

# **Pull the Plug On Idaho Power's Rate Increase**

Idaho Families  
Need Rate Relief,  
Not Rate Hikes



By Carrie Tracy

Northwest Federation of Community Organizations (NWFCO)  
Idaho Community Action Network (ICAN)

March 2004

# **Acknowledgements**

*Stories collected by Chioke Borgelt-Mose of the  
Northwest Federation of Community Organizations and  
Sam Blair of the Idaho Community Action Network.*

# Table of contents

**Executive summary** .....page 2

**Idaho Power's rate increase request is outrageously inflated** .....page 3

**Idaho families are already having trouble making ends meet** .....page 3

**Block rate design proposals must take into account low-income household energy usage** .....page 6

**Idaho Power's proposal to raise the customer charge from \$2.51 to \$10 hurts low-income consumers most** .....page 8

**Conclusion** .....page 9

**Endnotes** .....page 9

# Executive summary

In October 2003, Idaho Power filed a rate increase application with the Idaho Public Utilities Commission (PUC). Idaho Power's request, as the PUC staff determined, is a gross overestimate of its actual needs — over \$70 million more than Idaho Power could justify! Idaho families are struggling to make ends meet and pay power bills today. Idaho Power's rate proposal would leave even more low-income families out in the cold.

---

*Idaho families are struggling to make ends meet and pay power bills today. Idaho Power's rate proposal would leave even more low-income families out in the cold.*

---

The PUC should deny Idaho Power's rate increase request. If the PUC does increase Idaho Power's rates at all, it should ensure that low-income families are protected from Idaho Power's depredations with strengthened oversight and increased energy assistance.



**Anna Walling  
Council, ID**

**M**y name is Anna Walling, and I live in Council, Idaho with my husband and two daughters. It's been a real struggle for us to keep up on our power bills here, especially in wintertime. Usually when we've fallen behind, we've been able to get it paid before the shut-off date comes around. But last winter I had some major medical bills we were trying to catch up with, and because we were paying on those we just couldn't

scrape together the money for the power bill. Well, we got a special Christmas present from Idaho Power — they came and shut us off right there in December.

It was December of 2002, and it had to be over the Christmas break because my kids were home from school. The girls were the only ones home — April was 16 and Ellie was 10 at the time — and still they shut the power off. We didn't receive a letter or a phone call, not even a disconnect notice tacked to the door. We had an answering machine at the time, but there was no message — the company never called, they just came out and shut us right off. It was the end of the week, too. I'm pretty sure it was a Friday.

I had to go borrow money, run into town, and pay the bill at a pay station there. It's a good thing I got home in time to take care of it and get the power back on that night, because it was cold. But we still had to go the whole day without electricity; it's a good thing we have a gas range so I was able to cook supper for my family — I just had to light the burners with a match.

We didn't know about the winter moratorium at the time. Even with protections like that, though, the rate hike is just going to drag families like ours deeper in debt. I don't think that it's right for Idaho Power to demand that we pay tens of millions more when they're doing fine and we're the ones — my family and families like mine — who are struggling to break even. They want us to pay for all this stuff — incentives, investments, frills — that should be paid by their wealthy shareholders, not working families.

# Idaho Power's rate increase request is outrageously inflated

Idaho Power asked the PUC to raise its annual revenue by \$85,561,910, an average increase of 17.7 percent, including a 19 percent increase in residential rates. The PUC staff carefully reviewed Idaho Power's proposal, and recommended a revenue increase of only \$14,896,384, a 3.08 percent increase over current levels.<sup>1</sup> In reaching that recommendation, the PUC staff identified over \$70 million in items that Idaho Power had inappropriately asked the ratepayers to pay for.

Those items included: almost \$10 million for pension expenses, although Idaho Power hasn't had to contribute to the pension fund since 1995 and has charged the ratepayers \$19 million more for pension expenses than it has put into the fund;<sup>2</sup> over \$5,000,000 for an executive incentive plan that rewarded employees, on top of their salaries and pensions, based on stock performance;<sup>3</sup> and over \$300,000 for association dues, memberships, political contributions, and executive membership in an exclusive club which provided no benefit to the ratepayers.<sup>4</sup> In estimating what it would be spending in the latter half of 2003, as a basis for the rate proposal, Idaho Power consistently overestimated what it would spend.

The PUC is charged with protecting the ratepayers from this kind of abuse, and the Commissioners and their staff take that responsibility seriously. The PUC has disallowed these kinds of attempts to make the ratepayers pay for things like lobbying in the past,<sup>5</sup> and Idaho Power knew or certainly should have known that these expenses would not be allowed. Idaho Power's application is insulting to the PUC and to the ratepayers, and Idaho Power should not be rewarded with a rate increase for this attempt at exploitation. Idaho Power has demonstrated that it is not to be trusted with the ratepayer's future.

---

*Uninsured families have to choose between paying medical bills, purchasing prescription drugs, and paying the electric bill. Some families report that they have to choose between food and electricity. These are choices no family should have to make.*

---

## Idaho families are already having trouble making ends meet

In 2002, 147,000 Idaho residents, or 11.3 percent of the state's population, lived below the federal poverty level.<sup>6</sup> The poverty line is only \$18,850 for a family of four;<sup>7</sup> those living just above the official poverty line face a struggle to survive as well. Median household income in Idaho fell \$780, or 2 percent, between 2000 and 2002. While Idaho's median household income in 2001/2002 was \$38,282, the median household income nationally was \$42,654.<sup>8</sup> Personal bankruptcy filings in Idaho grew 26.3 percent between 2000 and 2002.<sup>9</sup>



**Sharon McWilliams**  
**Boise, ID**

**M**y sister Karen and I live together on her disability payment of \$585 a month. Our apartment has electric heat, and because we get our water from a well, a power outage means we get no water, even for the toilet. Additionally, we are both disabled and dependent on machines to live. Karen needs to use a bi-pap machine when she sleeps or she stops breathing, and I need to use an oxygen concentra-

tor when I sleep. If our power goes out it means we have no heat, no water, and no way to run the machines that keep us alive.

Paying our utility bill is always a struggle. It's usually about \$80, but sometimes as much as \$100. We have to choose which bills we will pay each month, and whether to pay for my medicine or the utility bill. My prescriptions can cost \$168 a month. When we first moved to Idaho 11 years ago, we didn't get LIHEAP assistance because the money ran out before we applied. Last year we got enough to cover two of our utility bills last summer. We've learned that this year we'll be getting \$136 in assistance, less than last year.

During the winter, we may qualify for the winter moratorium. But for us, having electricity is a matter of life or death all year long. We may qualify for the medical certificate shutoff postponement, but that is limited as well. If Idaho Power raises the rates, I honestly don't know how we can keep paying enough to keep them from cutting off our power, and still pay for things we need like medications and food. There has to be a solution for people like my sister and me, to keep us from losing the power that keeps us alive.

Many families have to juggle the monthly bills, choosing which of them to pay. Uninsurance rates are climbing, growing from 196,000 in 2000 to 233,000 in 2002 (a shocking 17.9 percent of the

---

*We know that these increasing power rates are having a big impact on Idaho Power's low-income customers, because many low-income residential customers had trouble paying the bills last winter and had to ask for help. There are two primary resources for low-income families in Idaho when they can't pay the full heating bill in the winter: the winter moratorium and LIHEAP.*

---

state's residents).<sup>10</sup> Uninsured families have to choose between paying medical bills, purchasing prescription drugs, and paying the electric bill. Some families report that they have to choose between food and electricity. These are choices no family should have to make.

Exacerbating the problem is the continuing rise in energy prices. The average monthly electric bill in Idaho increased 16 percent between 2000 and 2002.<sup>11</sup> Low-income heating assistance, primarily provided by the Low-income Home Energy Assistance Program (LIHEAP), is woefully under-funded. In 2002, there were 60,000 income-eligible families living in Idaho.<sup>12</sup> But the LIHEAP funding Idaho receives serves about 30,000 households each year.<sup>13</sup> This means the program can serve only about half of income-eligible households.

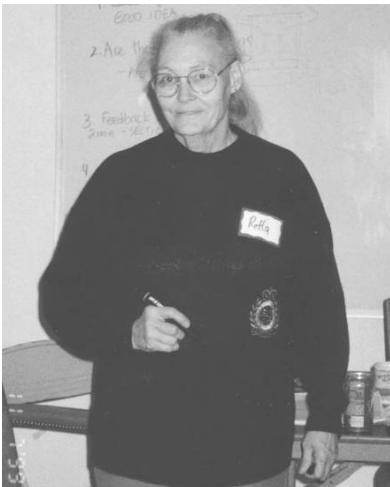
We know that these increasing power rates are having a big impact on Idaho Power's low-income customers,

because many low-income residential customers had trouble paying the bills last winter and had to ask for help. There are two primary resources for low-income families in Idaho when they can't pay the full heating bill in the winter: the winter moratorium and LIHEAP.

The winter moratorium protects low-income families by preventing any utility regulated by the PUC from turning off a household's power for non-payment during the months of December through February, if the household is unable to pay the full bill, and has children, elderly, or infirm people in it. Last year, 6,971 of Idaho Power's residential customers declared eligibility for the winter moratorium.<sup>14</sup>

The LIHEAP program pays part of the heating bill for households that qualify. In Idaho, families with income at or below 150 percent of the Federal Poverty Guidelines (FPL) qualify for LIHEAP. A family of four with annual income of \$27,600 would qualify.<sup>15</sup> Last winter, 9,529 Idaho Power customers received assistance through LIHEAP.<sup>16</sup>

Neither of these programs were enough to keep the power on for all low-income families last year. In March, April, and May, after the moratorium ended, Idaho Power disconnected the power of 1,563 moratorium eligible customers for nonpayment of outstanding bills.<sup>17</sup>



### **Retta Green Wilder, ID**

**M**y name is Retta Green, and I've lived in Canyon County for the last 30 years. I'm retired now with disability, but I put in plenty years of hard work in my day. I worked as a certified nurse's aide for almost eight years, and I was a truck driver for 22 years, running long hauls all across the 48 states. I hauled just about everything you can think of — TVs, frozen foods, fresh produce, furniture, even ammunition. Now I get \$596 a month in social security disability, and that's what I have to live on. I've been struggling going on five years now trying to pay my power bills, and it just keeps getting worse.

Last June, while I was home recuperating from a long-overdue knee surgery, Idaho Power sent somebody out to shut my power off. I'd been paying what I could — \$75 a month — but they said that wasn't enough. I told them I had to have power for the CPM machine to keep my knee in constant motion. They made me go and get verification from my doctor that I needed the device for my recovery. Then, 30 days later, the company turned around and sent somebody out again to make me get another certificate. They charged me \$15 extra just to come out and tell me I needed another certificate. If they had shut my power off, there would have been a \$25 service charge to get it back on. That's not right. I was paying \$75 a month, which was all I could afford. Those extra fees are just charging people for being poor.

Last month, my bill came out to \$138. I'm only going to be able to pay \$75 again. My bill never gets paid up in full because of the high cost of power. If Idaho Power's rates go up any more, I'm going to have to shut the power off completely because I simply can't afford it. What are people like me on a limited fixed income supposed to do?

# Block rate design proposals must take into account low-income household energy usage

---

*Not all low-income families can control their energy usage. Low-income families are more likely to rent than to own a home, and have less control over things like insulation and appliance purchasing. Older homes, with less insulation and older appliances, are more likely to be affordable to families with lower incomes.*

---

Several witnesses proposed adopting various block rate designs for the Idaho Power residential rates. AARP witness Thomas Power proposed charging a lower rate for the first 600 kwh purchased by a household during a billing period, and a higher rate for all electricity above the first block of 600 kwh.<sup>18</sup> Commission staff witness David Schunke proposed charging a base rate for the first 800 kwh purchased during summer peak periods, and for all electricity purchased in the off-peak periods. Peak purchases above the initial 800 kwh would be at a rate 20 percent higher than the base rate.<sup>19</sup>

Block rate designs more accurately reflect the cost to the company of purchasing more electricity, particularly at peak periods, and reward conservation efforts by households. These rates, if properly designed, can allow low-income households some measure of control over their



**Peggy Peterson**  
**Boise, ID**

**L**ast November Idaho Power cut me off. I have emphysema and in order to breathe I need an oxygen compressor that runs on electricity. I live on \$587 a month, and my monthly electric bill is about \$190. It's really hard to pay that much and all my other bills, but I do my best.

Idaho Power refused to let me set up a payment plan. I didn't know that I could qualify for the winter moratorium. I did have my doctor fax a letter to Idaho Power a few months before they cut me off, explaining my condition and why I needed to have the power on for my health, but it didn't stop them.

I got a written notice about a week before they shut off the power, and called to ask for a little more time to get the money together. They promised they would wait, but they didn't. They shut off my power while I was out of the house, between 1:00 and 4:30 on a Friday afternoon. They didn't call me that day to warn me, or leave a message on my answering machine if they called when I was out. They just left a message on my door after they disconnected the power.

Stress just makes it harder for me to breathe and sleep, and I was really worried that my oxygen would run out before they turned the power back on. Luckily the company that provides my oxygen was helpful and brought me different equipment to use until the power was turned back on.

I had to pay a \$15 reconnection fee, and a \$70 deposit, plus the bill I owed, before they would turn the power back on. I went to the Salvation Army and six other places to come up with enough money to get the power reconnected. I had to sell my grandmother's jewelry and swallow my pride to ask for money. I'd like to see the power company try to live on \$587 a month and pay all the bills. A rate hike will only make it harder for people like me.



energy bills and a way to bring bills down. But not all low-income families can control their energy usage. Low-income families are more likely to rent than to own a home, and have less control over things like insulation and appliance purchasing. Older homes, with less insulation and older appliances, are more likely to be affordable to families with lower incomes.

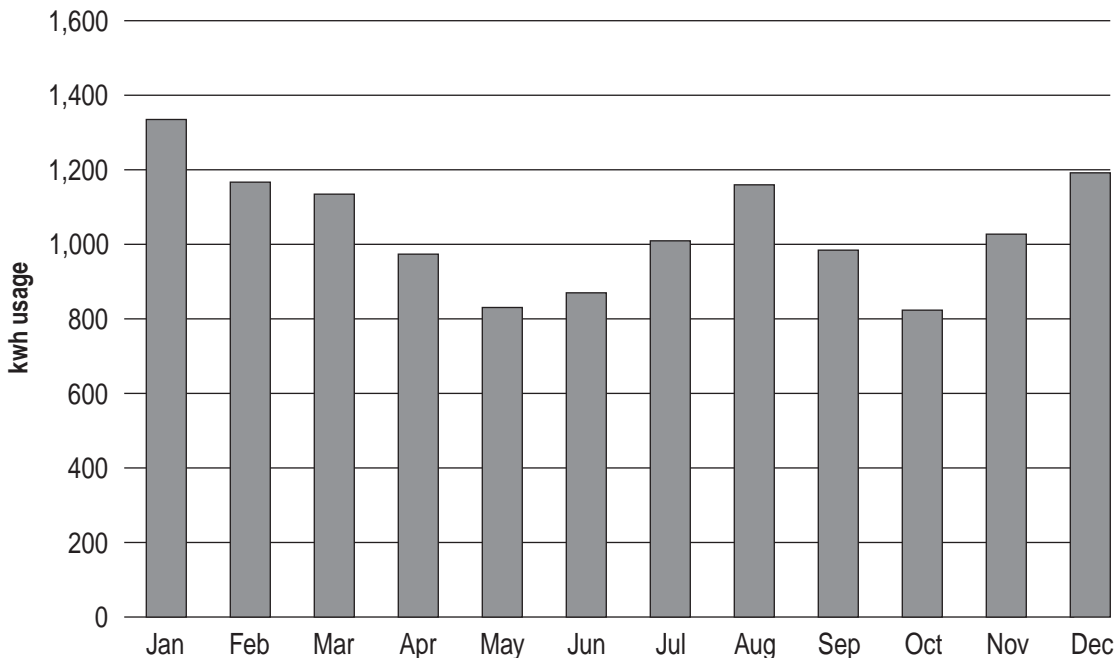
---

*A higher income family could adjust to higher rates for higher usage by paying for the "extra" usage with disposable income, or by paying to weatherize their home or replace wasteful appliances. A low-income family, unless lucky enough to qualify for the extremely limited low-income weatherization services available, would not have either of these options.*

---

Designing a fair block rate would have to account for normal household usage, and not punish families that cannot bring their energy usage to impossibly low levels. The proposals made so far set the first block, at the cheaper rate, at 600 or 800 kwh per month. But Idaho Power's average household uses almost 1,200 kwh in August, and almost 1300 kwh in January.<sup>20</sup> In an informal survey of ICAN families, we found that many use an average of 1,500 kwh or more monthly, with some reporting using more than 2,000 kwh monthly. A higher income family could adjust to higher rates for higher usage by paying for the "extra" usage with disposable income, or by paying to weatherize their home or replace wasteful appliances. A low-income family, unless lucky enough to qualify for the extremely limited low-income weatherization services available, would not have either of these options.

**IPC residential average use<sup>21</sup>**



Source: Exhibit No. 129, Case No. IPC-E-03-13, D. Schunke, Staff, 2/20/04.

A block rate design could be beneficial for Idaho Power customers and for the environment by encouraging lower usage. If the PUC adopted such a rate design, however, it should take low-income families into account. Such a rate design should have a higher level of usage in its first block. Multiple blocks with gradually increasing rates, with higher rates for extraordinarily high usage, could accommodate low-income families better than a system with only two rates. If adopting such a rate structure, the PUC should also ensure that low-income weatherization assistance and heating assistance get funded at much higher rates than the current programs are, and that they are made more easily accessible to Idaho families.

## **Idaho Power's proposal to raise the customer charge from \$2.51 to \$10 hurts low-income consumers most**

As part of the rate hike, Idaho Power proposed raising the monthly customer charge from \$2.51 to \$10. The PUC staff has recommended that the customer charge be raised to only \$3.<sup>22</sup> This is a much more reasonable proposal. As PUC staff Utilities Compliance Investigator Marilyn Parker noted, the proposed \$10 charge is “well outside the range of fixed customer charges previously approved by the Commission.”<sup>23</sup>

Raising the customer charge to \$10 would unfairly impact low-income families. People with higher incomes may not miss the extra \$7.50 monthly, but a family that's already forgoing basics like food and medicine to pay the bill will miss every penny of it. As ICAN leader Bob Dye noted, \$7.50 means a meal to his family. Raising the customer service charge impacts customers with low electricity usage more than it does customers with high usage. And there is no way for a careful consumer to avoid the added cost. No amount of turning down the heat or turning off lights will bring that consumer charge down. The Commission should deny Idaho Power's request to raise the customer charge.

# Conclusion

The PUC should deny Idaho Power's rate increase request. Idaho Power has demonstrated in its application that it cannot be trusted to consider the ratepayer's best interest, and the need for a rate hike is demonstrably exaggerated. Idaho's low-income families cannot absorb this rate hike, and are struggling with the current rates. They need rate relief, not a rate hike.

# Endnotes

- 1 Supplemental Testimony of Alden Holm, Idaho Public Utilities Commission, March 24, 2004, p. 2.
- 2 Direct Testimony of Donn English Idaho Public Utilities Commission, February 20, 2004, p. 18.
- 3 Direct Testimony of Alden Holm Idaho Public Utilities Commission, February 20, 2004, pp. 13-14.
- 4 Direct Testimony of Donn English Idaho Public Utilities Commission, February 20, 2004, pp. 23-24.
- 5 Direct Testimony of Donn English Idaho Public Utilities Commission, February 20, 2004, p. 24.
- 6 AFL-CIO, "Idaho's Economy for Working Families," available at <http://www.aflcio.org/yourjobeconomy/todayseconomy/upload/id.pdf>.
- 7 *Federal Register* Vol. 69, No. 30, February 13, 2004, pp. 7335-7338.
- 8 AFL-CIO, "Idaho's Economy for Working Families."
- 9 *Ibid.*
- 10 *Ibid.*
- 11 U.S. Energy Information Administration, U.S. Average Monthly Bill By Sector, Census Division and State, 2000, November 2002.
- 12 U.S. Census Bureau and Bureau of Labor Statistics, Current Population Survey, "POV46: Poverty Status by State: 2002 Below 135% and 150% of Poverty-Families," available at [http://ferret.bls.census.gov/macro/032003/pov/new46\\_135150\\_07.htm](http://ferret.bls.census.gov/macro/032003/pov/new46_135150_07.htm).
- 13 Ms. Maggie Manzo, Grants Unit Manager, Bureau of Benefit Program Operations, Idaho Department of Health and Welfare, telephone conversation with author, December 30, 2003.
- 14 2003 Moratorium Information, Idaho Public Utilities Commission.
- 15 Low Income Home Energy Assistance Program Division of Energy Assistance/OCS/ACF, "2003 HHS Poverty Guidelines for Optional Use in Federal Fiscal Year 2003 LIHEAP Programs and Mandatory Use in Federal Fiscal Year 2004 LIHEAP Programs," February 2003, available at <http://www.acf.dhhs.gov/programs/liheap/im03-03.htm>.
- 16 2003 Moratorium Information, Idaho Public Utilities Commission.
- 17 2003 Moratorium Information, Idaho Public Utilities Commission.
- 18 AARP Direct Testimony of Thomas Michael Power, February 20, 2004, p. 30.
- 19 Direct Testimony of Dave Schunke Idaho Public Utilities Commission, February 20, 2004, p. 18.
- 20 Exhibit 129, Case No. IPC-E-03-13, submitted by David Shunke, Public Utilities Commission Staff.
- 21 Exhibit 129, Case No. IPC-E-03-13, submitted by David Shunke, Public Utilities Commission Staff.
- 22 Direct Testimony of Dave Schunke Idaho Public Utilities Commission, February 20, 2004, p. 17.
- 23 Direct Testimony of Marilyn Parker Idaho Public Utilities Commission, February 20, 2004, p. 7.

## About the organizations releasing this report



**Northwest Federation of Community Organizations (NWFCO)** is a regional federation of four statewide, community-based social and economic justice organizations located in the states of Idaho, Montana, Oregon, and Washington: Idaho Community Action Network (ICAN), Montana People's Action (MPA), Oregon Action (OA), and Washington Citizen Action (WCA). Collectively, these organizations engage in community organizing and coalition building in 14 rural and major metropolitan areas, including the Northwest's largest cities (Seattle and Portland) and the largest cities in Montana and Oregon. 1265 South Main Street Suite #305, Seattle, WA 98144, Voice: (206) 568-5400, Fax: (206) 568-5444, Web: <http://www.nwfco.org>.



**Idaho Community Action Network (ICAN)** serves as a powerful, consolidated voice for Idaho's poor, with chapters and membership clusters in 12 Idaho communities, including the state's three largest cities and numerous rural towns. Through ICAN, low-income Idaho families have a voice in the decisions that impact their lives. In addition to its direct action work, ICAN runs a statewide, volunteer-driven food program that helps low-income families supplement their monthly budgets. ICAN's community organizing model integrates the provision of food with training, leadership development and action on issues. 3450 Hill Road, Boise, ID 83703, Voice: (208) 385-9146, Fax: (208) 336-0997, Web: <http://www.icanweb.net>