DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

DON OLIASON

BEVERLY BARKER

DAVID SCOTT

WORKING FILE

FROM:SCOTT WOODBURY

DATE:AUGUST 1, 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 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 the re-establishment fee.  The re-establishment charge proposed is the same as the currently effective reconnection charge (currently $16.00 and $32.00 on overtime).  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 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 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 effective date for 90 days.  The Commission requested further and more complete analysis of the Company’s proposal by Commission Staff.

Notices of Application and Modified Procedure in Case No. WWP-E-97-2 were issued on June 5, 1997.  The deadline for filing written comments was June 27, 1997.  Comments were received from the Commission Staff and the owner of a trailer court in Wallace, Idaho (attached).  Reply comments were filed by the Company (attached).  The comments can be summarized as follows:

Staff agrees that it is reasonable to assess a reconnect charge for seasonal customers and supports the $16 ($32 on overtime) fee proposed by the Company.

Staff recommends that the Commission reject that portion of the Company’s Application that proposes collection of the $8.50 monthly minimum for the months of disconnection.  Based on its analysis Staff concludes that the Company is not incurring a loss of revenue related to monthly minimum for seasonal customers during periods of disconnection; that seasonal customers were included in the base year mix when the Company’s revenue requirement and resultant rates were calculated.

Staff notes that the Company’s current tariff (IPUC No. 25 Sheet 70g) is silent on charging seasonal customers a reconnect fee.  The tariff specifically states that the $16 reconnect fee is applicable “whenever service has been disconnected for failure by 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 nonpayment or for other infractions of regulations.  The Company’s inconsistent collection of same, Staff contends, is thus unauthorized.  Reference Idaho Code 61-313.  Staff recommends that the previously collected reconnection fees for temporary and/or seasonal disconnect or reconnect within 12 months be refunded and/or credited and that the Company provide an accounting of same to the Commission.

The trailer court owner in Wallace states that only five of its 38 spaces are year-round renters and that the rest are seasonal.  Some of its customers are master-metered, others aren’t.  Applying the proposed rule to its business operation, she contends would create a serious hardship.  She requests a public hearing.

In its reply comments, the Company disagrees with Staff’s assessment.  The Company does not believe that the Commission, when it did away with the Company’s electric residential customer charge and ordered a per month minimum bill, had the intention of allowing seasonal disconnections to avoid the payment of monthly minimum charges.  Reference Order No. 16829, Case No. U-1008-155 dated October 30, 1981.  The Company further disagrees that the Sandpoint tariff language (i.e., disconnect and reconnect transactions shall not operate to relieve a customer from monthly minimum charges) was meant only to preclude customers who had been involuntarily disconnected and subsequently reconnected from seeking a waiver or pro-ration of monthly minimums.  The Company believes that seasonal customers should be required to pay their own costs through monthly minimums year round.

Seasonal use customers, the Company maintains, impose year round costs to the Company, generally have higher costs to serve due to remoteness and low customer density but pay postage stamp rates based on average costs, and generally have lower annual usages to recover costs through rates than do non-seasonal customers.

While neither admitting nor denying that the Company currently collects costs associated with seasonal customers from other customers through existing rates, the Company believes that the Commission has the authority to approve the proposed reestablishment charge and should do so to avoid inequity and the continued subsidization of seasonal customers.  As to any unjust enrichment argument, if the Company were to experience additional revenue of $20,000 annually from the reestablishment charge, the Company contends that based on a December 31, 1996 Idaho electric average of monthly averaged rate base of $351,468,000, the resulting increase in rate of return would be less than four one-thousands of one percent.

Regarding Staff’s contention that a monthly minimum for seasonal customers should be offset with related cost savings, the Company maintains that the $8.50 minimum recovers only a fraction of the average fixed costs per month to serve a residential customer (estimated at $33.17, as per WWP 1985 electric cost-of-service study).

The Company further contends that the cost to reconnect a seasonal disconnect are not the same as reconnecting an account for shutoff for nonpayment but are greater due to remoteness and low customer density.  If customers are going to be allowed to avoid monthly minimum charges, Water Power states that the Company is better off to disconnect customers on paper only and not charge the $16 reconnect fee than to physically connect and reconnect the customer and thereby incur costs greater than the reconnection fee.

Commission Decision

∙The customer filing comments in this case has requested a hearing.  Does the Commission continue to find that Modified Procedure is appropriate?  Should a hearing be scheduled?

∙Re: proposed reestablishment charge

$16 reconnection fee

Collection of monthly minimums

∙Does the Commission find that the Company’s prior collection of reconnection fees for seasonal disconnects was an authorized tariffed charge?  If not, should the Company be required to refund/rebate monies collected?  Should the Company be required to provide the Commission with an accounting of same?

Scott Woodbury

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