PUGET SOUND ENERGY

RECEIVED
00 NOV 13 AM 10: 12
STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

November 10, 2000

Ms. Carole J. Washburn, Executive Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Re: Docket No. UG-990294—Review of WAC 480-100

Dear Ms. Washburn:

This letter is to convey Puget Sound Energy's (PSE or the Company) Economic Impact Statement associated with Staff's Third Formal Draft rule proposal. Please note the following discussion incorporates PSE's best estimate of the cost/benefit impact of Staff's proposed rules. Actual costs to implement these rules may vary substantially from these estimates.

Comment Structure

Please note PSE did not separate gas and electric cost issues. In most cases, cost impacts discussed below include the combined effects on gas and electric operations unless otherwise indicated. Included in the following discussion is the cost impact PSE prepared several months ago regarding Staff's proposal to significantly revise the Commission's policy for notifying customers of proposed tariff revisions. It is more appropriate for this notification rule to remain in WAC 480-80, but PSE includes the cost estimate here for Staff's convenience.

Cost and Benefit Estimates and Discussion

480-90 & 100-XX4 Non-residential service deposit requirements.

Staff's proposal to change deposit collection policies to restrict utilities from estimating annual usage to calculate deposits for non-residential customers would most likely result in an increase in write-offs because utilities are not permitted to collect a reasonable deposit. It is difficult to estimate the additional cost impact on other customers, but PSE estimates the impact would be approximately $224,000 per year, which is approximately 10% of PSE's non-residential uncollectables expenses.

480-100-076 Service Responsibilities

While Staff indicated this rule was just rewritten for clarity, there are three important changes that Staff has made to this rule that could increase electric utility liability and operating costs. First is the change from "endeavor to" avoid interruptions to "make all reasonable efforts to avoid interruptions." The existing language is clearer, in that it requires utilities to operate and maintain their systems in a way to avoid interruptions. Under the proposed language, however, WUTC Staff could believe that "all reasonable efforts" to avoid interruptions should include actions utilities would view as extreme, such as conduct semi-annual inspections of every service transformer. Introducing this ambiguity could be costly.

Second, Staff has proposed to include a new provision that utilities must maintain systems to provide "safe" and "efficient" service in addition to the existing "adequate." The new "safe" and "efficient" standards as they appear in this rule would be in addition to state and federal standards as opposed to in accordance with state and federal standards. Please note PSE operates its system in a safe manner and would not suggest utilities should do otherwise. The concern is that Staff's proposal may unintentionally create a new, undefined safety rule that could increase utilities' exposure to legal claims—even if the utility installs and maintains its system in accordance with all defined state and federal rules and laws. PSE is similarly concerned about the ambiguity created by adding "efficient," in this rule which is not defined or explained.

Third, and finally, Staff has proposed to drop existing language pertaining to utilities doing maintenance work during regular business hours maintained by the utility. This language in the current rule balances the requirement that utilities minimize inconvenience of service interruptions to customers while providing service at reasonable cost. Without this balancing language, utilities may be required to conduct more maintenance activities after regular business hours, driving up costs to all customers.

Impact on Costs: The discussion above reveals that creating a robust estimate of the potential cost impacts is a difficult process that requires considerable judgement. The potential cost exposure from Staff's proposed changes to this rule could range from $500,000/year to $5 million/year. Factors influencing the cost impact are specific liability claims in any given year, whether Staff pressures PSE to conduct more maintenance after hours, and how Staff's interpretation of "all reasonable efforts" changes over time.

480-100-081 Service entrance facilities

Staff's proposed rule would no longer require customers to provide access at the easiest point of access to the electric system, which is the least cost method of extending service. Customers occasionally request service connections in places other than the easiest point of access, which increases costs. If customers are willing to pay the additional costs, it seems like a reasonable request. However, Staff's revision eliminates the current "easiest point of access" standard. This may result in increasing costs and shifting those customer specific costs to all customers. Capital costs associated with this change could increase annually by $100,000 to $500,000 each year as a result of this rule.

480-100-096 Electric utility's responsibility for complaints and disputes

Staff has expanded the record keeping requirement in two ways that will affect costs. First, the existing rule requires keeping records on complaints associated with service or rates. Staff has dropped those qualifiers which creates ambiguity because there is no definition of complaint. In addition to making the rule less clear, expanding the kinds of complaints that must be tracked will increase costs. Second, Staff has proposed to increase the amount of time complaint records are kept from one to three years. This latter change as applied to complaints regarding service or rates would not create significant additional costs for PSE. However, disregarding potential problems created by increasing ambiguity in this rule, the additional requirements could add something in the range of $10,000 to $15,000 per year in administrative expenses associated with record keeping of the other kinds of complaints, though actual experience may show costs to be greater.

480-100-161 Portable indicating instruments

Staff has proposed to expand the scope of the existing rule, which currently applies only to devices used for determining quality of service, to ALL portable indicating instruments apparently to cover worker safety. Labor and Industries (L&I) specifically has jurisdiction over worker safety concerns. In addition to creating duplicative regulation, L&I does not require keeping records of tests for all portable indicating instruments used to determine if a line is live or not. If the Commission adopted Staff's proposal, PSE would have to hire an additional FTE to test, track, and record tests of portable indicating electrical instruments not used for quality of service. This would increase costs approximately $80,000/year.

480-90-141 Identification of Meters

PSE has not interpreted this rule to mean a utility must retrofit an updated name or initials on each gas meter simply because utilities change their name. However, if PSE were required to place a sticker on each meter, it would require each of 500,000 gas meters to be cleaned, possibly including paint removal when customers have painted the meter. PSE estimates it would take approximately 40,000 labor hours, which assumes an employee can place stickers at the rate of 12.5/meter per hour. Over the next few years, the total cost of the sticker program is estimated to be $1.35 million, which is $1.3 million in labor and $50,000 in stickers. This also assumes no additional cost to new meter installations that would have an updated nameplate installed prior to placing the meter in service.

480-100-051 Residential Service Deposit Requirements

Loosening Credit Standards: Staff's proposal to loosen credit standards for applicants will result in slightly higher write-offs. Additionally, please refer to PSE's comments on Staff's third formal draft for a description of PSE's concerns pertaining to bankruptcies. PSE estimates the cost impact of these issues would probably be in the range of $150,000 per year which is 5% of residential uncollectable expenses. This is a smaller impact than for non-residential customers because consumption varies more for non-residential than for residential customers.

480-100-056 Refusal of Service

Limiting prior obligations to three times per year may cause some chronic abusers of the Commission's prior obligation policy to start paying some of their bills. PSE estimates this could reduce uncollectables expense (thus be a benefit for paying customers) by $100,000 to $150,000 per year.

480-90-xx10 Purchased Gas Adjustment

WUTC Staff's proposal to significantly reduce the interest rate PSE applies to gas cost imbalances outside the context of a general rate case would have an adverse cost impact. Applying the lower interest rate for actual balance over the last two-year period, the reduced interest rate coverage for PSE would have been $1.4 million.

480-90&100-XX8 Customer Notification of Proposed Tariff Revision

Staff's proposal to dramatically alter the Commission's requirements for utilities to notify customers of proposed tariff revisions would have both quantifiable and non-quantifiable cost impacts. PSE has estimated that during 1999, Staff's rule would have increased costs by $911,000. This cost estimate is based on having to use direct mail notification for all of Staff's "pre-notification" tariff changes. Direct mail was used for estimation purposes as it is the only method that would allow utilities to conduct business most closely with the 30-day statutory notice period. Please note Staff's proposal would not permit 30 days notice, as the draft rule requires customers to <u>receive</u> the mailed notice 30 days prior to <u>commission action</u>, not the proposed effective date. Thus, Staff's proposal regarding mailed notices would result in 37 to 40 days notice, depending on lead time for mail and timing of the Commission's open meeting in relation to a proposed effective date.

While Staff's proposal appears to offer alternatives to direct mail, those alternatives are not feasible. Using any method other than 37 to 40 day direct mail notice approach would require utilities to begin noticing customers 67 to 70 days prior to the effective date for utilities with monthly billing. The lead time for utilities with bi-monthly billing would be 97 to 100 days prior to the effective date, again taking mail time and open meeting relative to effective date issues.

Clearly, Staff's proposed rule will unreasonably impair utilities' agility in conducting business in a swift and efficient manner, which is a cost difficult to quantify. At a time when the pace of change in the energy industry is increasing, Staff's proposal would increase the amount of regulatory lag by 7 to 90 days. This would increase the amount of unproductive time in the regulatory process by 23% to 200% relative to the existing 30-day statutory requirement. Considering there are reasonable, cost effective ways to significantly improve the current customer notification practices that would retain the 30-day statutory notice period, Staff's proposal will unduly increase regulatory lag and create an unfavorable business impact.

Conclusion

PSE would like to thank the Commission for the opportunity to provide an estimate of the cost impact of Staff's Third Formal Draft rules. Again, please note that these are PSE's best guesses at how costs will be affected, actual results could vary significantly. We look forward to continuing to work with Staff and all other interested parties in this process. If you have any questions, or if we can be of any additional assistance, please contact Phillip Popoff at (425) 462-3229.

Sincerely,

Karl R. Karzmar
Manager, Revenue Requirements