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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF ROCKY MOUNTAIN POWER FOR APPROVAL OF CHANGES TO ITS ELECTRICAL SERVICE SCHEDULES	)	CASE NO. PAC-E-07-05

COMMUNITY ACTION PARTNERSHIP ASSOCIATION OF IDAHO
DIRECT TESTIMONY OF
JOHN HOWAT

Q. **PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.**

A. My name is John Howat, and I am a Senior Policy Analyst at the National Consumer Law Center, 77 Summer Street,10th Floor, Boston, MA 02110.

Q. FOR WHOM ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am providing comments and testimony on behalf of Community Action Partnership of Idaho ("CAPAI").

Q. BRIEFLY DESCRIBE YOUR BACKGROUND AND QUALIFICATIONS.

A. I have been professionally involved with energy program and policy issues since 1981. Prior to joining the Advocacy Staff at National Consumer Law Center, I consulted with a broad range of public and private entities on issues related to utility industry restructuring. Previously, I served as Research Director of The Massachusetts Joint Legislative Committee on Energy, responsible for the development of new energy efficiency programs and low-income energy assistance budgetary matters; economist with the Electric Power Division of the Massachusetts Department of Public Utilities, responsible for analysis of electric industry restructuring proposals; and Director of the Association of Massachusetts Local Energy Officials. I have a Master's Degree from Tufts University's Graduate Department of Urban and Environmental Policy and Bachelor of Arts Degree from The Evergreen State College.

At the National Consumer Law Center over the past seven years, I have managed a range of regulatory, legislative and advocacy projects across the country in support of low-income consumers' access to affordable utility and energy related services. I have been involved with the design and implementation of low-income energy affordability and efficiency programs and outreach efforts, low-income regulatory consumer protection, rate design, issues related to metering and billing, development of load profiles, energy burden analysis and related demographic analysis. In addition to work in the instant proceeding, I work or have worked on behalf of community-based organizations or their associations in Massachusetts, Arkansas, Arizona, Louisiana, Mississippi, New Jersey, Utah, Washington State, Pennsylvania, Rhode Island, Texas and Washington State. I also work or have worked on low-income energy matters on behalf of the National AARP and state AARP chapters in Texas, Vermont, Illinois, Louisiana and Kansas. I have worked under contract with the U.S. Department of Health and Human Services, Oak Ridge National Laboratories, the National Energy Assistance Directors' Association, and the Office of the Attorney General in Nevada on projects related to the design of universal service programs, metering, and regulatory consumer protection issues. I have presented testimony before utility regulatory agencies in Massachusetts, New Jersey, Rhode Island, Pennsylvania, Nevada, California, Vermont, and Louisiana. I am a regular presenter at conferences of National Community Action Foundation, National Low Income Energy Consortium, National Energy Assistance Directors Association, National Association of Regulatory Utility Commissions, and National Association of State Utility Consumer Advocates.

Q. WHAT ARE THE PURPOSES OF YOUR TESTIMONY?

A. The purposes of my testimony are to respond to the PacifiCorp (also referred to as "Company" or "Rocky Mountain Power") proposed change to Regulation No. 10 regarding payment of collection agency costs, and to comment on the effects of a range of credit and collection costs on low income customers.

Q. PLEASE DESCRIBE THE COMPANY'S PROPOSAL REGARDING PAYMENT OF COLLECTION AGENCY COSTS.

A. The Company is proposing to add language to Regulation 10R.8 to that would specify that individual customers will be responsible for "any reasonable costs associated with the collection of unpaid accounts, including but not limited to court costs, attorney's fees, and/or collection agency fees." The Company indicated that it paid collection agencies about $24,000 in 2006. [1]

Q. DO YOU SUPPORT PCAIFICORP'S PROPOSAL REGARDING PAYMENT OF COLLECTION AGENCY COSTS?

A. No.

Q. WHAT ARE YOUR CONCENS WITH THE COMPANY'S PROPOSAL?

A. I have several concerns with the PacifiCorp proposal. First, the Company's proposal, if approved and implemented, would have disproportionate, adverse impact on low-income customers. Further, as proposed, there are no limits or controls on the credit and collection costs that would be passed along to individual consumers. Finally, the proposal would eliminate Company incentives to minimize and control specific credit and collection costs.

[1] Direct Testimony of Carole A. Rockney at 2; Rocky Mountain Power Exhibit No. 36 at 1.

Q. HOW WOULD THE COMPANY'S PROPOSAL HAVE ADVERSE, DISPROPORTIONATE IMPACT ON LOW INCOME CUSTOMERS?

A. The Company's proposal is to shift onto individual customers a set of costs that have traditionally been spread throughout the ratebase. A disproportionate number of these individual customers would likely have low incomes. As reflected in Exhibit No. ~~X~~ 501, results of the U.S. Census Bureau's Survey of Income and Program Participation ("SIPP") demonstrate that U.S. households in the lowest income quintile are nearly 10 times more likely than those in the highest income quintile to experience electric or gas service loss. Assuming that the relationship between household income and loss of utility service the Company's service territory is consistent with the national relationship, low income customers of the Company are far more likely than their higher income counterparts to lose electric service because of non-payment of bills.

It follows that if low-income customers are more likely to lose service because of non-payment, they are also more likely to have their accounts referred to a collection agency. These customers are thus more likely than higher-income customers to pay attorney's fees and collection agency fees as contemplated in the Company's proposal.

The PacifiCorp movement away from traditional ratemaking treatment of these credit and collection costs reflects a "blame the victim" approach that fails to recognize the economic realities faced by low-income households. The prospective collection charges would increase the likelihood that low income households would suffer protracted loss of necessary service and decrease the general energy security of these households.

Q. PLEASE DESCRIBE YOUR CONCERNS REGARDING LACK OF CONTROLS ON COSTS PROPOSED BY THE COMPANY TO BE PASSED ALONG TO INDIVIDUAL CUSTOMERS.

A. There are no controls specified in the Company's proposal on the level of the collection costs and fees that could be charged to an individual customer. In the proposed Regulation 10R.8 language, PacifiCorp references "any reasonable costs associated with the collection of unpaid accounts…" However, even with the 'reasonableness' reference, there are no dollar limits placed on prospective attorney's fees or collection agency costs that may be charged to customers. Conceivably, "reasonable" attorney's fees and collection agency costs could be several times greater than the amount of an individual customer's outstanding arrears. The Company's proposed Regulation 10R.8 includes no definition of who will be the arbiter of "reasonableness" in assessing credit and collection costs that are passed along to individual customers. Further, as discussed below, collection agency fees paid by the Company in 2006 represents an insignificant proportion of base revenues. However, payment of an uncontrolled collection agency or attorney's fee may place excessive financial burden on a low income household such that it would be precluded from regaining access to a necessary utility service. Finally, The Company would be able to incur and pass along costs that it might otherwise try to avoid under the traditional ratemaking approach. There is no incentive to the Company, under its proposed Regulation 10R.8, to strive to minimize collection agency costs or attorney's fees associated with credit and collections.

Q. HAS THE COMPANY JUSTIFIED THE NEED FOR NEW CHARGES FOR COLLECTION AGENCY COSTS AND ATTORNEY'S FEES?

A. No. While Ms. Rockney indicated that the Company incurred approximately $24,000 in collection agency fees in 2006, the Company has not demonstrated that revenues from late payment charges, security deposits and reconnection fees are insufficient to cover collection agency fees and attorney's fees.

Q. DID COLLECTION AGENCY FEES PAID BY THE COMPANY IN 2006 REPRESENT A SIGNIFICANT PROPORTION OF ITS BASE REVENUES?

A. No. The Company's base revenues in 2006 totaled nearly $180 million including sales to Monsanto or over $130 million if sales to Monsanto are excluded.[2] As indicated previously, the Company reported that fees paid to collection agencies in 2006 totaled about $24,000. Thus, collection agency fees represented less than two one hundredths of one percent (< 0.02%) of base revenues excluding sales to Monsanto. Their contribution to revenue requirements and the impact on customers' rates is nearly imperceptible.

Q. WHY DO YOU FOCUS YOUR CONCERNS WITH THE COMPANY'S REGULATION 10R.8 PROPOSAL ON IMPACTS TO LOW INCOME CUSTOMERS?

A. Low-income residential utility customers, who would suffer adverse and disproportionate impact from the proposed Regulation 10R.8, are uniquely

[2] Rocky Mountain Power Exhibit No. 31.

situated in that they must devote a relatively high proportion of total household income to meeting basic household energy needs. In addition, for working poor households in particular, income and hours of work are often highly unstable, paid leave is minimal or non-existent, and health insurance is prohibitively expensive or unavailable. These conditions, combined with the low wages of working poor households, create difficulties in establishing realistic household budgets, making regular bill payments, and maintaining regular payments under terms of traditionally-structured utility payment plans.

Low-income households must continually contend with the challenge of stretching inadequate financial resources to pay for necessities such as housing, utility service, health care, and food. Part of this precarious balancing act inevitably leads to underpayment of bills and, at times, foregoing necessary goods and services to the detriment of health and safety.

It is important to emphasize that in the vast majority of cases, low-income non-payment of utility bills is not the product of financial mismanagement, over-consumption of luxury items or some other stereotyped character flaw. It may be attributed to the simple arithmetic fact that available household financial resources are insufficient to meet financial obligations associated with obtaining basic human needs and participating effectively in society. A study recently released by the National Energy Assistance Directors' Association found that a high proportion of participants in the Low Income Home Energy Assistance Program ("LIHEAP") take drastic actions to pay their energy bills, including reduction of expenditures for other household necessities or use of their kitchen stove for heat. In addition, the survey of LIHEAP recipients found that 32 percent did not fill their prescription or took less than their full dose of a prescribed medicine due to energy bills in the past five years, 16 percent reported that as a result of a home that was too cold, they became ill in the past five years, 19 percent kept their home at a temperature they felt was unsafe or unhealthy, and 18 percent left their home for at least part of the day because it was too cold or too hot. ("2005 National Energy Assistance Survey: Key Findings" attached as Exhibit No. ~~2~~ 502.)

Q. WHAT IS THE POTENTIAL IMPACT ON LOW INCOME HOUSEHOLDS UNDER THE PROPOSED REGULATION 10R.8?

A. As indicated above, collection agency fees represent an insignificant proportion of base revenue. Their contribution to the Company's revenue requirement creates a nearly imperceptible impact on rates. However, for a low-income household that is struggling to make ends meet and which has already lost access to a vital service, the requirement to pay collection agency and attorney's fees as defined in the Company's proposal could determine whether that household will be able to have necessary service restored. For PacifiCorp customers whose income is already insufficient to cover the costs of housing, utility service, food, medical care and other absolute necessities, protracted loss of electric service or forgoing one or more other basic needs will result from the implementation of the Company's Regulation 10R.8 proposal.

Q. WILL IMPLEMENTATION OF PROPOSED REGULATION 10R.8 ENSURE OR MAKE IT MORE LIKELY THAT LOW INCOME

CUSTOMERS WILL PAY OUTSTANDING BALANCES BEFORE ACCOUNTS ARE REFERRED TO A COLLECTION AGENCY?

A. I am aware of no evidence that supports the notion that imposition of credit and collection fees and charges – such as late payment fees, security deposits, reconnection charges, or fees as contemplated in proposed Regulation 10R.8 – make it more likely that low income customers will pay electric bills on a more timely basis.

Q. DO YOU HAVE RECOMMENDATIONS REGARDING MEANS OF ENHANCING AFFORDABILITY OF ELECTRIC SERVICE FOR LOW INCOME CUSTOMERS?

A. Yes. Low income households will better be able to afford electric service and will thus be better situated to make timely monthly payments through implementation of effective and enhanced payment assistance and low income energy efficiency programs to supplement the federal Low Income Home Energy Assistance Program and the Weatherization Assistance Program. My recommendation entails implementation of an "Affordable Energy Bargain" where low-income households that make regular, affordable utility payments and participate in energy efficiency and education programs receive a basic block of service, reduce and eliminate arrearages, and are free from the threat of service termination. The goal of the Affordable Energy Bargain is long-term low-income energy security.

Numerous program components are required to achieve the Affordable Energy Bargain goal of long-term low-income energy security. Affordable Energy

Bargain is a payment structure that makes sense for the individual customer. In this context, "affordability" for low-income households refers to regular monthly payments that result in an energy burden - the proportion of disposable income that is devoted to household electricity costs – equal to that of a median-income household. In other words, if median-income energy burden in a particular geographic area is 2.5%, the low-income household participating in the Affordable Energy Bargain should receive a payment subsidy such that the household's payment results in a like energy burden. Again, the bargain guarantees a basic level of service, but only for those households that responsibly make regular, but affordable, payments. Such a construct is currently operative in the State of Nevada.

Energy efficiency and energy education services are cornerstones of long-term energy security, and should go hand-in-hand with payment assistance. Payment assistance in the Affordable Energy Bargain should coincide with availability and encouragement to participate in education and effective appliance and building efficiency programs. Existing low-income energy efficiency programs should be expanded so that all income-eligible households have access to approved measures and services. It has been often been demonstrated that effective energy efficiency programs lower energy bills and expenditures among program participants.

Assuredly, there is cost associated with implementation of the Affordable Energy Bargain. Ideally, funding the investment in low income energy security should continue to come from both federal and non-federal sources. Funding needs to be sufficient and dependable. Sufficiency in this context refers to the number of program dollars needed to fully fund the Affordable Energy Bargain. Dependability requires that program funding come from secure, reliable sources. Non-bypassable, volumetric millage charges on utility bills of all customer classes could be considered a secure, dependable funding source. Voluntary contributions, vital as they are in reducing low-income energy burdens and supplementing volumetric utility bill assessments, do not represent a dependable, long-term funding source.

Q. HOW SHOULD PROGRAM DESIGN DETAILS OF THE "AFFORDABLE ENERGY BARGAIN" BE DETERMINED?

A. There are numerous models that have been employed across the country to design and implement comprehensive payment assistance and low-income energy efficiency programs. Here, Public Utilities Commission could, as a part of its Order in this general rate case, provide notice of a separate, collaborative proceeding in which stakeholders would participate in a set of facilitated meetings to determine program design and funding parameters. Ideally, participating stakeholders would within a specified time period develop a set of recommendations to the Commission for consideration and approval.

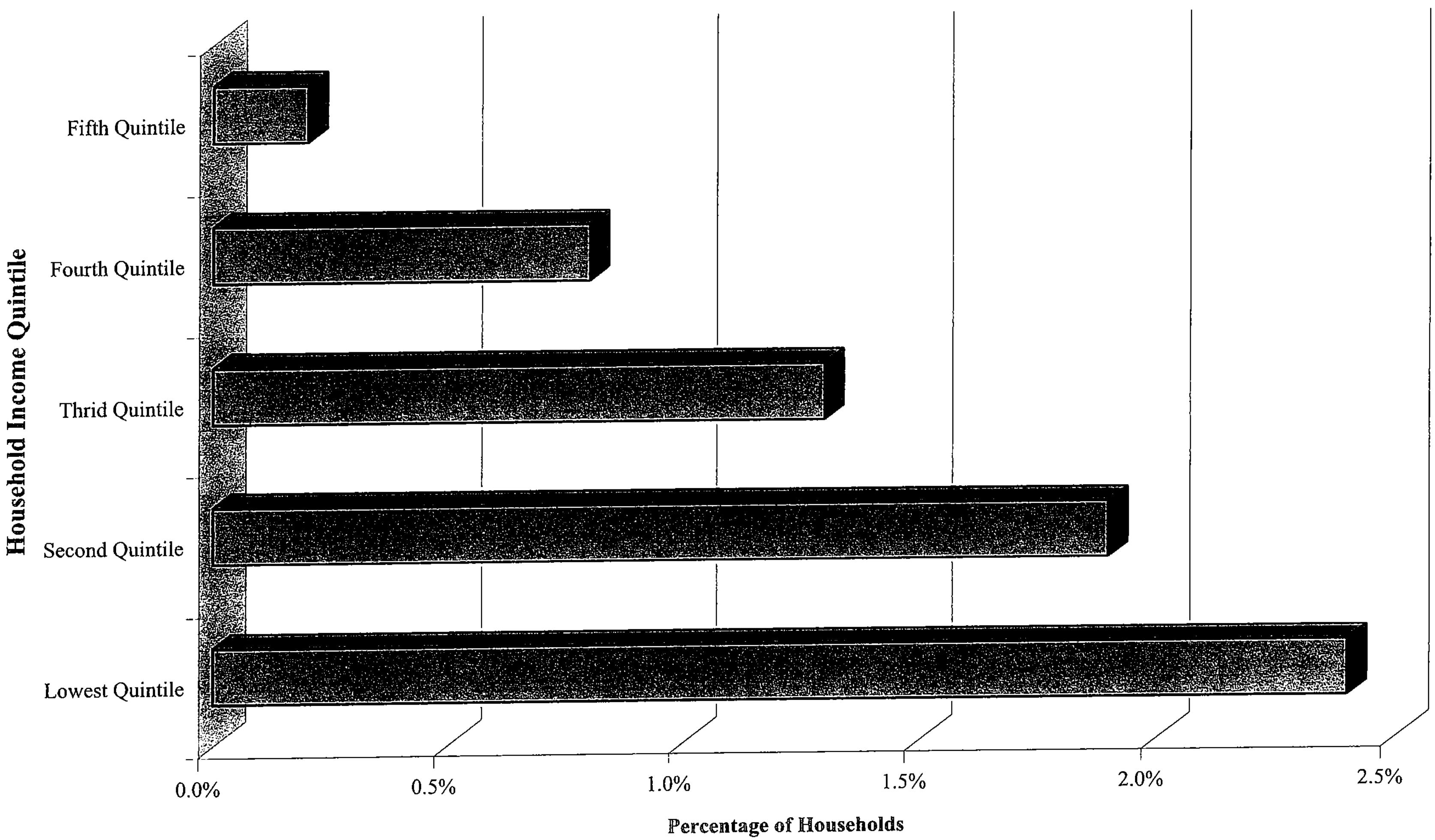
Q. WHAT IS YOUR RECOMMENDATION REGARDING PROPOSED REGULATION 10R.8?

A. I recommend that the Company's proposed Regulation 10R.8 be rejected.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

Percentage of U.S. Households with Electric or Natural Gas Utility Service Disconnection in 1998



Source: U.S. Census Bureau, Survey of Income and Program Participation, 1996 Panel, Wave 8, Table 18 B.
Release Date: May 2003

National Consumer Law Center
Spetember 2007

Exhibit No. 501

2005 NATIONAL ENERGY ASSISTANCE SURVEY REPORT
KEY FINDINGS

The Low Income Home Energy Assistance Program (LIHEAP) provided $2.183 billion in heating and cooling assistance in FY 2005 to more than 4.9 million low-income households. The National Energy Assistance Directors' Association (NEADA), representing the state LIHEAP directors, received funding from the FY 2005 Labor, Health and Human Services and Education Appropriations Act to conduct a national survey of 1,100 LIHEAP recipients to collect information on the choices made by households in FY 2005 when faced with high energy bills. The survey was designed to update the information provided by same recipients as part of a similar survey conducted by NEADA in 2003.

Among the key findings of the study:

Who Receives LIHEAP?
- 94 percent have at least one member who is elderly, disabled, a child under 18, or has a single adult living with one or more children.
- 82 percent reported an annual income at or below $20,000, and 61 percent have annual income at or below the federal poverty level.
- The average household spent an average of 14 percent of their annual income on residential energy.

Medical and Health Problems
- 47 percent have a household member asthma, emphysema, heart disease, or stroke
- 19 percent have a household member that uses medical equipment requiring electricity, most commonly nebulizers and oxygen machines and 47 percent of those households reported that they went without medical care due to unaffordable energy bills in the past five years
- 32 percent reported that they did not fill their prescription or took less than their full dose of a prescribed medicine due to energy bills in the past five years. This included 41 percent of households with asthma, emphysema, heart disease, or stroke
- 16 percent reported that as a result of a home that was too cold, they became ill in the past five years This included 21 percent of households with a serious medical condition and 26 percent of households with medical equipment requiring electricity.

Signs of Unaffordable Energy Bills:
- 73 percent reported that they reduced expenses for household necessities because they did not have enough money to pay their energy bills
- 19 percent that they kept their home at a temperature they felt was unsafe or unhealthy
- 18 percent left their home for at least part of the day because it was too cold or too hot
- 24 percent used their stove or oven to provide heat
- 20 percent reported that they went without food for at least one day in the past five years.

Inability to Pay Energy Bills: Many households were not able to pay their energy bills and some suffered the consequences of service terminations in the past year.

- 44 percent said that they skipped paying or paid less than their entire home energy bill in the past year. Households with children (67 percent) and those with income below 50 percent of the federal poverty level (62 percent) were more likely to do so.

- 30 percent reported that they received a notice or threat to disconnect their electricity or home heating fuel. Again, households with children (51 percent) and those with income below 50 percent of the federal poverty level (51 percent) were more likely to experience this problem.

Exhibit No. 502

- 8 percent reported that their electricity or gas service was shut off in the past year due to nonpayment of utility bills. In addition, 16 percent of households with children and 22 percent of with income below 50 percent of the poverty level reported a service termination in the past year.

- 18 percent said that they were unable to use their main source of heat in the past year because their heating system was broken and they were unable to pay for its repair, because they ran out of their bulk fuel and could not afford to pay for more, or because their utility used for heat was disconnected, Households with children (27 percent) and households with income below 50 percent of the poverty level (36 percent) were more likely to face this problem.

- 13 percent reported that broken air conditioners or termination of electric service prevented them from using their air conditioner. Households with a disabled member (19 percent), households with children (19 percent) were somewhat more likely to report this problem.

Change In Financial Situation and Affordability of Home Energy Bills:

- 28 percent spent more than $2,000 on energy bills in the past year, compared to 23 percent in 2003.
- 54 percent reported that their energy bills were higher than they were the previous year,
- 39 percent said that it was more difficult to pay their energy bills than they were in the previous year.

Constructive Actions Taken To Meet Energy Expenses: All respondents reported that they took constructive actions to reduce their home energy bills, including putting plastic on windows, turning down the heat at night, keeping shades and curtains closed in the daytime, using fans, washing clothes in cold water, and using compact fluorescent light bulbs.

Effects of Unaffordable Energy Bills of Housing: 24 percent reported that they made a partial payment or missed a whole rent or mortgage payment in the past five years due to their energy bills, two percent of respondents reported that they were evicted from their home, four percent reported that they moved in with friends or family, and two percent reported that they moved into a shelter or were homeless in the past five years.

Impact and Importance of LIHEAP Benefits for Recipient Households

- 63 percent said that they would have had to keep their home at an unsafe or unhealthy temperature
- 54 percent said that they would have had their electric or gas service disconnected, if LIHEAP benefits had not been available
- 93 percent said that LIHEAP had been very important in helping them to meet their needs.

Changes Since the 2003 Survey: One of the important findings in this report is that many households faced more difficult circumstances in 2005 and placed more importance on the receipt of LIHEAP:

- 23 percent of households reported that their energy bills exceeded $2,000 in 2003 while 28 percent reported that their bills exceeded $2,000 in 2005
- 54 percent said that they would have kept their home at an unsafe temperature in 2003 if LIHEAP had not been available while 63 percent said they would have done so in 2005
- 47 percent said that they would have had their electricity or home heating fuel discontinued in 2003 if LIHEAP had not been available, 54 percent said they would have experienced this problem in 2005.

For further information about this study contact: Mark Wolfe, NEADA, 202-237-5199, mlwolfe@neada.org. A complete copy of the study is on the NEADA website: www.neada.org