period.  The Company has indicated that the $2.50 charge was approximately equal to its cost of preparing and mailing bills during this period.  Staff believes that eliminating this charge, however, would address the concerns of those individuals who do not believe it is appropriate that they be charged during periods when electricity cannot be used.  Idaho Power states, however, that in preparation for anticipated changes that would be required in the event of deregulation, the Company did not want to establish a precedent of customers being connected without being charged at least a minimal amount.  Staff believes, though, that sending a customer a bill that barely covers the cost of billing simply because it is a policy produces inefficiency.

To promote safety, reduce vandalism and facilitate maintenance, Staff further proposes that one disconnection and reconnection at no charge be made available per year to each customer.  Those customers who 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.  Staff notes that in order to relieve the labor requirements placed upon the Company for such disconnections and reconnections, Idaho Power could be allowed to perform them at its convenience subject to a liberal time limit, such as five days.  Those irrigators desiring a more immediate response from the Company could be required to pay the $50 fee Idaho Power identified in its proposal.

Idaho Power objects to this proposal arguing that it would not provide the Company with the labor savings that it seeks.  The Company further contends that most irrigators would simply continue their current practices of disconnecting in the fall and reconnecting in the spring.  Staff believes, however, that if irrigators were able to enjoy the benefits identified by the Company, which Staff agrees are beneficial to many farmers, then many irrigators would change their practices to take advantage of those benefits.  At a minimum, Staff believes that this would spread out the requests for disconnections and reconnections alleviating the labor constraints considerably.

Staff notes that Utah Power & Light Company has policies similar to those proposed by the Staff (power stays connected unless requested otherwise, one disconnect/reconnect at no charge and 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.

Staff proposes the following modifications to Idaho Power’s proposal.

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

B.  One disconnection and reconnection per year would be available at no charge to each account.  The Company would be allowed to perform this function at its convenience subject to a time limit such as five 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.

C.  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 Idaho Code § 63-106, will not be considered late.  Payments from customers with multiple accounts will not be considered late if all monthly payments are received by the preferred monthly due date.

Idaho Irrigators Pumpers Association (Pumpers)

The Pumpers support Idaho Power’s proposal contending that it will provide benefits to both the Company and its irrigation customers.  The Pumpers state that year-around connection will benefit irrigators by providing convenient and flexible use of power during the non irrigation season.  These benefits, the Pumpers contend, are not fully realized by the irrigation customers when service is disconnected during the non irrigation season.  Irrigation and farm practices have changed with widespread conversion to more efficient center-pivot and wheel-line irrigation systems.  Power is periodically needed for short durations for some irrigators during the off season to move irrigation systems to facilitate early and late season cultivation, crop planting and harvest.  In addition, the ability to perform certain maintenance on irrigation equipment during the off-season will also be enhanced.

Finally, the Pumpers contend that year-around connection would eliminate high demand on Idaho Power personnel in the spring for reconnection which can result in delays causing irrigator complaints and dissatisfaction.  The Pumpers also believe that Idaho Power’s proposal to reduce the monthly charge from $10 to $2.50 for out-of-season months, together with the flat $50 maintenance service charge and $30 account processing charge on reconnections, provides certainty and is fair and reasonable.

Individual Irrigators

Comments were received from approximately 33 individual or groups of irrigators.  Of these comments, approximately three are in favor of the Company’s proposal.  The rest object to some or all of it.  The majority of those comments submitted in opposition to the Company’s Application focus on the alleged unfairness of charging irrigators a minimum fee during months when it is not feasible or possible to irrigate.  Many irrigators note that they utilize the off-season to service and maintain their pumps.  Finally, many assert that leaving the pumps charged throughout the year poses a risk to life and property due to vandalism and the potential that third persons will somehow come into contact with the equipment.

Commission Decision

Should Idaho Power’s Application be approved without modification?  If not, which of the following Staff proposed modifications, if any, should be adopted?

Eliminate the minimum charge during the off-season?

—Allow one disconnection/reconnection per year at no charge within a liberal time limit?

 —Eliminating the $30 account processing charge at the beginning of the season by maintaining the $50 maintenance charge for customers requesting more than one connection/disconnection?

—Modifying the requirement of a seasonal advance to apply only to customers with three or more late payments during the irrigation season with the understanding that payments for amounts 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 will not be considered late.  Also, payments from customers with multiple accounts will not be considered late if all monthly payments are received by the monthly preferred due date.

Does the Commission have any of its own modifications to the Company’s proposal?

Brad Purdy

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