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June 17, 2015

Mr. Steven V. King  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, Washington 98504-7250

**Re: Comments of Puget Sound Energy, Inc. on Proposed Rules  
Rulemaking Governing Access to Utility Poles, Ducts, and Conduits  
Docket No. U-140621**

Dear Mr. King:

Puget Sound Energy, Inc. (“PSE”) thanks the Washington Utilities and Transportation Commission (“Commission” or “WUTC”) for the opportunity to provide information concerning estimated cost impacts to PSE resulting from the Commission’s Third Revised Draft Rules, (“Revised Draft Rules”) governing access to utility poles, ducts, and conduits. PSE appreciates the additional time and effort the Commission has expended for this rulemaking. PSE notes that the following analysis to determine financial impact does include assumptions in areas where the rules (or their impact) are unclear or ambiguous. PSE chose to use conservative cost and growth assumptions in most cases described below. However, PSE notes that accelerated build-out of infrastructure and pole attachments would lead to higher costs.

**WAC 480-54-020(1) and 480-54-020(7)**

PSE interprets the definitional change to include rights-of-way in “attachment” in **WAC 480-54-020(1)** and “facilities” in **WAC 480-54-020(7)** as potentially resulting in increased internal time and resources to perform additional operating rights review for pole attachment applications. PSE estimates a potential cost impact of approximately \$300,000 per year.

*Assumptions and analysis*

PSE receives an average of 5,000 pole attachment applications per year. It takes an average of four hours to conduct an operating rights review. Further, PSE assumes an average of 50 poles

per request, of which approximately 10 would require right-of-way review. 5,000 applications, divided by 50 poles per application, multiplied by four hours for review, and further multiplied by \$75 per hour equals \$300,000 per year. PSE remains unclear on the impact of this definitional change, whether or not it should be interpreted that the utility must now perform these operating rights review, and acknowledges uncertainty as to its cost impact. For this exercise, PSE chose to assume a small number of additional instances of operating rights review.

#### **WAC 480-54-020(11)**

PSE interprets the “net cost of a bare pole” definitional change **WAC 480-54-020(11)** to allow the use of equivalent poles to account for jointly owned poles. PSE estimates this definitional change will result in cost increases for PSE in the rate it pays other pole owners to attach to their poles. PSE estimates that payments to companies such as Frontier, CenturyLink, etc. for pole attachments will total between \$130,000 and \$260,000 in 2016.

#### **WAC 480-54-020 (10) and WAC 480-54-030**

PSE estimates that changes to the definition of “make-ready-work” in **WAC 480-54-020(10)** to include pole replacement coupled with accelerated timelines in **WAC 480-54-030** will require PSE to maintain a more robust inventory of pole ready stocks. PSE estimates these changes to have a cost impact of approximately \$50,000 per year under a low build scenario and up to \$200,000 per year under a high build scenario.

#### *Assumptions and analysis*

PSE assumes an increase in pole stocks of 100 poles per month. Inventory carrying cost is calculated by multiplying the current inventory by the weighted average cost of capital (7.77%). This cost is calculated monthly. Under the low build-out scenario of 5,000 applications per year, PSE assumes an inventory on hand to conduct approximately 1,000-1,200 pole replacements per year. In addition, PSE calculates the current average unit price of a 45 foot class 3 wood pole is \$547.

#### **WAC 480-54-030**

Given the assumptions outlined below, PSE conservatively estimates that the accelerated timelines included in **WAC 480-54-030** will have a potential cost impact of \$144,000 in 2016. This estimate represents an additional 1.5 full time employees (FTEs) needed to process applications to meet the proposed timelines.

*Assumptions and analysis*

First, PSE is unclear how much of this cost can be recoverable through fees to the attaching entity. Second, this estimate assumes a “low build-out scenario” that maintains the current rate of approximately 5,000 pole attachment applications per year. A “high build-out” scenario would assume an accelerated rate of applications approaching 20,000 per year by the wireless, small cell, broadband and other companies. This high build-out scenario could require additional FTEs and increase costs closer to \$1-\$2 million. For this exercise, PSE chose the more conservative low build-out scenario but is keenly watching the development of small cell technology for much faster growth.

**WAC 480-54-030 and WAC 480-54-060**

PSE assumes having to renegotiate agreements with phone, wireless and cable companies based on having to apply the new rate attachment formula as outlined in **WAC 480-54-30** for phone related attachments and **WAC 480-54-060** for wireless attachments. PSE estimates the cost impact to renegotiate these agreements at approximately \$428,000 per year for internal FTEs and external legal counsel.

*Assumptions and analysis*

PSE assumes approximately four years to complete renegotiations. For internal resources, PSE assumes 1.5 FTEs for the first two years (\$288,000) and 0.75 FTEs for the last two years (\$144,000) for a total of \$864,000 over four years (i.e. \$216,000 per year). For external resources, PSE assumes \$847,000 per year over four years (i.e. \$212,000 per year).

**WAC 480-54-060**

Given the assumptions outlined below, PSE estimates that **WAC 480-54-060** will have a potential cost impact of \$685,000 to \$750,000 of revenue loss in 2016. The revenue loss is due to the way the rate formula is applied. This estimate will increase as PSE assumes approximately five percent increase in new wireless sites and writes cost escalation terms into current contracts. These revenues are credited to customers which presently lowers the overall revenue requirement.

*Analysis and assumptions*

PSE’s analysis focuses on wireless and small cell installations and distributed antenna systems (DAS) on poles. Each installation can have different characteristics and therefore PSE had to make assumptions for this exercise. In addition, these technologies have different characteristics than wireline, phone, cable, etc., and the formula included in revised draft rules (WAC 480-54-060(2)) and the FCC formula do not easily comport to wireless and small cell co-locations on

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poles. The main presumption in the formulas is that an attachment occupies one foot of space on a pole. In reality, three to five feet is more accurate. Therefore, to arrive at the estimate, PSE assumes three to five feet. PSE assumes an average of 2-3 antennas per pole. PSE estimates \$600,000 in lost revenue in 2016 stemming from rates changes affecting approximately 125 distribution macro sites on the system. PSE estimates \$30,000 revenue loss in 2016 stemming from rate changes to 17 DAS sites on the system. PSE estimates \$55,000-\$120,000 revenue loss in 2016 stemming from rate changes to approximately 100 small cell sites on the system. Please note the growth rate for small cell technology remains highly uncertain and PSE chose perhaps an overly conservative estimate for this exercise.

#### **WAC 480-54-070**

PSE maintains good working relationships with the attaching entities, however it can be expected that some may file complaints to the commission. PSE estimates \$80,000 per year cost impact to respond to potential complaints from attaching parties

#### *Assumptions and analysis*

PSE assumes roughly \$20,000 to respond to a complaint at the Commission. For this exercise, PSE chose a low number of complaints (four) to be conservative. PSE acknowledges the number of complaints is difficult to forecast but must assume there will be some.

#### **Conclusion**

Given the assumptions outlined above, PSE estimates an overall cost impact somewhere between \$1.5 million and \$2.6 million per year in cost and revenue impacts. Finally, PSE has approximately 2,800 employees. If you have any questions about the comments contained in this filing, please contact Nate Hill, Regulatory Initiatives Manager at 425-457-5524.

Sincerely,



Manager, Regulatory Initiatives

for Ken Johnson

Director, State Regulatory Affairs

Cc: Simon J. ffitich, Public Counsel  
Sheree Carson, Perkins Coie