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VIA ELECTRONIC FILING

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RE: Advice 18-01—Facilities Charges

Pacific Power & Light Company (Pacific Power), a division of PacifiCorp, submits this proposed tariff applicable to Pacific Power’s electric service in the state of Washington in compliance with RCW 80.28.050, WAC Chapter 480-80, and the Washington Utilities and Transportation Commission’s (Commission) Rules and Regulations. Pacific Power respectfully requests an effective date of May 1, 2018.

Third Revision to Sheet No. 300.2	Schedule 300	Charges as Defined by the Rules and Regulations
Second Revision to Sheet No. R14.5	Rule 14	General rules and Regulations – Line Extensions

This filing modifies Pacific Power’s tariffs in two ways. First, it reduces the duration of contract minimums for non-residential customers requesting more than 1,000 kilowatts (kW) to 10 years. Second, it updates the Facilities Charges percentages for all customers, and distinguishes the Facilities Charges between transmission- and distribution-voltage equipment. As detailed below, the proposed changes are fairly balances ensuring that Pacific Power recovers its capital investments with minimizing billing impacts to customers. As such, the proposed changes are fair, just, and reasonable.

Pacific Power is providing notice of the proposed tariff change concurrent with this filing in accordance with WAC 480-100-193(1).

Discussion of Proposed Tariff Revisions

1. Duration of Contract Minimum Billing

Current Rule 14.III.A.2. allows Pacific Power to collect contract minimums for as long as service is taken at the site. Pacific Power proposes reducing the term of the contract minimum for customers requesting more than 1,000 kW to 10 years.

The fixed portion of the contract minimum is the Facilities Charges. Two components of the facility charge are a return on capital and recovery of capital. Thus, among other things, the contract minimum is a mechanism that allows Pacific Power to recover its capital investment if the amount of the bill is lower than the projected revenue relied upon in making the investment

(which is based on the load and usage information the customer provides at the time new service is requested).

The Facilities Charges are calculated using the Facilities Charges percentages listed in Schedule 300 and both the allowance provided by Pacific Power to the customer and the customer's advance. The contract minimum applies the Facilities Charges less a credit of 20 percent of the customer's monthly bill. The customer only pays that portion of the Facilities Charges that is greater than 20 percent of the bill. Thus under the contract minimum if the Facilities Charges is less than or equal to 20 percent of the bill, the customer's bill provides enough revenue to recover Pacific Power's capital investment. Pacific Power has reviewed its collection of contract minimum charges of customers with loads of 1,000 kW and up, and found almost all charges were taken within the first 10 years of service.

Based on this review, Pacific Power proposes to reduce the term of the contract minimum of 1,000 kW and up customers from perpetuity to 10 years. Ten years strikes a balance between adequate recovery of Pacific Power's capital investment for all of our customers, and minimizing billing impacts to customers requesting service more than 1,000 kW. It also aligns with the 10-year termination charge specified in in Rule 14, Section III. A.2 for customers with loads of 1,000 kW and up.

Customers *smaller* than 1,000 kW currently only have a five-year term for Facilities Charges exposure,¹ which reflects the comparatively modest capital investment Pacific Power makes to serve smaller customers. For customers 1,000 kW and larger, it is prudent to retain a 10-year term due to the more significant capital investment Pacific Power generally makes to serve those customers. These capital investments often include facilities solely dedicated to serve a particular customer. Given the larger capital investment for customers 1,000 kW and larger, 10 years provides a reasonable buffer to ensure Pacific Power recovers its investments.

2. Facilities Charge

Pacific Power also proposes updating the Facilities Charges percentage by reducing the existing percentages and providing separate charges depending on the voltage of the facilities installed, with one set for distribution facilities and the other for transmission facilities (69,000 volts and up).

The existing tariff's Facilities Charges in Schedule 300 are:

- 0.67 percent for facilities paid for by the customer; and
- 1.67 percent for facilities paid for by Pacific Power.

The Schedule 300 Facilities Charges are applicable to facilities of all voltages.

Pacific Power proposes updating the Facilities Charges to make them more accurate and more consistent with tariffs in Pacific Power's other jurisdictions. Specifically, Pacific Power proposes to distinguish the Facilities Charges between transmission- and distribution-voltage equipment. For distribution-voltage facilities, Pacific Power is proposing Facilities Charges of 0.5 percent for facilities paid for by the customer and 1.2 percent for facilities paid for by Pacific

¹ See Rule 14.III.A.1.

Power and granted as a customer allowance. For transmission-voltage facilities (69,000 volts and up), Pacific Power is proposing Facilities Charges of 0.2 percent for facilities paid by the customer and 0.9 percent for facilities paid for by Pacific Power and granted as a customer allowance.

Table 1 illustrates the current Facilities Charges and the proposed Facilities Charges, and how the charges compare to Pacific Power’s other states:

Facilities Charges, percentage of cost, by State							
	CA	ID	OR	UT	WA		WY
					Existing	Proposed	
<i>Distribution-Voltage Equipment (<69,000 volts)</i>							
On Customer \$	0.6%	0.6%	0.5%	0.25%	0.67%	0.5%	0.55%
On Company \$	1.4%	1.3%	1.4%	1.25%	1.67%	1.2%	1.25%
<i>Transmission-Voltage Equipment (≥69,000 volts)</i>							
On Customer \$	0.2%	0.2%	0.3%	0.2%		0.2%	0.24%
On Company \$	1.0%	0.9%	0.9%	1.00%		0.9%	0.9%

The proposed Facilities Charges reflect the costs in Pacific Power’s annual Use of Facilities Charges report. The values in the report are based on information reported in Pacific Power’s Federal Energy Regulatory Commission Form No. 1 and supporting working papers. The existing values were from that report at the time they were originally filed. Over time, as Pacific Power has cut costs and increased efficiencies, the values have decreased; consequently over the last few years Pacific Power has filed in each state more accurate and current (and lower) values. And viewed in the context of Contract Minimum Billing, the proposed Facilities Charges balances ensuring that Pacific Power recovers its capital expenses with minimizing impacts to customers’ bills.

Please direct inquiries to me at (503) 813-5410.

Sincerely,

_____/s/
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Enclosures

- NEW-PPL-Advice-18-01-Attach-A-Summary-Pg-Trf-3-16-18.pdf
- NEW-PPL-Advice-18-01-Attach-B-Proposed-Fac-Chrg-Calc-3-16-18.pdf
- NEW-PPL-Advice-18-01-Attach-C-Proposed-Trf-3-15-18.pdf
- NEW-PPL-Advice-18-01-Attach-B-Proposed-Fac-Chrg-Calc-3-16-18.xlsx