DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

DON OLIASON

DAVID SCOTT

WORKING FILE

FROM:SCOTT WOODBURY

DATE:MAY 30, 1997

RE:CASE NO. WWP-E-97-2

RECONNECTION CHARGES (SEASONAL/TEMPORARY DISCONNECTS)

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 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.  The re-establishment charge proposed is the same as the currently effective reconnection charge.  The Company requested an effective date of March 1, 1997.

The Company maintains that when customers request disconnections to avoid paying monthly minimum charges, the Company fails to recover costs associated with the distribution facilities that were installed to provide service to the dwelling.  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 that was 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 for 90 days.  The Commission requested further and more complete analysis of the Company’s proposal by Commission Staff.  Staff’s analysis is attached.  Staff does not support the Company’s Application.  Staff recommends that this case be processed pursuant to Modified Procedure so as to provide Staff and affected customers the opportunity to file formal comments.

Commission Decision

Does the Commission agree that Modified Procedure is appropriate?  If not, what is the Commission’s preference?

Scott Woodbury

vld/M:WWP-E-97-2.sw

CASE NO.  WWP-E-97-2

STAFF ANALYSIS

APPLICATION

The Application by Washington Water Power Company (Water Power; Company) in Case No.  WWP -E-97-2 relates to the Company’s reconnection policy for seasonal homes or other customers who desire an electrical disconnect for 12 months or less.  The current operational policy of the Company is to proceed with a disconnect on request and to charge a $16 reconnect ($32 on overtime) fee when the customer requests electricity again.  The Company’s current tariff (I.P.U.C. No.  25, Sheet 70-g) is silent on charging such customers a reconnect fee.  The tariff specifically states that the $16 reconnect fee is applicable “Whenever service has been disconnected for failure of the customer to comply with the Company’s rules and regulations .....,” thus it is not written for seasonal homes but is written for disconnects done for non-payment or for other infractions of regulations.  The Company advised Staff that seasonal homes have not been handled uniformly throughout its service area.  In some areas, a customer’s lake cabin account may be closed to billing for the Winter but not physically disconnected and so a reconnect fee is not collected in the Spring.

The Company’s proposed new policy establishes rules regarding the reestablishment of  electric service in the Spring after a customer requested disconnect in the preceding Fall.  The Company believes the new policy will promote employee uniformity in the handling of requests from lake cabin owners for Fall disconnection and will also discourage disconnection.  A customer requesting a Fall disconnection will be advised that there will be a “reestablishment charge” of $16 ($32 if done on overtime) in the Spring at which time the customer will also be required to pay all of the prior monthly minimums ($8.50/month for residential) as though the account had not been disconnected.  The Company states that the cost to do the physical reconnection for a seasonal account is the same as the cost to reconnect  after a shutoff for non-payment so the charge should be the same ($16).  The Company believes the new policy will cause customers to choose to leave their accounts open and pay the monthly minimums through the Winter.

Water Power contends that collecting the monthly minimums that have previously gone uncollected will prevent “a loss of monthly revenue to recover costs associated with the facilities that have been installed to provide service to the dwelling.” The Company states that there are approximately 300 residential customers who will be affected by this new policy and estimates it will gain $8.50 per customer per month for 8 months of the non-vacation season for a total of $20,000 annually.  For comparison, the total number of the Company’s residential customer group is 80,000.  Any customer who has been disconnected for more than 12 months will only have to pay the $16 “reestablishment fee” to reestablish electric service and will not have to pay past minimums.

STAFF EVALUATION

1.  Reestablishment Charge:

If there is to be such a charge, Staff agrees that it should be the same amount as the $16 reconnection charge since the cost of the physical reconnecting work is the same in each case.

2.  Collection of previously uncollected monthly minimums as a condition of reconnection.

If this is to become a new procedure, Staff agrees that most customers will choose to continue to pay the $8.50 monthly minimum and will not request a Fall disconnect.  From a customer relations viewpoint, Staff is concerned that the change will be a significant irritant to customers who receive nothing of value for paying the minimum through the Winter except for the privilege of not having to pay the $16 reestablishment charge the following Spring.  On the other hand, Staff is reminded that the responsibility for sustaining good customer relations rests with the Company.

3.Loss of revenue by Company because monthly minimums have not been collected from seasonal customers disconnected during the Winter.

Staff suggests that the alleged “loss of revenue” ($20,000) is not a valid reason for instituting this new policy.  The Company’s last rate case (U-1008-256) was in 1986 and seasonal customers were allowed to disconnect to avoid paying the minimum at that time.  The rate case considered all of the Company’s rate base (including facilities serving seasonal customers) and operating and maintenance expenses.  The resulting annual revenue requirement theoretically included everything.  There was no missing $20,000 because of the then existing policy regarding seasonal customers was a part of the test year, and one would have to conclude that the 1986 rate case allowed this amount to be collected from all classes of customers

4.  Utility policies regarding residential seasonal customers.

a.   Washington Water Power Co.  Gas:   Customer has the choice of paying $3.28 minimum per month during Summer months or disconnecting and paying $31 ($46 on overtime) “reestablishment charge” in the Fall.  ($3.28 times 5 non-heating months equals $16.40)

b.   Idaho Power Co.:   Customer may disconnect and reconnect without paying the minimum or a penalty except for a $15 ($22 on overtime) “account processing charge.”

c.   Idaho Power/Prairie:   Customer is entitled to one free disconnect and reconnect per year but must pay the minimum ($17 per month) while disconnected.

d.   Utah Power & Light:   Monthly minimum is $13.38 and customer is obliged to pay an annual minimum of $160.56 (12 times $13.38 equals $160.56) regardless of connects or disconnects.

e.   Pacific Power & Light/Sandpoint prior to sale to WWP:   Disconnect and reconnect transactions shall not operate to relieve a customer from monthly minimum charges ($7.75/mo.)

f.   Atlanta Power Co.:   If the customer is disconnected for more than 30 days, monthly minimum payments are not required but the reconnect costs $200.  The minimum is $35 per month ($35 per month times 6 Winter months equals $210).

g..   Intermountain Gas Co.:   Customer pays a reconnect fee of $20 ($40 for overtime), and an “account initiation” fee of $14.  Monthly minimum during the 5 non-heating  months is $2.50.     ($2.50 times 5 equals $12.50).

STAFF RECOMMENDATION

1.$16 “reestablishment” charge for seasonal customers who disconnect in the “off season.”

Staff agrees that such a charge should be written into the Company’s tariff and that it should be the same as the existing “reconnect charge” for non-paying customers.

2.Collect the monthly minimum from a seasonal customer for each month the account was closed as another condition for reestablishing service.

The Company contends that it “incurs a loss of monthly revenue to recover costs associated with the distribution facilities that have been installed to provide service to the dwelling.” Staff argues that these  facilities were rate-based in the 1986 rate case and the necessary revenue requirement was built into rates and comes from all customers including seasonal customers.  In fact, any new seasonal customers since 1986 would have the same sort of subsidy from new customers in other customer classes coming on line.

Without a more specific showing from the Company, Staff recommends that the collection of monthly minimums while a seasonal customer is disconnected should not be approved.

Staff believes it would be appropriate to consider  the Company’s  proposed policy

on seasonal customers at the time of the Company’s next rate case.

Scott Woodbury

Deputy Attorney General

Don Oliason

Electric Engineer