

Exhibit No.____(BAC-1T)
Docket UE-14____
Witness: Barbara A. Coughlin

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFIC POWER & LIGHT COMPANY,
a division of PacifiCorp

Respondent.

Docket UE-14____

**PACIFIC POWER & LIGHT COMPANY
DIRECT TESTIMONY OF BARBARA A. COUGHLIN**

May 2014

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ATTACHED EXHIBITS

- Exhibit No. __ (BAC-2)—Estimated Reduction in Collection Agency Expenses
- Exhibit No. __ (BAC-3)—Non-Radio Frequency Meter Accommodation
- Exhibit No. __ (BAC-4)—Connect, Reconnect, Unauthorized Reconnection Work Cost
Analysis
- Exhibit No. __ (BAC-5)—Distribution Plan Facilities Charges

1 **Q. Please state your name, business address, and present position with Pacific**
2 **Power & Light Company (Pacific Power or Company), a division of PacifiCorp.**

3 A. My name is Barbara A. Coughlin. My business address is 825 NE Multnomah, Suite
4 800, Portland, Oregon 97232. My present position is Director, Customer &
5 Regulatory Liaison in the Customer Services Department.

6 **QUALIFICATIONS**

7 **Q. Please describe your education and professional experience.**

8 A. I have worked in the gas and electric utility industry since 1978. I received a Legal
9 Assistant Certificate from Marycrest College in 1991. From 1978 to 1997, I held
10 various positions of increasing responsibility in the legal/regulatory department of
11 Iowa-Illinois Gas and Electric, a predecessor company to MidAmerican Energy
12 Company. In 1997, I was promoted to a customer services supervisor, and in 1999,
13 I was promoted to customer services manager at MidAmerican Energy Company. I
14 worked as manager of regulatory projects at PacifiCorp from 2006 through 2008,
15 when I was promoted to my current position as Director of Customer & Regulatory
16 Liaison.

17 **PURPOSE OF TESTIMONY**

18 **Q. What is the purpose of your testimony?**

19 A. The purpose of my testimony is to propose changes to the Company's General Rules
20 and Regulations of the Company's Washington tariff schedules, specifically Rule 8,
21 *Metering*; Rule 11D, *Field Visit Charge and Charges for Collection Activity*. I also
22 propose changes to Schedule 300, *Charges as Defined by the Rules and Regulations*.
23 My testimony will first address the proposed changes to the General Rules and

1 Regulations, followed by the proposed changes to Schedule 300. The proposed
2 changes to Rule 8, Rule 11D, and Schedule 300 are included in the revised tariffs
3 provided with the direct testimony of Ms. Joelle R. Steward, Exhibit No.____(JRS-12).

4 **CHANGES TO RULE 8—METERING**

5 **Q. Please describe the changes the Company proposes to Rule 8.**

6 A. The Company’s current tariff (Rule 8, Section A) allows the Company to charge a
7 customer for the installation, maintenance, and reading costs of any metering the
8 Company would not normally install. The proposed language will address the
9 options available for a customer who would like to have a non-radio-frequency meter
10 rather than the standard customer meter.

11 **Q. Why is the Company proposing this change?**

12 A. The Company currently installs Automated Meter Reading (AMR) radio frequency
13 meters as the standard customer meter. These AMR meters have radio modules that
14 transmit periodic one-way radio frequency signals to communicate the meter reading.
15 A limited number of customers have objected to the use of a meter with
16 communications capabilities, expressing their belief that the radio frequency of the
17 meter may be harmful to their health. While the Company disagrees that the radio
18 frequency of the metering device causes harmful health effects, and research results
19 provided by the Federal Communications Commission do not support their
20 assertions¹, the Company respects the beliefs of its concerned customers.

¹ Federal Communication Commission Office of Engineering & Technology, Questions and Answers about Biological Effects and Potential Hazards of Radiofrequency Electromagnetic Fields, OET Bulletin 56, Fourth Edition, August 1999.

1 **Q. What does the Company propose to do to address these customer concerns?**

2 A. The Company proposes to include specific language in Rule 8, *Metering*, as a new
3 Section D, *Non-Radio-Frequency Meter Accommodation*, to address customer
4 concerns. Customers will be able to choose one of the following accommodations:

- 5 • Meter relocation (in accordance with Rule 14);
- 6 • Changing the meter to a non-radio-frequency meter requiring manual
7 meter reading; or
- 8 • A combination of meter relocation and changing the meter to a non-
9 radio-frequency meter requiring manual meter reading.

10 **Q. If the customer chooses to relocate the meter base, will the customer be
11 responsible for the costs associated with the relocation?**

12 A. Yes. The Company's current tariffs allow for a customer to relocate facilities under
13 Rule 14, *Line Extensions*; this Rule would be used to determine the cost of meter
14 relocation. The Company is not proposing to change this rule, but rather is citing
15 meter relocation as an option in new Section D, *Non-Radio-Frequency Meter
16 Accommodation*.

17 **Q. The Company's proposal also includes the option for the customer to have a
18 non-radio-frequency meter installed. What costs will the customer be
19 responsible for if they selected this option?**

20 A. Customers requesting to have a non-radio-frequency meter (a manually read meter)
21 installed will be assessed an upfront, one-time charge for the setting and removal of
22 the non-radio-frequency meter. Additionally, a monthly charge will be assessed for a
23 metering representative to manually read and input the meter reading into the billing

1 system each month. The Company proposes that these charges be specified in
2 Schedule 300 and provides specific information regarding the proposed charges later
3 in this testimony.

4 **CHANGES TO RULE 11D**

5 **Field Visit Charge**

6 **Q. Please describe the Company's proposed changes to Rule 11D, *Field Visit***
7 ***Charge*.**

8 A. The Company seeks to modify Section B of Rule 11D, *Field Visit Charge*, to add
9 clarifying language. The additional language is underlined below:

10 The Company may assess the Customer the Field Visit Charge
11 shown on Schedule 300 when payment is collected at the service
12 address or when the employee, without receiving payment, does
13 not disconnect due to an action by the Customer or at the
14 Customer's request. The employee accepting payment for a
15 delinquent account at the service address will not dispense change
16 for payment tendered in excess of the amount due or owing. Any
17 excess payment shall be credited to the Customer's account.

18 **Q. Please provide examples of the types of customer actions that prevent a**
19 **Company employee from performing the intended disconnection or reconnection**
20 **of service?**

21 A. Actions that might prevent a Company employee from either disconnecting or
22 reconnecting service include, but are not limited to, the customer not providing safe,
23 or unobstructed access to the meter, the customer becoming hostile or threatening
24 towards the employee, the customer's electrical facilities being in an unsafe
25 condition, or the customer providing the field metering specialist a receipt for
26 payment.

1 **Q. Is the Company proposing to modify how the Company assesses the field visit**
2 **charge?**

3 A. No.

4 **Q. Why is the Company making this proposal?**

5 A. The Company proposes this change to clarify the circumstances under which it
6 charges a Field Visit Charge.

7 **Charges for Collection Activity**

8 **Q. Please describe this proposed change to Rule 11D.**

9 A. The Company is proposing to add language to Rule 11D to specify that customers are
10 responsible for paying the collection agency costs associated with the collection of
11 unpaid debt, following the due date of the customer's closing bill.

12 **Q. How are collection agencies being paid today?**

13 A. In Washington the collection agencies currently bill the Company directly for their
14 charges. The Company competitively bids collection agency services and contracts
15 with collection agencies at a contracted rate.

16 **Q. Does the Company recover collection agency charges through rates?**

17 A. Yes.

18 **Q. If the Company currently recovers these costs through rates, why is the**
19 **Company requesting this change?**

20 A. Having the collection agency charge the customer directly for the collection of debt
21 moves the responsibility for payment of collection agency charges to the individual
22 account holders and away from PacifiCorp ratepayers as a whole. This shift is
23 consistent with the principle of cost causation. The Company is continuously looking

1 for ways to hold down costs for customers. This collection agency expense is caused
2 by a very small population of our Washington residential customers, 5.9 percent, but
3 is currently paid for by all customers. Removing this expense from base rates will
4 ultimately benefit all customers.

5 **Q. Please explain the Company's current process for collecting a final balance.**

6 A. When a customer's account has closed, a bill identified as a "Closing Bill" is sent
7 with the final balance and a due date of at least 15 days after the date the Closing Bill
8 is issued. If the Closing Bill remains unpaid by the due date, the Company attempts
9 to contact the account holder by telephone. Approximately 15 days later, if payment
10 or an agreement for payment has not occurred, the account is assigned to a collection
11 agency.

12 When the collection agency receives the account, the collection agency sends
13 an initial letter to the account holder to notify them that the account has been assigned
14 to a collection agency. The account holder is given 15 days from the mailing of the
15 letter to pay or dispute payment of the debt. If the account is paid within that 15-day
16 period, no collection charges are assessed. If the account is not paid within that 15-
17 day period, the collection agency actively pursues collection of the debt. If the
18 collection agency is successful in making recoveries, the collection agency sends the
19 full payment to the Company and bills the Company a collection charge based on the
20 dollars recovered.

21 **Q. Under the Company's proposal, when will the account holder be assessed**
22 **collection charges by the collection agency?**

23 A. The collection agency will assess charges if full payment of the debt is not received

1 within the 15-day period provided in the initial letter sent by the collection agency. If
2 payment is received within the 15-day period, collections charges are not assessed.

3 **Q. Will all active customer accounts be assessed this collection agency charge?**

4 A. No. Only closed customer accounts with unpaid debts that are assigned to a
5 collection agency will be assessed the collections charge by the collection agency.

6 **Q. How will the Company notify customers of their responsibility to pay the
7 collection charges associated with the collection of an unpaid debt?**

8 A. The Company will advise the customer of their responsibility to pay the reasonable
9 costs associated with the collection of an unpaid debt, including court costs, attorney
10 fees, and a collection agency charge by amending the Company's annual rights and
11 responsibilities mailing, which is provided when the customer first establishes service
12 with the Company and annually thereafter. The Company will also include a bill
13 message on all closing bills. Additionally, the inclusion of the proposed language in
14 Rule 11D puts current and future customers on notice that they will be responsible to
15 pay the costs associated with collecting unpaid balances.

16 **Q. Will the Company deny service to an applicant who has outstanding collection
17 agency charges?**

18 A. No. Collection agency charges are billed and collected by the collection agency. The
19 Company will not require an applicant to pay any collection agency charges assessed
20 by the collection agency as a condition to provide service.

21 **Q. What will happen if a payment is made towards an unpaid, assigned account?**

22 A. The collection agency will use a net remittance methodology when submitting
23 payments to the Company. Under this methodology, the collection agency withholds

1 a percentage of the payment received, based on the contracted rate, to cover its
 2 collection costs and then submits the remainder of the payment to the Company.

3 **Q. Please provide an example.**

4 A. The following example illustrates the net remittance methodology when full payment
 5 is received by the collection agency, using an assigned debt of \$100 and an assumed
 6 collection agency charge of 20 percent of the assigned debt:

	<u>Agency Balance</u>	<u>Company Receivable</u>	<u>Agency Charge</u>
Debt turned over to the agency	\$100	\$100	
Collection agency charge	<u>\$20</u>	<u> </u>	<u>\$20</u>
Total	\$120	\$100	\$20
Customer makes full payment	<u>(\$120)</u>	<u>(\$100)</u>	<u>(\$20)</u>
Outstanding balance	\$0	\$0	\$0

7 Using the same assigned debt and collection agency charge as above, the
 8 following example illustrates the net remittance methodology when partial payment is
 9 received by the collection agency:

	<u>Agency Balance</u>	<u>Company Receivable</u>	<u>Agency Charge</u>
Debt turned over to the agency	\$100	\$100	
Collection agency charge	<u>\$20</u>	<u> </u>	<u>\$20</u>
Total	\$120	\$100	\$20
Customer makes partial payment	<u>(\$50)</u>	<u>(\$41.67)</u>	<u>(\$8.33)</u>
Outstanding balance	\$70.00	\$58.33	\$11.67

10 **Q. How does this differ from current practice?**

11 A. Under current practice, if the collection agency recovers a partial or full payment, the
 12 collection agency remits to the Company the dollars recovered, then the collection
 13 agency bills the Company their charges based on the contracted rate.

1 **Q. Does the Company's proposal disproportionately affect low income customers?**

2 A. No. The Company is concerned about mitigating impacts on low income customers
3 and examined how this change in practice might affect those customers. To
4 categorize an account as low income, the Company looked at all the accounts
5 assigned to the collection agency in 2013 and identified those accounts that received
6 energy assistance within one year from the time the closed account was assigned to a
7 collection agency. In 2013, the Company assigned 5.9 percent (6,208) of its 104,928
8 Washington residential accounts to a collection agency. Of the accounts assigned in
9 2013, low income customers accounted for 12.5 percent of the total assigned
10 residential accounts and represented 13.3 percent of the identified low income
11 customer population of 5,843. Collection agencies recovered \$370,833 on assigned
12 accounts in 2013, with 8.31 percent (\$30,830) of the amounts recovered coming from
13 assigned accounts identified as low income.

14 This data indicates the majority of collection agency assignments are not
15 identified as low income and that the collection agency recovers a very small
16 percentage from low income accounts. All customers, including low income
17 customers, are currently subsidizing the costs associated with the collection agency
18 collecting on unpaid debt. Therefore, subsidization of the collection agency costs
19 currently affects 100 percent of low income customers.

20 **Q. How much did the Company pay in collection agency charges in 2013?**

21 A. In 2013, the Company paid \$80,884 for costs associated with the collection of unpaid
22 debt on closed accounts in Washington.

1 **Q. What is the projected savings to Washington customers as a result of this**
2 **change?**

3 A. The Company projects overall savings to Washington customers over the first four
4 years after implementation to be approximately \$253,976.

5 **Q. How long will it take to remove the subsidized collection agency costs from**
6 **rates?**

7 A. All debts assigned to a collection agency before the implementation of this change
8 will still be paid by the Company and therefore included in rates. The Company
9 estimates approximately 93 percent of the collection agency expenses will be
10 gradually reduced over the four-year period following approval of the effective date
11 of the tariff. The projections are:

YEAR	REDUCTION
2015	\$42,060
2016	\$65,516
2017	\$71,178
2018	\$75,222
Total	\$253,976

12 Detailed information in support of the estimated reductions in collection agency
13 expense is provided in Exhibit No.____ (BAC-2).

14 **Q. Do collection agencies assess charges directly to the customer responsible for the**
15 **unpaid debt in any of the Company's other jurisdictions?**

16 A. Yes. In both Wyoming (beginning in 2008) and Utah (beginning in 2013), collection
17 agencies collect unpaid debt directly from customers and directly assess collection
18 charges to those customers.

1 **Q. Has the Company experienced notable changes in the amounts of debt recovered**
2 **by its collections agencies in Wyoming and Utah?**

3 A. No.

4 **Q. Have there been any issues or complaints as a result of this practice in Wyoming**
5 **and Utah?**

6 A. The Company is not aware of any issues or complaints as a result of this practice in
7 either Wyoming or Utah.

8 **CHANGES TO SCHEDULE 300—**
9 **CHARGES AS DEFINED BY THE RULES AND REGULATIONS**

10 **Q. Please summarize the changes the Company proposes to Schedule 300.**

11 A. The Company proposes a housekeeping change to update the title of “Returned Check
12 Charge” to “Returned Payment Charge.” The Company also proposes that a new
13 charge, Non-Radio-Frequency Meter Accommodation, be added to Schedule 300.
14 As previously discussed, this new charge coincides with the non-radio-frequency
15 meter accommodation language proposed for Rule 8.

16 In addition, the Company proposes to modify the amounts for the following
17 charges to more closely align with the Company’s costs to perform the work:

- 18
 - 19 • Connection Charge
 - 20 • Reconnection Charge
 - 21 • Unauthorized Reconnection/Tampering Charge
 - Facilities Charge

22 **Returned Check Charge**

23 **Q. What is the Company’s proposed change to the Returned Check Charge?**

24 A. The Company proposes to amend the title of the charge from Returned Check Charge

1 to Returned Payment Charge. This change is consistent with the description found in
2 Rule 10, *Billing*, which was updated as part of Advice Filing No. 06-01.

3 **Non-Radio-Frequency Meter Accommodation**

4 **Q. Please describe the proposed Non-Radio-Frequency Meter Accommodation**
5 **Charge.**

6 A. As discussed in its proposal for changes to Rule 8, *Metering*, the Non-Radio
7 Frequency Meter Accommodation Charge, will be assessed when a customer requests
8 the Company install a non-radio-frequency meter. The charge will have two
9 components—a one-time charge for the installation of the non-radio-frequency meter
10 and an ongoing monthly charge for reading the meter.

11 **Q. What is the Company proposing for the Non-Radio-Frequency Meter**
12 **Accommodation Charge?**

13 A. For Schedules 16 and 17, the Company proposes an upfront, one-time fee of \$240 for
14 installing the non-radio-frequency meter. This fee includes the costs to later remove
15 the non-radio-frequency meter when the customer discontinues service and replace it
16 with a standard AMR. For customers receiving service on all other rate schedules,
17 the Company proposes to bill actual cost, but not less than \$240, for this work. This
18 charge is based on the meterman's time for installation and subsequent removal at
19 some future date of the non-radio-frequency meter, travel time, meter testing and
20 restocking of the removed meter, and the incremental invoiced cost of the non-radio-
21 frequency meter. The Company also proposes a monthly fee of \$20 for a metering
22 representative to be sent to the premises each month to manually read a non-radio-

1 frequency meter and upload the meter reading into the billing system. The \$20 is
2 based on the time to read the meter and incremental travel time.

3 The costs associated with installing and removing a non-residential non-radio
4 frequency meter will not be less than the costs associated with installing and
5 removing a residential non-radio-frequency meter. Due to the number of variables
6 and complexities in non-residential metering installations, the Company did not
7 calculate the costs associated with installation and removal of non-residential non-
8 radio-frequency meters and is proposing that actual costs, but not less than \$240, be
9 charged. For the installation and reading of all other non-standard meters, the
10 Company will charge actual cost in accordance with existing Rule 8, Section A.

11 Detailed cost information in support of the proposed fees is provided in
12 Exhibit No. ____ (BAC-3).

13 **Connection Charge**

14 **Q. Please describe the connection charges.**

15 A. A connection charge is assessed when an applicant applies for service at a location
16 previously disconnected and requests the Company connect service outside normal
17 business hours. The Company does not charge a connection charge to applicants
18 connecting service during normal business hours.

19 **Q. What are the Company's proposed changes to the connection charges?**

20 A. The Company is proposing an increase in the after-hours and the weekend and
21 holiday connection charges. The table below shows the current connection charges
22 and the proposed connection charges.

Connection Time	Current Connection Charge	Proposed Connection Charge
Monday-Friday, 8:00 a.m. to 4:00 p.m. (excluding holidays)	No Charge	No Charge
Monday-Friday, 4:00 p.m. to 7:00 p.m.	\$75	\$160
Weekends and Holidays, 8:00 a.m. to 7:00 p.m.	\$175	\$295

1 **Q. What is the Company’s current cost to connect service after normal business**
2 **hours?**

3 A. The cost to connect service for applicants after hours ranges from approximately \$164
4 on weekdays to approximately \$295 on weekends and holidays.

5 **Q. Please explain the methodology used to determine the Company’s current cost to**
6 **connect service.**

7 A. The Company’s metering department uses a scheduling and work tracking application
8 known as Mobile Work Management (MWM). Metering employees use this
9 application to track travel time to the service location, as well as the amount of time
10 spent performing the work.

11 The completed work-order data from MWM for connect orders in calendar
12 year 2013 was analyzed to determine the time for travel and time spent at the site.
13 The Company eliminated connect orders where the total time exceeded four hours or
14 equaled to zero minutes. Using the data set from the remaining connections visits, the
15 total of the travel time and time spent at the site for these connections was divided by
16 the number of connections, resulting in a total average time of 34.8 minutes per
17 connection. To determine the final cost to perform connection work, the Company
18 then multiplied the average time per connection to the weighted activity rates of the
19 two work classifications completing this work based on their actual work performed

1 in 2013. Detailed cost information in support of the proposed charges is provided in
2 Exhibit No. ____ (BAC-4).

3 **Reconnection Charge**

4 **Q. Please describe the reconnection charge.**

5 A. A reconnection charge is assessed when a customer has been disconnected due to
6 default or non-payment of their energy bill and later requests reconnection of service.
7 The Company's reconnection charges include the costs associated with both
8 disconnecting and reconnecting the service.

9 **Q. What are the Company's proposed changes to the reconnection charges?**

10 A. The Company proposes to increase all reconnection charges. The current and
11 proposed reconnection charges are shown in the table below

Reconnection Time	Current Reconnection Charge	Proposed Reconnection Charge
Monday-Friday, 8:00 a.m. to 4:00 p.m. (excluding holidays)	\$25	\$50
Monday-Friday, 4:00 p.m. to 7:00 p.m.	\$50	\$175
Weekends and Holidays, 8:00 a.m. to 7:00 p.m.	\$75	\$310

12 **Q. What is the Company's current cost to reconnect service?**

13 A. The cost to reconnect service for customers during normal business hours is
14 approximately \$50. The cost to perform this work after hours ranges from
15 approximately \$179 on weekdays to approximately \$312 on weekends and holidays.

16 **Q. Is the same method for calculating the cost of the connection charges also being
17 used to calculate the reconnection charges?**

18 A. Yes. The completed work-order data from MWM for calendar year 2013 for
19 reconnect orders was analyzed to determine the time for travel and time spent at the

1 site. Using the data set for the reconnections visits, the total travel time and time
2 spent at the site for these reconnections was divided by the number of reconnections,
3 resulting in a total average time of 30.95 minutes per reconnection. To determine
4 with the final cost to perform reconnection work, the Company then multiplied the
5 average time per reconnection to the weighted activity rates of the two work
6 classifications completing this work based on their actual work performed in 2013.

7 Because the reconnection charges also cover the costs associated with the
8 Company disconnecting service, to determine the time for travel and time spent at the
9 site, the Company also reviewed the calendar year 2013 work-order data from MWM
10 for disconnection orders with a code of “W,” the code used to identify disconnection
11 orders that resulted in power being disconnected. Using this data set, the total travel
12 time and time spent at the site for these disconnections was divided by the number of
13 disconnections in the data set, resulting in a total average time of 15.81 minutes per
14 disconnection. The cost to perform the disconnection was added to the cost to
15 perform the reconnection to determine the proposed reconnection charges. Details of
16 costs in support of the proposed fees are included in Exhibit No. ____ (BAC-4).

17 **Unauthorized Reconnection/Tampering Charge**

18 **Q. Please describe the Unauthorized Reconnection/Tampering Charge.**

19 A. The Unauthorized Reconnection/Tampering Charge is assessed when a Company
20 employee visits a site to perform an initial investigation for unauthorized
21 reconnection of service. Unauthorized reconnection generally involves situations
22 where a customer removes the device referred to as a “boot.” The Company installs
23 the boot to discontinue the flow of energy to the meter at the time service is

1 terminated for nonpayment of electric service. To re-energize the meter, the customer
2 removes the boot, and the energy used by the customer is then recorded on the meter.
3 The Company's cost for investigating and resolving these situations is recovered
4 through the Unauthorized Reconnection/Tampering Charge.

5 Unauthorized reconnection can also include situations where a customer
6 installs equipment to bypass the meter or divert energy. Because the meter is
7 bypassed, the energy used is not registered on the meter. Although less common,
8 diversion situations can be complex, typically take longer to investigate, and require
9 assistance from multiple employees.

10 **Q. What is the Company's proposed change to the Unauthorized Reconnection/
11 Tampering Charge?**

12 A. The Company proposes to increase the Unauthorized Reconnection/Tampering
13 Charge to \$110 to better reflect the actual cost incurred by the Company to perform
14 the initial investigation of the unauthorized reconnection. Details of costs in support
15 of the proposed fee are included in Exhibit No. ____ (BAC-4).

16 **Q. What is the Company's current Unauthorized Reconnection/Tampering
17 Charge?**

18 A. The Unauthorized Reconnection/Tampering Charge is currently \$75.

19 **Q. What is the Company's current cost to investigate an unauthorized reconnection
20 or tampering?**

21 A. The current cost to investigate an unauthorized reconnection or tampering is
22 approximately \$114. This cost only covers the initial investigation of the
23 unauthorized reconnection performed by the journeyman meterman. Given that the

1 costs associated with diversions can vary significantly based on the time and
2 resources needed to fully investigate, the costs associated with investigating
3 diversions are not included in the \$114.

4 **Q. Is the same method for calculating the cost of the Connection and Reconnection**
5 **Charges also being used to calculate the Unauthorized Reconnection/Tampering**
6 **Charge?**

7 A. Yes. The revenue protection work-order data from MWM for calendar year 2013 was
8 analyzed to determine the time for travel and time spent at the site. The Company
9 then multiplied that data by the activity rate of the employee completing the work to
10 determine the final cost to perform an unauthorized reconnection/tampering
11 investigation.

12 **Facilities Charge**

13 **Q. What are the current line extension facilities charges?**

14 A. The current charges are monthly values and are 1.67 percent on facilities installed at
15 Company's expense and 0.67 percent on facilities installed at customer's expense.

16 **Q. How does the Company determine these costs?**

17 A. The Company uses financial models to determine facilities charges.

18 **Q. What costs are included in the facilities charges?**

19 A. For facilities installed at Company expense, these costs include return on capital;
20 recovery of capital; income taxes; property taxes; and other costs such as OMAG,
21 customer accounts and services, and other taxes. For facilities installed at customer
22 expense these costs include property taxes, other (same as above), and a capital
23 replacement annuity.

1 **Q. How constant are these values from year to year?**

2 A. They fluctuate, with taxes and depreciation being the largest variables. Some years
3 the monthly value on facilities installed at Company expense can be up or down by as
4 much as 0.1 percent from the previous year, and 0.05 percent on facilities installed at
5 customer expense. Typically the change is less than that, but the charges are never
6 exactly the same from one year to the next.

7 **Q. What are the current costs?**

8 A. The Company changed its depreciation study and the result is a decrease in the costs.
9 The Company is proposing to lower the facilities charges to an average rounded value
10 of 1.2 percent for facilities installed at Company expense and 0.6 percent for facilities
11 installed at customer expense. Details of the costs in support of the proposed charge
12 are included in Exhibit No.____(BAC-5).

13 **Q. Are these costs for distribution, transmission, or an average to the two?**

14 A. These are for distribution facilities.

15 **Q. Are the costs for transmission higher or lower?**

16 A. They are lower. Accordingly, the Company is proposing to add a facilities charge for
17 transmission facilities to Schedule 300. The proposed facilities charge for
18 transmission facilities is 0.9 percent for facilities installed at Company expense and
19 0.3 percent for facilities installed at customer expense.

20 **Q. Does this conclude your direct testimony?**

21 A. Yes.