

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,)
Complainant,)
v.)
PACIFICORP D/B/A PACIFIC POWER &)
LIGHT COMPANY,)
Respondent.)
_____)

Docket No. UE-130043

RESPONSE TESTIMONY OF PAUL LES TEEL, DAVID RELLER AND SCOTT PETERS

ON BEHALF OF

THE COLUMBIA RURAL ELECTRIC COOPERATIVE ASSOCIATION, INC.

June 21, 2013

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EXHIBITS

- Exhibit No.__(PLT-2) – Qualification Statement of Paul Les Teel
- Exhibit No.__(PLT-3) – Qualification Statement of David Reller
- Exhibit No.__(PLT-4) – Qualification Statement of Scott Peters
- Exhibit No.__(PLT-5) – Previous Testimony of William G. Clemens and Henry B. McIntosh
- Exhibit No.__(PLT-6) – Compliance Reports 2004-2013
- Exhibit No.__(PLT-7) – PacifiCorp Responses to Data Requests
- Exhibit No.__(PLT-8) – Contracts and Letters
- Exhibit No.__(PLT-9) – Walla Walla Union-Bulletin Article

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAMES AND BUSINESS ADDRESSES.**

3 **A.** My name is Paul Leslie (“Les”) Teel, and my business address is 115 E. Main Street,
4 Dayton, Washington 99328. I am the Chief Executive Officer of the Columbia Rural
5 Electric Association, Inc. (“Columbia REA”).

6 My name is David Reller, and my business address is 115 E. Main Street, Dayton,
7 Washington 99328. I am the Manager of Engineering and Operations at Columbia REA.

8 My name is Scott Peters, and my business address is 115 E. Main Street, Dayton,
9 Washington, 99328. I am the Manager of Marketing and Member Services at Columbia
10 REA. I have been the individual who, on behalf of Columbia REA, has had contact with
11 a number of persons and entities that have been frustrated by PacifiCorp’s (or the
12 “Company”) disconnection practices, and I am one of the individuals at Columbia REA
13 that works with new cooperative members.

14 **Q. PLEASE DESCRIBE YOUR BACKGROUND AND EXPERIENCE.**

15 **A.** On behalf of Columbia REA, we all have experience with PacifiCorp’s net removal tariff,
16 either as customers of PacifiCorp or working with other PacifiCorp customers. A further
17 description of our educational background and work experience can be found in Exhibit
18 Nos. ___ (PLT-2), (PLT-3) and (PLT-4).

19 **Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

20 **A.** We are testifying on behalf of Columbia REA, which is an intervenor in this case.
21 Columbia REA is a non-profit electric cooperative that was formed in 1939. In May
22 1940, Columbia REA had 69 miles of line serving 90 members, and has grown to more
23 than 4,500 member accounts and nearly 1,200 miles of electric line throughout Walla

1 Walla, Umatilla and Columbia counties. Columbia REA is governed by a nine member
2 Board of Directors that is elected by the cooperative's members.

3 Columbia REA serves its members from its headquarters located in Dayton,
4 Washington, and its new Service Center in Walla Walla, Washington, that was completed
5 in 2013. Both locations contain buildings and facilities with offices for Columbia REA
6 management, engineering, line workers, and staff as well as Customer Service. Poles,
7 facilities, equipment, vehicles and employees are strategically located to provide quality
8 and reliable service to the members.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 **A.** The purpose of this testimony is to address PacifiCorp's net removal tariff, its proposed
11 changes and related business practices, which are in Schedule 300 and Rule 6. The pre-
12 hearing conference order allows Columbia REA to discuss PacifiCorp's proposal to
13 charge customers the actual cost of disconnection and removal of facilities, according to
14 Schedule 300 and the changes proposed in Rule 6 of the General Rules and Regulations,
15 which are part of PacifiCorp's tariff.

16 **Q. PLEASE SUMMARIZE YOUR TESTIMONY IN THIS PROCEEDING.**

17 **A.** Our testimony provides the Washington Utilities and Transportation Commission (the
18 "Commission" or "WUTC") with background information regarding the history of
19 PacifiCorp's net removal tariff, including its adoption and application, and
20 recommendations for changes to the net removal tariff that will better protect customers
21 who are considering, or who decide not to take, electric service from PacifiCorp. In
22 addition, our proposed changes will add clarity and avoid unnecessary disputes and
23 controversy. Columbia REA has unique expertise as both Columbia REA itself and some

1 of our current members were formerly served by PacifiCorp and have been subjected to
2 PacifiCorp's practices under the net removal tariff.

3 PacifiCorp's net removal tariff, as presently written, states that when a customer
4 requests permanent disconnection, the customer shall pay the actual cost for removal, less
5 salvage and the net book value of only those facilities that need to be removed for safety
6 or operational reasons, and only if those facilities were necessary to provide service to the
7 customer. PacifiCorp has used this tariff in inconsistent ways in terms of the conditions
8 under which facilities can remain on the customer's property. On one hand, PacifiCorp
9 has used this tariff to unreasonably demand payment for abandoned facilities that have
10 little or no value, and on the other hand, PacifiCorp has conveyed these facilities for no
11 value. The net removal tariff should be modified to protect customers and provide
12 certainty as to how PacifiCorp applies its disconnection practices in a number of
13 circumstances, including when the facilities will remain on-site.

14 **Q. PLEASE SUMMARIZE YOUR SPECIFIC RECOMMENDATIONS.**

15 **A.** We recommend that the Commission reject PacifiCorp's proposed changes to the net
16 removal tariff that would eliminate the capped fees for certain residential disconnections.
17 Whenever possible, PacifiCorp's rates and charges should be subjected to set, capped
18 fees so that PacifiCorp does not have discretion to abuse its power to inflate the costs
19 associated with removal. This will allow customers to know how much they are paying
20 before they decided to utilize the tariff. All customers should be treated consistently.

21 In addition, we recommend the Commission make additional changes that will
22 provide better information to customers, protect them from paying unreasonable charges,

1 and rectify some of the problems associated with PacifiCorp’s application of the net
2 removal tariff over the last decade. Our specific changes include:

- 3 • A departing customer should only be required to pay the reasonable costs
4 associated with net removal, and PacifiCorp should be required to use
5 “good utility practices” when removing facilities.

- 6 • A departing customer should be permitted to retain a qualified
7 independent third-party to remove any facilities.

- 8 • PacifiCorp’s cost for removing the facilities should not exceed the salvage
9 value of the facility, unless the customer has specifically requested that the
10 facilities must be removed. When the costs of removal exceed the salvage
11 value, then the customer should be given the opportunity to retain and
12 purchase the facility for their reasonable salvage value.

- 13 • PacifiCorp should only recover its actual costs of removal, and should not
14 be allowed to recover stranded costs or depreciation.

- 15 • PacifiCorp should provide a removal cost estimate within 30 days of the
16 request of the customer. The removal estimate should contain
17 engineering, removal costs, the cost to abandon certain facilities in place,
18 and should identify the safety and operational reasons for the removal.

- 19 • PacifiCorp should be required to provide a thorough accounting of all net
20 removal costs, and the salvage value with its final bill.

- 21 • PacifiCorp should not be required to impose any charges that are not
22 specified in the net removal tariff, and the Company should be required to
23 request approval from this Commission before imposing any new charges
24 upon customers.

25 **II. NET REMOVAL TARIFF**

26 **Q. PLEASE DESCRIBE THE CURRENT NET REMOVAL TARIFF.**

27 **A.** The net removal tariff was intended to allow PacifiCorp to charge the actual costs of
28 removal, less salvage, of facilities that are removed when a customer permanently
29 disconnects service. PacifiCorp is not supposed to remove facilities unless they need to

1 be removed for safety or operational reasons. While customers must pay the actual
2 removal costs for most removals, there is a specific and capped charge for a limited
3 number of facilities, including \$200 for overhead and \$400 for underground residential
4 service drop and meter only.

5 **Q. WHAT ARE THE PACIFICORP TARIFFS SPECIFICALLY AT ISSUE?**

6 **A.** The current version of the net removal tariff is found in PacifiCorp’s Rule 6.I (Facilities
7 on Customer’s Premises—Permanent Disconnection and Removal of Company
8 Facilities), and the charges for some net removals are found in PacifiCorp’s Schedule 300
9 (Charges as Defined by the Rules and Regulations). The original net removal tariff was
10 located in PacifiCorp’s Rule 4.F (Application for Electric Service—Availability for
11 Electric Service).

12 **Q. WHEN WAS THE NET REMOVAL TARIFF ADOPTED?**

13 **A.** The Commission adopted the original net removal tariff in a contested proceeding in
14 2002.^{1/}

15 **Q. WHAT WAS THE PURPOSE OF THE NET REMOVAL TARIFF?**

16 **A.** PacifiCorp originally proposed the net removal tariff to apply only to customers who
17 disconnected from its facilities to switch to another utility. PacifiCorp also proposed that
18 all disconnecting customers would pay the actual costs of removal, less the salvage value
19 of any assets removed.

20 **Q. PLEASE EXPLAIN HOW THE NET REMOVAL TARIFF WAS ADOPTED.**

21 **A.** Columbia REA, the Industrial Customers of Northwest Utilities (“ICNU”), and the
22 Commission Staff (“Staff”) all raised concerns with PacifiCorp’s net removal tariff filing.

^{1/} WUTC v. PacifiCorp, Docket No. UE-001734, Eighth Suppl. Order (Nov. 27, 2002) (“Eighth Order”).

1 Staff objected on the grounds that it was vague in terms of defining the scope of the
2 proposed charges and discriminatory in terms of applying it to customers seeking to
3 switch utilities. Staff proposed a modified net removal tariff that would apply to all
4 customers who sought permanent disconnection when the facilities are not likely to be
5 reused, flat charges for normal residential overhead or underground removals, and
6 reporting requirements and a sunset date. PacifiCorp agreed to Staff's revisions. The
7 Commission rejected PacifiCorp's filed net removal tariff, but approved the modified net
8 removal tariff over the objections of ICNU and Columbia REA.

9 **Q. IS THE BACKGROUND REGARDING THE COMMISSION'S ADOPTION OF**
10 **THE NET REMOVAL TARIFF RELEVANT AND IMPORTANT IN THIS CASE?**

11 **A.** Yes. The Commission approved the net removal tariff based on claims by PacifiCorp
12 regarding how it would implement the tariff and what actions it would take under the
13 tariff. The Commission also adopted Staff's recommended changes that were agreed to
14 by PacifiCorp, which were intended to provide protections to disconnecting customers.
15 The Commission should review whether PacifiCorp has acted in a manner consistent with
16 the Commission's conditions as well as statements made by the Company in order to
17 obtain Commission approval. It is highly relevant whether PacifiCorp has acted
18 consistently with the Commission's direction.

19 The background regarding the original adoption of the net removal tariff is also
20 relevant to ascertain whether changes should be made to the current tariff, including
21 PacifiCorp's and Columbia REA's different revisions. To provide the Commission with
22 full information regarding the basis for its original adoption of the net removal tariff, we

1 have attached as exhibits PacifiCorp and Staff's testimony in the original net removal
2 tariff proceeding.

3 **Q. WHEN IS IT APPROPRIATE FOR PACIFICORP TO REMOVE FACILITIES**
4 **AND CHARGE A CUSTOMER UNDER THE NET REMOVAL TARIFF?**

5 **A.** Removal is appropriate after a customer first requests permanent disconnection of
6 PacifiCorp's facilities, and then the facilities should not be removed unless there are
7 safety or operational reasons for their removal. As we will explain later in our testimony,
8 we believe that PacifiCorp may be requiring removals when there is not a safety or
9 operational reason for the removal.

10 **Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF WHAT COSTS A**
11 **CUSTOMER SHOULD PAY UNDER THE NET REMOVAL TARIFF.**

12 **A.** If removal is appropriate, then a customer should pay the costs to remove the facilities,
13 less salvage value. Our understanding is that the net removal tariff was intended to
14 require the customer to pay the actual costs of removing the facilities, but the customer
15 would be credited any salvage value. Our understanding is that the types of costs the
16 Company could recover include labor, salvage on removed materials, travel costs,
17 flagging, equipment, vehicle and overheads. In the original proceeding to adopt the net
18 removal tariff, we are not aware of PacifiCorp proposing that the salvage value be
19 reduced by the depreciation or net book value of any facilities.

20 **Q. PLEASE EXPLAIN THE CONDITIONS THE COMMISSION IMPOSED UPON**
21 **THE COMPANY.**

22 **A.** Our review of the Eighth Order approving Staff's modified net removal tariff identified
23 two conditions for approval: 1) the tariff sunset on December 31, 2005, so that it could
24 be re-examined based on its application during the three years following adoption; and 2)
25 PacifiCorp would be required to report annually on its use of the tariff, in order to

1 facilitate evaluation after the tariff expired.^{2/} It is our understanding that Staff proposed
2 these requirements to ensure reasonable conduct by all parties.^{3/}

3 **Q. PLEASE EXPLAIN THE PURPOSE OF THE REPORTING REQUIREMENTS.**

4 **A.** It is our understanding that PacifiCorp was to file with the Commission records of the
5 estimates for the costs of removal of facilities quoted to customers, estimates of salvage
6 value quoted to customers, the actual cost of removal, and the actual salvage value. One
7 purpose of this annual filing was to remove any incentive PacifiCorp might have to
8 inflate estimates in order to discourage customers from leaving. Allowing Staff and the
9 public to review PacifiCorp estimates provides a safeguard against abuse of the tariff.
10 Attached to our testimony are copies of PacifiCorp's reports.^{4/}

11 **Q. PLEASE EXPLAIN THE PURPOSE OF THE SUNSET PROVISION.**

12 **A.** Based on both Staff and PacifiCorp's witnesses' testimony in support of the modified net
13 removal tariff, the sunset provision would have an established expiration date for the
14 proposed net removal charges that would place the burden on the Company to
15 affirmatively come before the Commission to extend or modify the charges.^{5/} The
16 Commission expressly approved the tariff subject to these conditions, stating: "Staff's
17 recommended sunset date and reporting requirements will help ensure reasonable conduct
18 by all concerned, and will provide data to evaluate the tariff's operation."^{6/} Thus, the

^{2/} Id. at ¶¶ 22-23.

^{3/} Exhibit No. __ (PLT-5) at 19-20.

^{4/} Exhibit No. __ (PLT-6).

^{5/} Exhibit No. __ (PLT-5) at 10, 19-20.

^{6/} Eighth Order at ¶ 82.

1 sunset provision also appeared to be placed in order to ensure reasonable conduct by all
2 involved.^{7/}

3 **Q. ARE YOU AWARE OF THE COMPANY SEEKING COMMISSION APPROVAL**
4 **OF THE NET REMOVAL TARIFF AT THE END OF THE SUNSET PERIOD?**

5 **A.** No, we are not aware of the Company re-filing the net removal tariff at the end of the
6 sunset period, or if the Commission reviewed whether the net removal tariff has been
7 reasonably implemented. Columbia REA sought to obtain PacifiCorp's views regarding
8 the sunset provision through discovery in this proceeding. PacifiCorp refused to fully
9 answer some of the requests, raising a number of objections.^{8/} PacifiCorp's discovery
10 responses stated that the Company did not file a request to extend or modify the net
11 removal tariff, and the Company does not believe the tariff sunsetted or expired on
12 December 31, 2005.^{9/} Therefore, PacifiCorp did not affirmatively come before the
13 Commission bearing the burden to prove that the net removal tariff should be continued.

14 **Q. HAS THE NET REMOVAL TARIFF BEEN CHANGED SINCE ITS ADOPTION**
15 **BY THE COMMISSION?**

16 **A.** We are aware of PacifiCorp seeking revisions to the net removal tariff once, which was in
17 June 2012, almost 10 years after the tariff was adopted and almost seven years after the
18 December 31, 2005 sunset date.^{10/} PacifiCorp filed various changes to a number of rules
19 and Schedule 300.^{11/} PacifiCorp characterized the changes as "housekeeping," and did
20 not identify whether there were any substantive revisions to the net removal tariff. These
21 "housekeeping" changes were approved by the Commission a little over a month after

^{7/} Id. at ¶¶ 22, 82.

^{8/} Exhibit No. __ (PLT-7) at 28-32.

^{9/} Id. at 31-32.

^{10/} Id. at 10.

^{11/} Id. at 10-11.

1 they were filed, and it is unclear whether the Commission discussed any of the specific
2 changes. We were not aware at the time that PacifiCorp sought to substantially change
3 the net removal tariff through these so-called “housekeeping” changes.

4 **Q. WERE ANY OF THESE CHANGES SIGNIFICANT?**

5 **A.** Yes. For example, the current version of the net removal tariff includes a definition of
6 salvage “as the non-zero value difference between the salvage value and the net book
7 value of the Company’s facilities that are removed.”^{12/} This provision changed the tariff
8 to allow PacifiCorp to reduce the salvage value by the net book value or depreciation of
9 the facilities, which does not appear to be allowed in the original net removal tariff.

10 Although this language is vague, the term “non-zero value difference” could also
11 mean that the salvage value could be negative, which would mean that the Company
12 might seek to charge a customer for both the actual costs of removing the facilities plus
13 the remaining net book value of the asset. This would be inconsistent with the purpose of
14 the net removal tariff, which was designed to charge customers the actual costs of
15 removal minus any salvage value left over from facilities. The actual costs of removal
16 should not be increased to compensate PacifiCorp for any alleged stranded costs or net
17 book value. The net book value may also include installed plant that is retired. This
18 value may include some assets that were originally paid for by the customer, which
19 should not be included in any alleged stranded costs or net book value.

20 **Q. WAS COLUMBIA REA INFORMED OF THE CHANGES TO THE NET**
21 **REMOVAL TARIFF?**

22 **A.** Not that we are aware of. Although Columbia REA was involved in the rate case in
23 which the net removal tariff was adopted, has paid charges under the net removal tariff,

^{12/} PacifiCorp Rule 6.I.5.

1 and could be impacted by the tariff, PacifiCorp does not appear to have informed
2 Columbia REA of the changes that were made in 2012. The cover letter to the revisions
3 does not indicate that PacifiCorp informed anyone, other than the Commission.^{13/}

4 **Q. DOES COLUMBIA REA HAVE A NET REMOVAL TARIFF?**

5 **A.** No.

6 **III. PACIFICORP'S USE OF THE NET REMOVAL TARIFF**

7 **Q. PLEASE SUMMARIZE THIS SECTION OF YOUR TESTIMONY.**

8 **A.** We will provide historical information regarding how PacifiCorp has used the net
9 removal tariff. This is not a comprehensive summary, but primarily focuses on areas in
10 which Columbia REA is aware of significant disputes regarding the application and use
11 of the net removal tariff.

12 **Q. HAVE YOU REVIEWED PACIFICORP'S RESPONSES TO COLUMBIA REA'S**
13 **DATA REQUESTS?**

14 **A.** Yes, and in the first supplemental response to Columbia REA data request 2.4,
15 PacifiCorp was asked whether facilities have been left in place after the customer
16 requested a change of service or utility provider.^{14/} The Company stated that it does not
17 remove facilities when a customer requests a change of service or utility provider "if
18 there is no safety or operational reason to remove the facilities serving the customer."^{15/}

19 The Company further answered with the following.

20 In addition, even if there is a safety or operational issue, the
21 company *may negotiate* with an individual customer to leave
22 certain facilities in place provided the customer agrees to purchase

^{13/} Exhibit No. __ (PLT-7) at 10-13.

^{14/} Id. at 35-36.

^{15/} Id. at 36.

1 and assume liability for those facilities. The amount to be paid for
2 the facilities would be *negotiated* with the customer.^{16/}

3 This creates uncertainty for the customer. Thus, Rule 6.I is not currently clear in terms
4 the appropriate charge to abandon facilities in place on a customer's property.

5 **Q. IDENTIFY EXAMPLES CONCERNING PACIFICORP'S USE OF RULE 6.**

6 **A.** The Walla Walla Country Club (the "Country Club") came to us and asked if we could
7 provide electric service. At present, the Country Club is served by PacifiCorp. In
8 November 2012, the Country Club gave notice to PacifiCorp that it desired to disconnect
9 its electric services and obtain service from Columbia REA. PacifiCorp notified the
10 Country Club that the disconnect would cost approximately \$19,581, and the Country
11 Club tendered that amount to PacifiCorp.

12 When the Country Club informed PacifiCorp that it desired to retain the
13 underground conduit, part of which had been paid for by the Country Club, PacifiCorp
14 stated the disconnect cost would be \$104,176.00. The disconnection consisted of four
15 components: 1) \$66,718 for the removal or sale of the conduit and vaults; 2) \$19,373 for
16 the removal of other facilities such as wires, transformers, and metering equipment; 3)
17 \$19,877 for the net book value of the facilities to be removed; and 4) a \$1,792 credit for
18 the salvage value.^{17/}

19 PacifiCorp stated it would sell the conduit and vaults to the Country Club for the
20 exact sum it would cost to remove the facilities, \$66,718.^{18/} We believe those installed
21 conduit and vaults have a market or purchase value of approximately \$5,000 to \$10,000.

22 This means that PacifiCorp's sale price of \$66,718 is a sum greater than the cost to

^{16/} Id. (emphasis added).

^{17/} Exhibit No. __ (PLT-8) at 22.

^{18/} Id. at 20-22.

1 purchase and install the conduit and the vaults, and exceeds the actual salvage value and
2 the cost for similar new (or replacement) conduit and vaults.

3 As you can see, the “negotiation” results in exorbitant demands by PacifiCorp and
4 creates a hardship upon customers desiring to disconnect their facilities.

5 **Q. TELL US ABOUT THE MAY 23, 2013 TELEPHONE CONFERENCE WITH**
6 **PACIFICORP REPRESENTATIVES THAT RELATED TO THE COUNTRY**
7 **CLUB DISCONNECT.**

8 **A.** During that call, we were assisting the Country Club in the “negotiation” of the
9 reasonable value of the abandoned conduit and vaults. The conduit and vaults are located
10 on the Country Club property, and as stated above, a segment of the conduit was installed
11 and paid for by the Country Club. Pat Eagan, a representative of PacifiCorp, stated one
12 of the reasons for the \$66,000 charge was that PacifiCorp spent time estimating and
13 losing load to Columbia REA, which harms PacifiCorp’s customers. When asked
14 whether he would negotiate the reasonable value of the abandoned conduit and facilities,
15 the following statements were made:

16 (1) We will negotiate if it relates to a service territory agreement; and

17 (2) This case is an example which should be sent to the WUTC for review.

18 Columbia REA mentioned that the Country Club disconnect has nothing to do with
19 service territory issues and they should not be held hostage as a result of this demand.

20 Our experience is that the “negotiation” that PacifiCorp engages in under Rule 6
21 must not be allowed because it imposes undue hardship on the customer, it results in
22 contentious disputes and delays the process. Specifically, PacifiCorp should not be
23 allowed to recover any more than the salvage value of facilities to be abandoned and
24 placed on a customer’s property when the customer wants to disconnect, but does not

1 want the facilities removed. Conduit and underground vaults are often abandoned in
2 place.

3 **Q. HAS PACIFICORP ALWAYS REQUIRED CUSTOMERS TO PAY FOR THE**
4 **REMOVAL OF CONDUIT?**

5 **A.** No. As part of the removal at Columbia REA's Dayton facility, we requested that we be
6 able to keep the runs of conduit that existed. In return, Jay Ball from PacifiCorp said to
7 keep the conduit, PacifiCorp only desired a Bill of Sale from Columbia REA. On August
8 23, 2011, we received the Bill of Sale for the conduit showing for two, 90 foot runs of 4
9 inch PVC conduit located in the alley behind our Dayton office. PacifiCorp charged us
10 "\$00.00." There were no other substantive conditions contained in the Bill of Sale.^{19/}
11 Obviously, the Country Club is being treated differently.

12 **Q. IDENTIFY OTHER EXAMPLES WHERE RULE 6 HAS BEEN APPLIED?**

13 **A.** In 2012, the City of Walla Walla (the "City") requested that Columbia REA provide
14 electric service to the City's Water Treatment Plant. The City requested that PacifiCorp
15 disconnect its electric facilities and leave the underground conduit in place.^{20/} The
16 estimate included the facility removal cost and a charge for the net book value of the
17 underground facilities. From the net book value, salvage value was deducted. This
18 resulted in a total charge to the City of \$37,519.^{21/}

19 With regard to the underground conduit, PacifiCorp tendered the attached Bill of
20 Sale. Section 5 of the Bill of Sale provided: "Facilities shall not be used for the
21 installation of electrical facilities by another utility service provider."^{22/} The City

^{19/} Id. at 3.

^{20/} Id. at 11.

^{21/} Id. at 13.

^{22/} Id. at 17.

1 objected to this term and PacifiCorp resisted.^{23/} Thereafter, the City filed a Notice of
2 Action for Condemnation with the City Council in order to condemn, to the extent
3 necessary, the underground conduit on City property. The City was prepared to
4 commence litigation to reject terms of the Bill of Sale.

5 Shortly after this action, before the Walla Walla City Council, PacifiCorp
6 changed its position and left the facilities in place, without demanding the Bill of Sale be
7 signed. The total removal cost set forth in the January 7, 2013 letter was solely for
8 removal of facilities except the underground conduit that was left in place.

9 **Q. DO YOU HAVE ANY OTHER EXAMPLES OF CUSTOMER EXPERIENCE**
10 **UNDER THE NET REMOVAL TARIFF?**

11 **A.** Yes. Kaylee Investments requested disconnection from PacifiCorp. On May 3, 2013,
12 Mike Gavin, PacifiCorp Distribution Manager, quoted a removal cost for the conduit and
13 vaults of \$24,878.^{24/} In lieu of removal, PacifiCorp offered to sell Kaylee Investments
14 the conduit and vaults for the same \$24,878. Before the removal would occur, a check
15 for \$31,370 (which included removal of wire, transformers, and meters, plus net book
16 value less salvage), as well as two signed copies of the Bill of Sale for the conduit and
17 vaults, had to be tendered.^{25/}

18 Again, the offer or “negotiated” sale price for the conduit and vaults well
19 exceeded its salvage, market, or reasonable replacement value.

20 **Q. HOW LONG DID IT TAKE TO GET THE DISCONNECT ESTIMATE?**

21 **A.** With regard to the Kaylee Investments disconnect, we understand from the principal, Ron
22 Tilley, that it took him six months to get his disconnect estimate.

^{23/} See Exhibit No. __ (PLT-9).

^{24/} Exhibit No. __ (PLT-8) at 28.

^{25/} Id.

1 **Q. HOW DO THE ABOVE EXAMPLES RELATE TO THE MODIFIED TARIFF**
2 **PROPOSAL APPROVED BY THE WUTC IN NOVEMBER 2002?**

3 **A.** Columbia REA believes PacifiCorp should be able to recover its removal costs, as set
4 forth above. PacifiCorp, however, has interpreted the tariff to mean if a disconnecting
5 customer wants to retain underground conduit and facilities, where no operational or
6 safety hazard is created, then the customer must pay PacifiCorp's actual cost of removing
7 the described distribution facilities, less salvage and net book value. This interpretation
8 causes a customer economic hardship and results in a financial windfall to PacifiCorp,
9 especially in a situation such as the Country Club where it already paid for the
10 installation of part of the underground facilities. If PacifiCorp's position is sustained, the
11 Country Club will have to pay twice for the same facilities. Other customers who desire
12 to disconnect, but retain the facilities in place, would pay a charge that is not reflective of
13 the true cost (or salvage value) of the conduit and related facilities.

14 **Q. DOES THE NET REMOVAL TARIFF ALLOW PACIFICORP TO RECOVER**
15 **THE COSTS OF PROVIDING A REMOVAL ESTIMATE?**

16 **A.** No; however, that has not stopped PacifiCorp from charging some customers for the costs
17 of estimates. We are not aware of any provision of the net removal tariff that allows
18 PacifiCorp to charge for providing a removal estimate. It is our understanding that
19 PacifiCorp did not charge the costs of estimates until around 2011, when the Company
20 implemented a new policy to charge customers for the costs of obtaining an estimate to
21 remove their facilities.^{26/} PacifiCorp claims that it implemented the policy to address

^{26/} Exhibit No. __ (PLT-7) at 42.

1 “speculative net removal requests,” but that “the policy was discontinued shortly after
2 implementation.”^{27/} Id.

3 PacifiCorp’s policy of charging for net removal estimates coincidentally started at
4 the same time Columbia REA sought to disconnect its facilities in Dayton, Washington.
5 On February 23, 2011, Columbia REA requested that its office at 115 E. Main St., in
6 Dayton, Washington, be disconnected from receiving electric service from PacifiCorp.
7 On April 1, 2011, PacifiCorp sent a reply letter acknowledging this request, but refused
8 to act until Columbia REA paid a \$453.00 “estimate fee.”^{28/} PacifiCorp explained that
9 the fee would cover an estimate for the removal of facilities servicing the Dayton
10 Office.^{29/} After extensive delays, e-mail communications, and several letters between
11 counsel, PacifiCorp relented by dropping its demand for the estimate cost. On August 3,
12 2011, over five months after the disconnection request, PacifiCorp sent Columbia REA a
13 removal contract charging \$677.^{30/} Thereafter, the Dayton facility was disconnected. We
14 note that the cost for the removal estimate was almost as much as the costs to actually
15 remove the facilities.

16 PacifiCorp has charged other customers to estimate costs before removing its
17 facilities. PacifiCorp claims that it does not account for the estimates paid by customers
18 who did not proceed with removing their facilities,^{31/} so we have no idea how many
19 customers paid for removal estimates. PacifiCorp says it keeps track of customers that
20 have paid for the removal estimates, but only if those customers elected to disconnect

^{27/} Id.
^{28/} Exhibit No. __ (PLT-8) at 1.
^{29/} Id.
^{30/} Id. at 4.
^{31/} Exhibit No. __ (PLT-7) at 42.

1 their service.^{32/} At least three customers who disconnected their service each paid around
2 \$500 to estimate the removal of their facilities in 2011.^{33/} We do not know how many
3 customers paid for a cost estimate but did not elect to have their facilities removed,
4 because the cost estimate was too high, or how many customers were discouraged all
5 together because they were not willing to pay for a removal cost estimate.

6 **Q. HAS COLUMBIA REA HAD OTHER FACILITIES DISCONNECTED FROM**
7 **PACIFICORP?**

8 **A.** Yes. In 2012, Columbia REA requested disconnection of two commercial buildings at
9 2943 Melrose St. and 2939 Melrose St., in Walla Walla, Washington (jointly, the
10 “Melrose facilities”), in order to begin planned demolition of the buildings. On this
11 occasion, PacifiCorp did not bill Columbia REA for an estimate. After these buildings
12 were finally disconnected in July 2012, PacifiCorp sent final invoices that reduced the
13 salvage value by the net book value.^{34/} PacifiCorp left both vault and conduit in place.
14 This is a perfect example of PacifiCorp subjecting customers who are switching to
15 another utility company to unreasonable and inconsistent charges. This also shows that
16 PacifiCorp has reduced the salvage value owed to customers by the “net book value.”

17 **IV. COLUMBIA REA RECOMMENDATIONS**

18 **Q. PLEASE SUMMARIZE THIS SECTION OF YOUR TESTIMONY.**

19 **A.** Columbia REA recommends that the Commission adopt a number of changes to the net
20 removal tariff to better protect customers who elect to disconnect from PacifiCorp, in
21 order to prevent the unreasonable and unfair charges, and to simplify the process and
22 eliminate or limit potential disputes.

^{32/}

Id.

^{33/}

Id.

^{34/}

Exhibit No. __ (PLT-8) at 8.

1 **Q. PLEASE EXPLAIN PACIFICORP’S PROPOSED REVISIONS TO THE NET**
2 **REMOVAL TARIFF.**

3 **A.** PacifiCorp has proposed to remove the \$200 fixed fee for removal of a residential
4 overhead service drop and meter, and the \$400 fee for the removal of a residential
5 underground service drop and meter. PacifiCorp proposes to replace those fixed charges
6 with its actual removal costs less salvage and depreciation.

7 **Q. DO YOU SUPPORT THESE REVISIONS?**

8 **A.** No. When the original net removal tariff was adopted, Staff proposed to set fixed
9 charges for removal, where it’s possible, so charges are imposed on a uniform basis.^{35/}
10 Staff explained that: “A flat, predetermined rate provides clarity and predictability to
11 customers” as well as “reduces the opportunity for discriminatory treatment.”^{36/}
12 PacifiCorp agreed to charge fixed rates in order to obtain approval for the net removal
13 tariff.

14 We agree with Staff’s reasoning and support set fees for removals, whenever
15 possible. As explained earlier, PacifiCorp has not consistently applied its net removal
16 tariff and has used the tariff to obtain higher than necessary fees from customers. The
17 Commission should retain the fixed fees for residential overhead service drop and meter,
18 and residential underground service drop and meter.

19 It is our understanding that PacifiCorp does not track its actual costs associated
20 with the removal of residential overhead service drop and meter, and residential
21 underground service drop and meter.^{37/} PacifiCorp’s software program, which is used to
22 estimate removal costs, has been fairly inaccurate and we do not recommend that it be

^{35/} Exhibit No. __ (PLT-5) at 17.

^{36/} Id.

^{37/} Exhibit No. __ (PLT-7) at 44.

1 relied upon to set the fixed charges. We recommend that the fixed fees remain at \$200
2 and \$400, since PacifiCorp has not provided data of the actual costs.

3 **Q. DOES THE NET REMOVAL TARIFF INCLUDE A LIMITATION ON THE**
4 **COSTS THAT PACIFICORP CAN IMPOSE ON A DISCONNECTING**
5 **CUSTOMER?**

6 **A.** The net removal tariff requires a customer to pay for the actual costs of removal, and it is
7 unclear if these actual costs are limited to only the reasonable costs of disconnection. We
8 recommend that the net removal tariff be modified and limited to only the “reasonable”
9 actual costs of disconnection, and that this be done in a manner consistent with good
10 utility practice. This means if facilities are left on-site, then PacifiCorp may not charge
11 the customer removal costs for those facilities, as a condition of leaving the facilities.
12 Customers should be protected against PacifiCorp imposing costs that violate good utility
13 practice, those that are designed to prevent customers from leaving, or from PacifiCorp’s
14 own negligence and/or willful misconduct. Protections against unreasonable costs are not
15 unusual. While we are not experts regarding the Commission’s interconnection rules or
16 the policies of the Federal Energy Regulatory Commission (“FERC”), we are generally
17 aware that the Commission’s rules regarding generator interconnections state that the
18 customer is only responsible for “reasonable costs” and the FERC’s open access
19 transmission tariff (“OATT”) limits cost responsibility to charges consistent with “good
20 utility practice.”^{38/}

21 **Q. SHOULD PACIFICORP BE THE ONLY COMPANY THAT CAN REMOVE THE**
22 **FACILITIES?**

23 **A.** No. A disconnecting customer should be permitted to retain an independent third-party
24 to remove any facilities. The customer should be able to have a third-party contractor

^{38/} WAC 480-108-035(8); FERC Standard OATT, Definitions 1.15.

1 remove the facilities to ensure cost control, make sure the removal occurs on a timely
2 basis, and to provide safeguards so that PacifiCorp does not use the removal process to
3 impose unreasonable costs on customers. Allowing disconnecting customers to hire a
4 third-party can also limit PacifiCorp's exposure to claims that the costs are excessive or
5 the delays unreasonable.

6 **Q. SHOULD PACIFICORP REMOVE FACILITIES WHEN THE CUSTOMER**
7 **WANTS TO RETAIN THE FACILITIES AND THE COSTS OF REMOVAL**
8 **EXCEEDS THE FAIR MARKET OR SALVAGE VALUE?**

9 **A.** No. When a customer requests to disconnect and desires to maintain the facilities in
10 place on its property, PacifiCorp should not be allowed to charge the greater of the
11 depreciated value of the facilities left in place or their salvage value. Our proposed
12 methodology will provide certainty and avoid the arbitrariness associated with the
13 "negotiation."

14 When the costs of removal exceed the fair market value or salvage value of the
15 facility, the customer should be given the choice to retain and purchase the materials for
16 their salvage value. As previously explained, PacifiCorp has generally been unwilling to
17 sell facilities at their fair market or salvage value, and has insisted on selling the facilities
18 at the cost to remove the facilities. There is no need to waste a departing customer's
19 resources by requiring them to pay for an unnecessary removal when the facilities have
20 little actual value and can be safely left in place.

21 PacifiCorp may claim that the facilities need to be removed because of liability or
22 safety concerns. This concern can be adequately addressed by requiring the
23 disconnecting customer and/or their new utility provider (which is likely to be Columbia

1 REA) to take all legal responsibility (through, for example, a Bill of Sale) for the
2 facilities that are not removed.

3 Alternatively, the Commission could simply cap the customer's cost for removing
4 facilities at the salvage value of the facilities, if the customer is willing to keep the
5 facilities in place. If PacifiCorp insists on removing facilities in circumstances where the
6 cost of removal exceeds the salvage value, the the customer should not be responsible for
7 those excess costs.

8 **Q. SHOULD PACIFICORP BE ALLOWED TO ADJUST FOR THE NET BOOK**
9 **VALUE?**

10 **A.** No. The original net removal tariff approved by the Commission did not explicitly allow
11 for an adjustment to the net book value of the facilities. There are a wide variety of
12 distribution, transmission and generation resources that could result in stranded costs or
13 stranded benefits, but these are not included in the costs of the net removal tariff.
14 Instead, the net removal tariff was intended to compensate PacifiCorp for its costs of
15 removal, less salvage value. It was not supposed to be a mechanism to charge
16 disconnecting customers any stranded costs or credit any stranded benefits.

17 It is our understanding that PacifiCorp may have attempted to reduce the salvage
18 value of removed facilities by the net book value of assets for which a customer has
19 specifically paid. A customer should not be required to pay for a facility, and then have
20 the costs of the asset they paid for be used to reduce their salvage value when they
21 disconnect service. The difficulty in determining which facilities a customer has or has
22 not paid for suggests that there should be no adjustments to the actual salvage value for
23 depreciation, net book value or stranded costs.

1 PacifiCorp has never provided an explanation or justification of why it might be
2 appropriate to adjust for the net book value, depreciation or the recovery of its stranded
3 costs. As the Company has not affirmatively explained why such an adjustment should
4 be made, the Commission should provide little weight to any explanation provided in
5 rebuttal testimony. Additionally, we note the schedule adjustment would not provide the
6 opportunity to review and respond to any justifications PacifiCorp may raise in the future.

7 **Q. SHOULD PACIFICORP BE REQUIRED TO PROVIDE A REMOVAL COST**
8 **ESTIMATE WITHIN A SPECIFIC PERIOD OF TIME?**

9 **A.** Yes. It is our understanding that PacifiCorp has not always provided estimates in a
10 reasonable amount of time. We recommend that PacifiCorp provide a removal cost
11 estimate within 30 days of a request for removal by the customer. We are willing to
12 support a different allotted time period if the Company or another party demonstrates that
13 additional time is warranted; however, we believe that it is important to set a specific
14 time so that PacifiCorp does not delay in providing an estimate to discourage customers
15 from disconnecting. A set time will allow a disconnecting customer to plan their
16 operations.

17 The removal estimate should contain a schedule for the removal, the engineering
18 and removal costs, the cost to abandon certain facilities in place, and the safety and
19 operational reasons for the removal. This will provide the customer with an opportunity
20 to review the reasonableness of the cost removal estimate and ascertain if they want to
21 retain a third-party to conduct the removal, obtain additional information regarding the
22 removal, or challenge the cost estimate.

1 **Q. SHOULD PACIFICORP BE REQUIRED TO PROVIDE AN ACCOUNTING OF**
2 **ALL NET REMOVAL COSTS AND THE SALVAGE VALUE OF THE BILL?**

3 **A.** Yes. Based on our experience as a customer who paid for the removal of our facilities,
4 and based on our discussions with other former PacifiCorp customers that have had their
5 facilities removed, PacifiCorp's final bills do not provide sufficient, meaningful
6 information regarding the basis for the removal costs. PacifiCorp should provide a
7 detailed accounting of the net removal costs and salvage value, including but not limited
8 to the hours worked, hourly rates, cost of equipment, and how the salvage value was
9 calculated.

10 **Q. SHOULD THE NET REMOVAL TARIFF SPECIFY THAT PACIFICORP MAY**
11 **NOT CHARGE FOR ANY COSTS NOT SPECIFICALLY ENUMERATED?**

12 **A.** Yes. PacifiCorp should be barred from imposing any charges that are not specifically
13 identified in the net removal tariff. PacifiCorp's practice of charging customers for the
14 costs of net removal estimates, which is not allowed according to the net removal tariff,
15 demonstrates that the Company has expanded the scope of the net removal tariff to
16 charge for other costs. The Commission's final order should make it clear that the
17 Company should be required to request approval from this Commission before imposing
18 any new charges upon customers.

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 **A.** Yes.