

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: July 5, 2016

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE July 6, 2016

DATE: June 28, 2016

TO: Public Utility Commission

FROM: Max St. Brown <sup>MSB</sup>

THROUGH: Jason Eisdorfer and Marc Hellman *E for MH*

SUBJECT: IDAHO POWER COMPANY: (Docket No. ADV 294/Advice No. 16-09)  
Establishes a charge for remote service connection.

**STAFF RECOMMENDATION:**

The Public Utility Commission of Oregon (Commission) should approve, with less than statutory notice (LSN), Idaho Power Company's (IPCo or Company) filing to establish a charge for remote service connection subject to the following condition:

1. A regulatory liability be created for the purpose of tracking the aggregate collection of remote connection fees, in excess of the costs of back office operations necessary to reconnect and reestablish service, for the purpose of returning these fees to customers in their next general rate case.

**ISSUE:**

Whether the Commission should approve IPCo's application to establish a \$20 charge for remote service connections (for all schedules, all days, and all times).

**APPLICABLE LAW:**

OAR 860-021-0330 specifies that an energy utility may charge a reconnection fee.

**DISCUSSION AND ANALYSIS:**

On May 6, 2016 IPCo filed an application for Commission approval of a service connection charge for customers where the Company utilizes a remote connect meter

to connect or reconnect service. IPCo has 811 meters (6.1% of residential customers) with remote connection functionality installed in its Oregon service territory.<sup>1</sup> The Company began installing the meters in May, 2014 focusing on service points that are remote, difficult to access, or had multiple connect/disconnect site visits.<sup>2</sup>

The meters with remote connect functionality are more expensive upfront due to a higher meter cost than traditional meters. Customers who received meters with remote connection functionality did not pay any additional upfront costs associated with the meter. In telephone conversations with the Company, Staff discussed with the company the issues of regulatory treatment of the differential of meter costs as well as cost of reconnects between standard meters and remote connect meters. As a result of these discussions, the Company revised its filing on June 27, 2016.

The Company's first supplemental filing extended the effective date of the tariff, allowing sufficient time for conversations between Staff and the Company. Staff supports the Company's request for LSN to allow the rates to go into effect less than 30 days from the date of the tariff filing.

#### Issues

Staff's analyses included consideration of the following issues to inform the treatment of remote connection charges:

1. Treatment of capital costs for meters with remote connection functionality;
2. Reporting of activity of meters with remote connection functionality;
3. Consideration and non-adoption of time-of-day differentiated reconnection rates;
4. The flowing of benefits to customers.

#### 1. Treatment of capital costs for meters with remote connection functionality

Page 44 of IPCo's 2015 Smart Grid Report identifies the following benefits of meters with remote connect/disconnect functionality:

- Reduce the annual cost of connecting and disconnecting services;
- Improve customer service by consistently completing the connect/disconnect function in a more timely manner;
  
- Remove a potential safety risk for employees traveling to customer locations, accessing service locations, and removing and installing energized meters as is currently done for manual connect/disconnect activities;
- Reduce the environmental impact of driving hundreds of thousands of miles each year to perform this function manually;

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<sup>1</sup> IPCo's response to Staff IR 8.

<sup>2</sup> IPCo's response to Staff IR 1.

- Gain experience with this capability and establish a foundation for evaluating the possibility of offering a prepaid service option for customers at some future date.

Some of these benefits will not accrue to all customers because not all customers have meters with remote connection functionality. Reflecting this, Staff advocated that customers with meters with remote connection functionality should contribute towards their incremental capital costs beyond those of traditional meters. Staff and IPCo agreed that this could be accomplished by collecting additional revenue, above the costs for reconnect, from customers with meters with remote connection functionality each time they reconnect. Thus through its second supplemental filing IPCo increased the remote connection fee from \$13 to \$20. The Company's workpapers submitted in response to Staff IR 4 demonstrate that the costs of back office operations necessary to reconnect and reestablish service are approximately \$13 per connection. Thus of the \$20 remote connection fee, \$7 (\$20 minus \$13) of each remote connection fee is to be used in contribution towards the incremental cost of the meter with remote connection functionality.

2. Reporting of activity of meters with remote connection functionality;

In Order Number 16-045 the Commission accepted Staff's recommendations regarding future IPCo Smart Grid reports, including asserting on pages 8-9 that, "certain AMI functions, including ... remote connect/disconnect, can be quantified and subsequently reported in a manner that lends itself to benefit calculations." In association with this Advice No. 16-09 filing, IPCo has agreed to track the number of remote connections and report them in their annual Smart Grid Report. This data might allow a comparison of the costs of remote connections on the meters with remote connection functionality versus what those costs would have been on meters without remote connection functionality. This might help inform Staff's analysis of prudence of IPCo's investment in meters with remote connection functionality in their next general rate case.

3. Consideration and non-adoption of time-of-day differentiated reconnection rates;

Through discussions with the Company via telephone, Staff agreed that time-of-day differentiated remote connection rates are not necessary because the wages paid to those who will perform the remote connections do not vary by time of day. IPCo has not proposed to change their current practice of collecting higher fees for service connections during weekends and evenings for meters without remote connection functionality. This is due to the higher wages of crews paid outside of normal work hours. The \$20 charge for remote connections will match the charge for service connections during normal business hours for meters without remote connection functionality.

4. The flowing of benefits to customers.

For accounting treatment, in telephone conversations with Staff, IPCo agreed to keep track of all of the aggregate remote connection fees, and specifically identify the \$7 amount from each of the \$20 reconnect fee charges for remote meters. IPCo will track this value as a regulatory liability to be returned to customers in their next general rate case, inclusive of interest accrued on these monies using the company's authorized rate of return. Staff's current recommendation is that, at the time that rates go into effect as the result of IPCo's next general rate case, this regulatory liability would be used to reduce the value of rate base, serving to offset additional capital costs of meters with remote connection functionality. While IPCo agrees to return the money to customers, IPCo offers a different recommendation which is to use the monies as a one-time credit to the Miscellaneous Operating Revenues account such that the Company's revenue requirement is reduced. Staff is not recommending the Commission consider or resolve this issue now. Staff is noting these alternatives merely for historical purposes for and how these monies are returned to customers will be a general rate case issue and parties are not bound to any specific alternative other than the monies, with interest, will be returned to customers.

**CONCLUSION:**

Staff supports IPCo's use of meters with remote connection ability and the rates proposed by IPCo. Staff and the Company have agreed to a treatment of a portion of the reconnect meter charges to be returned to customers with interest when rates go into effect in connection with IPCo's next general rate case. The Company has reviewed this memo and did not have any objections.

**PROPOSED COMMISSION MOTION:**

Approve, with LSN, IPCo's filing to establish a charge for remote service connection subject to the condition stated in the Staff Recommendation above.