



AARP Idaho
3080 E. Gentry Way
Suite 100
Meridian, ID 83642

T 1-866-295-7284
F 208-288-4424
TTY 1-877-434-7598
www.aarp.org/id

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IDAHO PUBLIC
UTILITIES COMMISSION

VIA HAND DELIVERY

December 19, 2008

Ms. Jean Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83702

Re: Case No. GNR-U-08-1- In the Matter of the Commission's Inquiry About Energy Affordability Issues and Workshops.

Dear Ms. Jewell:

Enclosed, you will find an original and seven (7) copies of AARP's comments in response to the Notice of Public Workshops and Notice of Scheduling issued in Order No. 30644. Please file stamp one copy for our records.

Please contact me at 208-855-4001 if you have any questions.

Sincerely,

James Wordelman
State Director

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Commissioners)
Inquiry About Energy Affordability)
Issues and Workshops)

Case No. GNR-U-08-1

COMMENTS IN RESPONSE TO COMMISSION ORDER No. 30644

BY

Barbara R. Alexander
Consumer Affairs Consultant

ON BEHALF OF

AARP

December 19, 2008

JAMES WORDELMAN
STATE DIRECTOR
AARP IDAHO
3080 E. GENTRY WAY
SUITE 100
MERIDIAN, ID 83642

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE COMMISSION'S)
INQUIRY ABOUT ENERGY) CASE NO. GNR-U-08-1
AFFORDABILITY ISSUES)
AND WORKSHOPS) COMMENTS OF AARP**

COMES NOW AARP and submits the following comments in response to the Notice of Public Workshops and Notice of Scheduling issued in Order No. 30644.

INTRODUCTION

AARP applauds the Commission for tackling the issue of energy affordability. There is no question but that the combination of the steady increases in energy prices combined with the state of the economy is putting an unbearable strain on household budgets. This is especially true for lower income households, and those on fixed incomes which of course include many seniors.

A recently released survey conducted by the National Association of Regulatory Utility Commissioners (NARUC) documents the increasing number of accounts in arrears and service disconnections of service due to customers having trouble keeping up with rising bills. The report shows that in Idaho over 40,000 accounts were terminated as of May, 2008 and 19% of electric accounts, 12% of gas accounts, and 14% of accounts at combined electric/gas utilities were in arrears. The report also shows a steady upward trend in both arrearages and disconnections since 2001. These figures are sobering. While disconnection of service is devastating for all, it can turn tragic, especially for

older people, those with disabilities or medical conditions and young children, all of whom need access to adequate heating and cooling.

Staff has done an excellent job describing the serious economic challenges facing Idaho and the state's lower income and fixed income population in particular. This proceeding has provided the opportunity to examine the status quo in Idaho, and compare Idaho to other states. What we found is that the current programs are not nearly sufficient to address the needs of low and fixed income households in the state. In terms of low-income assistance, Idaho is behind other states, including neighboring states, and states that are also served by the some of the same utilities serving Idaho.

Clearly there is a need and the time to act is now. Despite the recent drop in fuel prices, energy prices are on a generally upward trend. High energy prices, the weak economy and increasing unemployment create a burden for too many Idahoans, including those who do not qualify as "low-income". The commission staff has made several recommendations which AARP supports. However, few of the recommendations will result in sure, immediate relief. We are disappointed that Staff chose not to address several options because utilities have indicated they would oppose them. For other options, Staff has suggested further study or legislative action. For several options, the staff encourages the utilities to take action, but there is no accountability or follow up to determine if the suggestions have been followed. For example, the Staff recommendations do not require the utilities to report on their activities. The result is there is little to point to as concrete next steps.

AARP urges the Commission to take specific steps to improve energy affordability in Idaho, both in the context of low-income assistance and with regard to its overall duty to set rates and adopt policies that are in the public interest. Others who do not qualify as "low income" need assistance as well. In summary, AARP recommends:

- The Commission should send a clear and strong message to the Legislature that Idaho's law should be amended to remove any actual or perceived barriers to implementation of payment assistance for low income households.
- For those issues where Staff suggests further discussion or investigation is needed, the current workshop process should be continued so that all interested stakeholders are invited to participate in those discussions.
- For those activities where the Staff "encourages" utilities to take a particular action, the Commission should ask for reports to determine what the utilities have done, who has been served, etc. Without accountability the suggestions are meaningless.
- Review all regulations and policies with the eye to make changes that decrease costs or bills. The Commission should consider the affordability impact of all of its decisions.

COMMENTS ON STAFF RECOMMENDATIONS ON PROPOSALS TO ADDRESS ENERGY AFFORDABILITY

Bill Payment Assistance

Implement Utility Programs Designed to Provide Financial Assistance: Staff recommends that a program such as LIRAP would be beneficial for Idaho's low income utility customers. However, staff believes that implementing a LIRAP would likely require legislation to change Idaho Code Sec. 61-315.

AARP Comment: AARP strongly supports the adoption of a bill payment assistance program for Idaho. AARP recommends the Commission send a clear message to the Legislature that such legislation is necessary and should be adopted. Many states have payment assistance programs for low income customers, including rate reductions. These programs have been found to reduce the number of collections actions and terminations, and to help customers pay down arrearages. For these reasons, utilities often support such programs. For example, SB 22 passed in Colorado in 2007 with

support from a variety of stakeholders including AARP, Energy Outreach Colorado and all of the major electric and gas utilities. The new law states:

(d) (I) NOTWITHSTANDING ANY PROVISION OF ARTICLES 1 TO 7 OF THIS TITLE TO THE CONTRARY, THE COMMISSION MAY APPROVE ANY RATE, CHARGE, SERVICE, CLASSIFICATION, OR FACILITY OF A GAS OR ELECTRIC UTILITY THAT MAKES OR GRANTS A REASONABLE PREFERENCE OR ADVANTAGE TO LOW-INCOME CUSTOMERS, AND THE IMPLEMENTATION OF SUCH COMMISSION-APPROVED RATE, CHARGE, SERVICE, CLASSIFICATION, OR FACILITY BY A PUBLIC UTILITY SHALL NOT BE DEEMED TO SUBJECT ANY PERSON OR CORPORATION TO ANY PREJUDICE, DISADVANTAGE, OR UNDUE DISCRIMINATION.

(II) AS USED IN THIS PARAGRAPH (d), A "LOW-INCOME UTILITY CUSTOMER" MEANS A UTILITY CUSTOMER WHO:

(A) HAS A HOUSEHOLD INCOME AT OR BELOW ONE HUNDRED EIGHTY-FIVE PERCENT OF THE CURRENT FEDERAL POVERTY LEVEL; AND

(B) OTHERWISE MEETS THE ELIGIBILITY CRITERIA SET FORTH IN RULES OF THE DEPARTMENT OF HUMAN SERVICES ADOPTED PURSUANT TO SECTION 40-8.5-105.

(III) WHEN CONSIDERING WHETHER TO APPROVE A RATE THAT MAKES OR GRANTS A REASONABLE PREFERENCE OR ADVANTAGE TO LOW-INCOME UTILITY CUSTOMERS, THE COMMISSION SHALL TAKE INTO ACCOUNT THE POTENTIAL IMPACT ON, AND COST-SHIFTING TO, UTILITY CUSTOMERS OTHER THAN LOW-INCOME UTILITY CUSTOMERS.

Increase Customer Awareness of/Encourage Voluntary Contributions to Nonprofit Fuel

Funds: Staff's recommendation is to encourage utilities to increase awareness of and funding for nonprofit fuel funds.

AARP Comment: AARP agrees that while fuel funds meet only a small portion of the need, they are necessary to help address energy affordability. It is unclear whether the current economic situation may result in fewer donations to such funds, or motivate more people to lend a helping hand. Nonetheless, AARP recommends that the Commission should also increase awareness of these fuel funds through an annual news release prior to the winter heating season. A release from the Commission could be expected to result

in television, radio and newspaper stories that would further increase awareness of the funds to members of the public who would donate and those who may need assistance.

Increase Federal Funding for LIHEAP: Staff recommends initiating a dialogue with Idaho's Congressional delegation regarding the critical need for additional program funding. Staff also recommends that the utilities, Commission and other interested parties partner with CAPAI to identify ways to further leverage LIHEAP funding.

AARP Comment: AARP agrees with Staff's recommendation. Additional workshops should be held with the participants in this docket to address the leveraging of LIHEAP funds.

Create a State-Funded Financial Assistance Program: Staff does not recommend a state funded program at this time, due to the projected state deficit.

AARP Comment: AARP agrees it would be difficult for the state to fund a new program given the current state budget projections. However, this is an option that should be explored in the future.

Bill Reduction

Reduced Rates for Low-Income Customers: Staff does not recommend the adoption of reduced rates for low-income customers, stating that there are other, preferable options for the Commission to consider and noting that the utilities do not support low-income rates and prefer increased awareness and funding of energy efficiency to reduce costs.

AARP Comment: AARP supports reduced rates for low income customers. Such rate programs have been adopted in other states and have been successfully implemented by utilities. In fact, utilities serving Idaho offer reduced rates, including PacifiCorp in California and Washington (these programs are described in the staff report). The Lifeline telephone discount provides a reduced monthly rate for basic telephone service

for eligible low income customers. Further, while increased awareness and funding of energy inefficiency is a necessary component of affordability, it is not sufficient alone. Rate assistance is also essential for the lowest income customers to close the “energy affordability gap”. Finally, it is inappropriate for Staff to limit an option for affordability because the utilities do not support it (not to mention that it is incredulous for utilities to oppose rate discounts in Idaho when they offer them in other states). Commission Staff should judge policies and proposals in terms of whether they achieve the goal of this workshop, that is, increasing energy affordability.

An argument raised during the workshops was that other customers or non-residential customer classes should not experience rate increases in order to fund a discount. However, all customers benefit when arrearages and collections costs are reduced because lower income households can better afford their bills. Spreading the cost of a low income rate across all customers is the same as Idaho Power seeking Commission approval to socialize the cost of a program that will give bill credits to irrigators who agree to cut usage during peak periods. Idaho Power argues that all customers benefit when irrigators are paid to reduce usage.

Low-income Weatherization, Conservation Education, and Other Energy Efficiency

Programs: Staff recommends additional funding for weatherization and energy conservation education in future rate cases. Staff recommends the utilities develop energy conservation education targeted to low-income customers. Staff further recommends the utilities examine their incentive programs regarding appliances, and encourage the Northwest Energy Efficiency Alliance to include multi-family and manufactured homes in the Energy Star Home Program. Staff also encourages utilities to actively advocate for adoption of energy efficient construction standards, including for mutli-family and manufactured homes.

AARP Comment: AARP agrees that energy efficiency should make energy more affordable by helping consumers to lower both usage and bills and that these programs should be made more available. However, the Commission should ensure that funding

for energy efficiency programs is cost effective. Customers should see lower bills if they engage in energy efficiency and lower usage. Therefore it is important for the Commission to ensure that energy efficiency money is wisely spent and if awarded, utility bonuses and incentives should be directly tied to success in achieving energy efficiency goals in a cost effective manner.

AARP recommends the Commission specifically direct utilities to take the actions outlined in this Staff recommendation and further, that the utilities should periodically report on their progress to participants in this proceeding.

Design Rates to Encourage Energy Efficiency: Staff recommends the utilities and the Commission consider tiered rates for residential customers in the context of future rate cases.

AARP Comment: AARP supports tiered rate structure, also called an “inclining block” rate, provided the first tier of usage is priced affordably and contains sufficient usage to meet basic needs.

Bill Mitigation:

Offer Plans that Allow Payment of Arrears Over an Extended Length of Time: Staff recommends that utilities offer more flexibility in negotiating payment arrangements. Staff further recommends that the staff and utilities further investigate payment arrangement alternatives.

AARP Comment: AARP supports providing greater flexibility in payment arrangements alternatives. AARP recommends the Commission also request the utilities to report on payment arrangements currently offered, the number of customers on each type of plan, and the success of the payment plans. Further, investigation of payment arrangements should not be limited to utilities and staff. Advocates including CAPAI and ICAN have direct experience with payment troubled customers and have insight into the

types of plans that are most successful. These groups should be included in any future discussion of payment plans.

Offer Percentage of Income Payment Plan: Staff does not recommend a percentage of income payment plan.

AARP Comment: AARP support Percentage of Income Payment Plans (PIPP). Several states have implemented these plans, which enhance affordability by capping payments for low income customers at a certain percentage of their income. Such programs have been implemented by utilities in several states, including Ohio and New Jersey.

Reduction of Customer Costs

Reduce/Eliminate Payment Charges and Educate Customers on No Cost/Low Cost Options: Staff recommends more investigation and discussion among all interested parties regarding how convenience fees can be eliminated or reduced.

AARP Comment: AARP agrees and recommends the topic be included in ongoing dialogue among the participants in this proceeding.

Reduce or Eliminate Reconnection Charges and Interest Assessed on Late Payments: Staff recommends more investigation and discussion among all interested parties regarding the circumstance under which reconnection and interest charges could be eliminated.

AARP Comment: AARP agrees and recommends the topic be included in ongoing dialogue among the participants in this proceeding.

Remove Barriers to Obtaining or Retaining Service

Modify Deposit Policies: Staff recommends further discussion of alternatives to existing deposit policies, including an increase in installment payment plan timelines. Staff also recommends that one or more of the utilities conduct a study of the effectiveness of collecting deposits.

AARP Comment: AARP agrees and recommends the topic be included in ongoing dialogue among the participants in this proceeding. Utilities should be encouraged to voluntarily modify deposit requirements and to report to the Commission on their offerings.

Allow Installment Payments on Prior Bills: Staff recommends that utilities adopt new policies whereby lower risk applicants be permitted to pay off old bills in installments while receiving new service.

AARP Comment: AARP agrees that installment payments would be an effective means of allowing customers to catch up on past due bills and maintain service. However, AARP suggests that the Commission and interested parties should be involved in development of such plans. For example, the term “lower risk” could be applied differently across utilities if there is no guidance from the Commission. AARP recommends the topic be included in ongoing dialogue among the participants in this proceeding. In the short term, utilities should be encouraged to voluntarily offer these plans and to report to the Commission on their offerings.

Other Arrearage Forgiveness Plans: Staff recommends that all energy utilities develop arrearage forgiveness plans.

AARP Comment: AARP agrees that arrearage forgiveness plans would be an effective means of allowing customers to get out from under past due bills and maintain service. However, AARP suggests that the Commission and interested parties should be involved in development of such plans. AARP recommends the topic be included in ongoing

dialogue among the participants in this proceeding. In the short term, utilities should be encouraged to voluntarily offer arrearage forgiveness and to report to the Commission on their offerings.

Offer Case Management

Staff recommends that all utilities implement case management programs if they have not already done so.

AARP Comment: AARP agrees utilities should implement case management programs. We recommend the Commission request utilities to report on whether they currently have case management programs or when they do implement such programs.

Affordability Should Be Considered in All Decisions

AARP supports the Commission in addressing energy affordability for low-income households, many of whom are seniors on fixed incomes. However, we urge the Commission not to assume that affordability ends with low income assistance. Literally all of the Commission's actions impact energy affordability. These include not only rate cases, but other decisions that add new fees and charges to bills such as installation of advanced meters, and demand side management programs. AARP recommends that the Commission should consider the affordability impact of all of its decisions.