

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: September 23, 2003**

**REGULAR**  **CONSENT**  **EFFECTIVE DATE** September 24, 2003

**DATE:** September 18, 2003

**TO:** Lee Sparling through Ed Busch and Jack Breen

**FROM:** Lynn Kittilson

**SUBJECT:** PACIFIC POWER & LIGHT: (Advice No. 03-011) Terminates Hassle Free Water Heater Guarantee Program.

**STAFF RECOMMENDATION:**

I recommend the Commission allow the tariff revisions filed in Pacific Power & Light Company's Advice No. 03-011 to go into effect on September 24, 2003.

**DISCUSSION:**

On August 18, 2003, Pacific Power & Light Company (Pacific or company) submitted tariff revisions in Advice No. 03-011 that request termination of the company's Hassle Free Water Heater Program on Schedule 11, Availability of Water Heater Efficiency Services. The revisions are proposed to go into effect on September 24, 2003.

The Hassle Free Guarantee is a water heater insurance program that has provided water heater repair and/or tank replacement services to participating residential customers since 1987. The program offers ongoing water heater coverage with monthly premiums for most participants and an annual prepaid premium for participating landlords. The program is an optional service that is not regulated by the Commission. Schedule 11 states that the services offered, monthly charges, and terms and conditions of service are "established under the authority of the Department of Insurance and Finance of the State of Oregon."

Beginning November 6, 2002, Pacific closed the program to new customers with the intention of gradually phasing out of the program. Pacific is terminating the program now due to the liquidation of the insurance underwriter who provided the program for the company. The insurance underwriter went out of business on July 31, 2003.

Pacific's filing states that the proposed program termination is in accordance with the Hassle Free Guarantee Certificate, which was provided to customers at the time of enrollment. The cancellation provision of the insurance certificate states "[t]he policy holder may cancel the Hassle Free Guarantee Program at any time upon 30 days written notice to the participant." Pacific notified the 20,250 Oregon customers participating in the program about the termination the week of August 11, thereby providing the required notice. The program termination letter provides participants with information about one option for substitute water heater insurance coverage offered through Sears<sup>1</sup> and suggests other options may be available.

Pacific discontinued billing customers the Hassle Free Program premiums effective August 1, 2003, and has returned the remaining balances of annual prepayments to participating landlords. The company is continuing program coverage for participating customers at no charge until September 24, 2003. The company will pay all outstanding program claims made through September 24.

The Commission has received several customer complaints related to Pacific's termination of the Hassle Free program. The customers have complained that the company's program should be continued or they should receive refunds, because they paid into it for many years and they expected to receive free water heater services in the future. Some people believe the company's promotional and information materials on the program were misleading, because they didn't clearly disclose that the program was underwritten by an insurance company and that the policy could be cancelled with 30 days notice. After reviewing Pacific's program information, I agree that not all the program details were disclosed in the marketing and information materials provided to customers prior to enrollment. However, I don't conclude that Pacific was misleading about the nature of the insurance service it was offering. Except for annual prepayments of landlord premiums, customers paid monthly premiums for ongoing coverage similar to other insurance policies paid on a periodic basis, e.g., car insurance. Participants were able to terminate service at any time. The insurance certificate provided after customer enrollment provided the detailed information about the program, including the cancellation policy and the name of the insurance underwriter. Schedule 11 states that "[t]erms and conditions of service are more fully specified in the Hassle Free Guarantee Certificate of Service."

Staff believes Pacific has complied with the requirements for program termination specified in the Hassle Free Guarantee Certificate provided to all program participants

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<sup>1</sup> The Sears water heater insurance program may not be perceived by Pacific's customers as a good replacement for the Water Heater Guarantee program due to more restrictive requirements, e.g., tank must be less than 10 years old, policies written for specified terms, and prepayment of premiums for the period of coverage.

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when they enroll in the program. I recommend the Commission approve the revisions proposed in Pacific's Advice No. 03-011.

**PROPOSED COMMISSION MOTION:**

The tariff revisions filed in Pacific's Advice No. 03-011 be allowed to go into effect with service on September 24, 2003.

Pacific Advice 03-011