(text box: 1)BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF THE WASHINGTON WATER POWER COMPANY FOR AUTHORITY TO AMEND ITS ELECTRIC RULES AND REGULATIONS REGARDING RECONNECTION CHARGES. | )))))) | CASE NO. WWP-E-97-2                          ORDER NO.  27376 |

On January 29, 1997, The Washington Water Power Company (Water Power; Company) filed a letter request with the Idaho Public Utilities Commission (Commission) seeking authority to  amend its electric Rules and Regulations regarding reconnection charges.  The proposed tariff revision discourages disconnection and eliminates the financial incentive for customers to discontinue and re-establish service within a twelve-month period to avoid paying monthly minimum charges. The proposed revision to sheet 70-g requires that if a customer discontinues service and then re-establishes service within a twelve-month period, the customer is required to pay an amount equal to the monthly minimums that would have been billed had service not been discontinued as well as pay a re-establishment charge.  Customers disconnected for more than twelve months will only have to pay a re-establishment fee equal to the existing reconnection charges of $16.00 or $32.00 on overtime.  The Company states that there are approximately 300 residential customers, primarily owners of vacation homes and other temporary dwellings, who will be affected by this new policy and estimates it will gain $8.50 per customer per month for eight months of the non-vacation season for a total of $20,000 annually.

The Company maintains that when customers request disconnections to avoid paying monthly minimum charges, the costs associated with the distribution facilities that were installed to provide service to the dwelling are not recovered.  When a disconnection/reconnection occurs, the Company states that it may also incur additional costs because, in many instances, a crew has to visit the dwelling twice; once to disconnect service and again to reconnect service.  The Company notes that its Schedule 71 tariff covering residential service in the Sandpoint area contains a provision carried over from the PacifiCorp tariff which states:  “Disconnect and reconnect transactions shall not operate to relieve a customer from monthly minimum charges.”

The Commission by Order No. 26831 issued March 6, 1997, suspended the Company proposed effective date.  The Commission requested further and more complete analysis of the Company’s proposal by Commission Staff.  Staff completed its analysis and was unable to support the Company’s Application.

Notices of Application and Modified Procedure in Case No. WWP-E-97-2 were subsequently issued on June 5, 1997.  The deadline for filing written comments was June 27, 1997.  Comments were filed by Commission Staff and the owner of a trailer court in Wallace, Idaho.  Reply comments were filed by the Company.  Based on its review of the filed comments in Case No. WWP-E-97-2 the Commission determined that the public interest in this matter required a hearing.  Reference IDAPA 31.01.01.204.

Pursuant to scheduling, the testimonies of the parties were filed with the Commission Secretary.  Water Power in the cover sheet to its rebuttal testimony made the following request:

While the Company is prepared to have a hearing in this case, the Company would be agreeable to have the Commission decide the case on the merits of the testimony and exhibits which have been submitted without the need for a hearing.  Idaho Power Company, the only intervenor in this case, has indicated that they have no objection to not having a hearing.

With the acquiescence of Commission Staff, the Commission in open decision meeting agreed to consider the matter fully submitted and the record closed.

The testimonies filed by Water Power and Commission Staff can be summarized as follows:

Water Power

Water Power interprets the Commission’s language in Order No. 16829 in Case No. U-1008-155 issued October 20, 1981, as supporting the notion that vacation homes and other temporary dwellings should be required to pay monthly minimums due to the costs they impose on the system.  McKenzie Direct, p. 3.  The Commission’s Order language states as follows:

The Company proposed raising the existing $2.80 per month customer service charge for the residential class to $3.00 on the grounds that even the higher charge still does not recover costs that are properly attributable to customer service.

In our most recent Idaho Power Company rate case (Order No. 16688), we ordered the elimination of customer charges for both residential and commercial service and replaced the residential charge with a $6.00 per month minimum bill.  Our rationale for eliminating the charge was that the charge created a “declining block” element in the residential rate structure, and that this was contrary to the Commission policy of structuring rates to reflect the direct relationship between energy consumption and the need for construction of expensive new facilities.  Retention of a minimum monthly bill would nevertheless indicate to affected customers the costs imposed on the system by vacation homes and other temporary dwellings.

The same rationale holds for WWP. . . .(emphasis added)

Order No.  16829, pp. 23, 24.

Interestingly, despite Water Power’s inference to the contrary, the Commission notes that Idaho Power Company had and has no policy of charging minimums during periods of seasonal disconnection.  Idaho Power presently also has a residential customer charge of $2.50, not a $6.00 per month minimum bill.

As further reason supporting its Application, Water Power represents that the Company’s Sandpoint area residential tariff does not allow a customer to avoid monthly minimums by disconnecting service.  McKenzie Direct, p. 3.  The Sandpoint area was recently acquired by Water Power  from PacifiCorp.  The Company’s Schedule 71 Sandpoint tariff contains the following language:

Continuing Service

This schedule is based on continuing service at each service location.  Disconnect and reconnection transactions shall not operate to relieve a custo­mer from monthly minimum charges.

As reflected in the Company’s prefiled direct testimony, in response to a WWP production request Staff interprets the Schedule 71 language as follows: “Staff’s understanding of the continuity of service language is that it was meant to preclude customers who had been involuntarily disconnected and subsequently reconnected from seeking a waiver or proration of monthly minimums.  Water Power disputes Staff’s interpretation and contends that PacifiCorp’s practice was to collect monthly minimums for periods of disconnection, regardless of whether the disconnect was voluntary or involuntary.  McKenzie Direct, pp. 5, 6.

The Schedule 71 tariff language tracks verbatim prior PacifiCorp tariff language but, based on a review of Commission records, excludes the related language in PacifiCorp’s general rules and regulations, i.e.,

7.  Basis of Rates

(e)Continuing Service: except as specifically provided otherwise, the rates of this tariff are based on continuing service at each service location.  Disconnect and reconnect transactions shall not operate to relieve a customer from minimum monthly charges except as may be provided in seasonal service agreements between the customer and company.  (Emphasis added)

Water Power believes that in requesting seasonal disconnections to avoid paying monthly minimum charges, customers are essentially “gaming” the system.  The Company does not believe that the Commission had the intention of allowing seasonal disconnection to avoid paying monthly minimum charges when it did away with the Company’s electric residential customer charge and ordered a per month minimum bill.  McKenzie Direct, p. 4.  In its Order No. 16829 in Case No. U-1008-155 dated October 20, 1981, the Company notes that the Commission stated:

Retention of a minimum monthly bill would nevertheless indicate to affected customers (emphasis added) the costs imposed on the system by vacation homes and other temporary dwellings.

Water Power contends that the Commission has authority to approve the reestablishment charge even though approval could result in additional revenues to the Company of approximately $20,000.  The Commission can and does, it states, approve minor tariff changes outside of a general rate case.  McKenzie Direct, p. 6.  The additional income if realized, the Company argues, would be “de minimis” and would not affect the Company’s percentage rate of return.  McKenzie Direct, pp. 6, 7.

Water Power contends that the estimated cost to reconnect a seasonally closed account at a remote location is $86.95 based on two hours of labor and 20 miles of travel.  If the estimate were to reflect the cost associated with disconnecting service (even though the Company concedes that it does not normally disconnect seasonal customers), the estimate would double.  McKenzie Direct, p. 7.  The Company further contends that the $8.50 minimum recovers only a fraction of the average fixed costs per month to serve a residential customer (calculated $29.61) irrespective of the fact that seasonal customers generally cost more to serve than average costs due to remoteness and low customer density.  McKenzie Direct, p. 8.

Seasonal customers, the Company concludes, should be required to pay monthly minimums because seasonal use customers impose year-round costs to the Company, generally cost more to serve due to remoteness and low customer density (yet pay only postage stamp rates based on average costs), and generally have lower annual usages to recover costs through rates than do non-seasonal customers.  McKenzie Direct, p. 8.

With respect to the customer who earlier commented on the Company proposed reestablishment charge, Water Power provides the following detail: the customer owns a 38 space trailer court on the Coeur d’Alene River.  Of the 38 spaces, five are separately metered with year-round tenants, seven are separately metered with seasonal tenants, 15 spaces are served by master meter with no submetering, and 11 spaces are served by another master meter with no submetering.  The Company also described the potential impact of the reestablishment charge on the customer.  McKenzie Direct, p. 10.

The Company proposes two acceptable options to its proposed reestablishment charge:

1.  Charging a fee to reconnect a seasonally closed account which is high enough to discourage a customer from disconnecting—WWP suggests that a reconnection fee of $68 would be high enough and would be cost justified.  McKenzie Direct, pp. 11, 12.

2.  Adopt the Sandpoint-area tariff language.

“Disconnect and reconnect transactions shall not operate to relieve a customer from monthly minimum charges.”  —Whether the disconnection is voluntary or involuntary.  McKenzie Direct, p. 12.

The Company does not want an alternative which requires or promotes an actual physical disconnection and reconnection of service, and the Company suggests that customers requesting reconnection would likely be dissatisfied with the time delay between the request and the actual reconnect.  McKenzie Direct, p. 12.

Commission Staff

Staff disputes the Company’s contention that it is incurring a revenue loss of $20,000 by not collecting $8.50 monthly minimums from seasonal customers.  Seasonal residential customers, Staff asserts, are a part of the residential class and are not a separate class of customers.  When the “cost to serve” the residential class was calculated in the Company’s last rate case, Staff contends that the costs were factored into residential rates.  There was no revenue loss attributed to any particular subclass of residential customers.  Oliason Direct, p. 2.

Water Power in rebuttal contends that Staff’s statement may not be entirely true, as the 1985 test period used in the Company’s last rate case reflected a level of minimum bills that are no longer being collected.  The Company admits however that there is no way to be certain as to the precise level of lost revenue.  McKenzie Rebuttal, pp. 3-4.  The estimate of $20,000 was derived by assuming 300 customers avoiding the $8.50 minimum for eight months during the year.  McKenzie Rebuttal, p. 4.

Staff argues that the extra cost to serve seasonal customers is being collected through existing rates as part of the “cost to serve.”  Staff also argued that seasonal customer’s usage would tend to occur during off peak periods, in the summer and on weekends.  Oliason Direct, p. 3.  The Company in rebuttal disagrees with Staff, notes the increased cost in serving remote locations and asserts that if the Company is required to do the physical disconnections that it has not normally been doing, then the related costs are not being recovered in existing rates.  McKenzie Rebuttal, p. 5.  Staff contends that because the $8.50 minimum charge is well below the plant-related fixed costs for residential customers (in the last WWP rate case $33.17/month; 1996 study $29.61—McKenzie Rebuttal, p. 6) that these costs are collected in the energy charge.  The Company, Staff states, has never attempted to collect the “average costs” from the lowest paying customer by a customer charge, minimum charge or connection fee.  Oliason Direct, p. 3.  The Company in rebuttal disagrees stating that there has not been a definitive ruling as to what costs are or are not included in the minimum charge.

Regarding rural customers, Staff notes that there has never been any attempt to de-average the cost to serve on the basis of density.  Within a class of customers, it states, there will always be some that cost more to serve than the average and some that cost less.  Oliason Direct, pp. 3, 4.  For now, Staff proposes that the residential class not be further divided into rural and urban or by end use of the residence.  The Company in rebuttal responds that one does not have to de-average costs to be aware of cost differences between types of customers within a class.  McKenzie Rebuttal, p. 6.

Staff recommends a “reestablishment” charge of $16.00, as the Company has proposed.  For those seasonal customers that normally close their account Staff recommends an alternative rate with a monthly minimum of $2.50 (with no energy allowance) for the six months covering the winter period.   For the other six months of the year the customer would pay the $8.50 minimum.  Oliason Direct, p. 5 (see discussion re: billing.  Oliason Direct, pp. 6, 7).  The Company on rebuttal points out that Staff’s proposal is discriminatory, as it provides a lower rate to a group of customers which have higher costs to serve than other non-seasonal customers within the customer class, creates cross-subsidization, is not cost-based, and runs counter to Staff’s argument that seasonal customers should not be de-averaged.  McKenzie Rebuttal, pp. 7, 8.  Staff, the Company states, in its recommendation further assumes that the Company would not read meters during winter months.  The Company in response states that it does in fact read meters that are accessible.  McKenzie Rebuttal, p. 7.  In addition, the Company states that if energy is used by a seasonally closed account, that account becomes active and regular billings apply.  McKenzie Rebuttal, p. 7.  Staff argues that under Staff’s proposal, if a seasonal customer did use energy in excess of 720 kWh during the winter period, that customer would find it cheaper to stay with the Company’s residential rate with its $8.50 minimum.

Commission Findings

The Commission has reviewed and considered the filings of record in Case No. WWP-E-97-2 including the comments and filed testimonies of the parties.  The Commission appreciates the revenue and cost of service ramifications presented by seasonal or temporary disconnects and reconnects.  We also recognize that addressing perceived inequities of a type such as identified in this case can prove to be difficult to resolve in isolation.  Nothing exists in isolation, even in the regulatory world.  It should be initially stated that seasonal customers by disconnecting and reconnecting are not “gaming” the system as represented by Water Power, they are simply making an economic decision based on the Company’s filed tariffs.  The Company engages in similar decision making everyday and we call it good business.

This case has proven to be problematic in that the Commission has found none of the filed proposals or suggested alternatives described above to be reasonable or equitable.  Common sense and fairness suggest to the Commission that there is something wrong in the Company’s proposal to assess a continuing monthly customer charge for periods of disconnect.  When a customer requests disconnection there should be no continuing rate obligations.  In this regard, the Commission finds troubling the reported practice in the Company’s Sandpoint service area of charging disconnected customers for monthly minimums during periods of disconnect.  Reference WWP Schedule 71.  The Company reports that it is merely carrying forward or continuing the prior practice of PacifiCorp.  As represented, however, it is Staff’s contention that the identified tariff language was intended to merely preclude the prorating of monthly minimum charges during months of disconnect and reconnect.  We find that the tariff language permits both interpretations.  We however agree with Staff’s interpretation and direct the Company to cease its practice to the contrary.

Nevertheless we find that the filings in this case presented a broad spectrum of alternatives, as reflected above, within which a reasonable solution might be fashioned.  It appears that the Company’s objectives, discouraging customers from disconnecting and maintaining some semblance of a continuous revenue stream, could be accomplished by presenting an option that was attractive to customers rather than punitive.  At our direction Commission Staff contacted the Company to explore whether the Company was willing to present a middle ground proposal as an alternative to denial of its Application.

The Company has now presented us in this case with an acceptable alternative, a nondiscriminatory rate option available to all customers within the residential class and a cost justified change in the reconnect charge.  Specifically the Company is offering residential customers who elect to go inactive (i.e., no energy usage) and yet choose to remain connected to do so for a $4.00 monthly customer charge.  The period of inactivity or no energy use would correspond to an individual customer’s billing cycle.  Any energy use during a billing cycle would result in a customer reverting to the standard tariff and being billed the $8.50 minimum charge.  A customer choosing this option would be required to notify the Company in advance in writing or by phone.  Customers electing to physically disconnect may continue to do so and would incur no monthly charge for the period of disconnect.  The reconnection charges applicable to all residential customers who have been physically disconnected, either voluntarily at the customer’s request or involuntarily for failure to comply with the Company’s tariff rules and regulations including nonpayment, will be increased to $24.00 and $48.00 during non-business hours.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over The Washington Water Power Company, an electric utility, and the issues presented in Case No. WWP-E-97-2 pursuant to Idaho Code, Title 61 and the Commission’s Rules of Procedure, IDAPA 31.01.01.000 et seq.

O R D E R

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby approve a change in residential rates and reconnection charges as set forth above.  The Company is directed to file compliance tariffs with the Commission Secretary. The Company is also directed to provide notice of this change of rates and charges to residential customers as part of its next billing statement and the rates and charges will be effective 30 days from Company notice.

THIS IS A FINAL ORDER.  Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order.  Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration.  See Idaho Code § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of February 1998.

                                                                                                                                       DENNIS S. HANSEN, PRESIDENT

                                                                                            RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

bls/O:WWP-E-97-2.sw3

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

March 2, 1998