

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED: May 9, 2017
DOCKET: UE-161204
REQUESTER: Pacific Power

WITNESS: David Panco
RESPONDER: David Panco
TELEPHONE: (360) 664-1313

9. How could banded rates be developed that would collect the Company's full revenue requirement?

Response:

The concept of banded rates, as Staff understands them, is to allow pricing closer to marginal cost while at least making some contribution to fixed costs. This contribution might not occur at all in the absence of the banded rates to facilitate retention of, or the acquisition of, that customer, who has competitive alternatives. If a discounted price that provides some contribution is required in order to acquire or retain a customer, the utility is likely better off than losing the customer completely because the tariffed rate was too high to effectively compete.

In a fully regulated monopoly market, attaining a "full revenue requirement" is never guaranteed; full revenue requirement attainment is even less likely when competition is present. However, if the monopolist has the ability to offer discounted prices that provide contribution, the impacts of competition on the regulated utility may be lessened.

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15. What role does the Commission play in shaping “the traditionally defined utility business model”?

Response:

The Commission “play(s)” various roles in shaping the utility business model. For example, the Commission ensures that utilities charge fair, just, reasonable, and sufficient rates. The Commission also imparts policies that operate in place of competition while maintaining the public interest. The Commission also is mindful of competitive technologies and removes regulatory barriers to competition when appropriate.

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16. Please refer to Exhibit No. DJP-1T, p. 21, ll. 4-6 and state whether the “disconnection related fees” under the current tariff are “effective” in avoiding cost shifting to remaining customers. If not, please describe how those fees fail to adequately address cost shifting to the Company’s remaining customers.

Response:

Given the minimal number of requests for disconnection compared to the number of inquiries about disconnection, the current tariff appears to be generally effective in retaining customers. It is a tautology that retained customers do not shift any costs since they did not depart.

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17. Please refer to Exhibit No. DJP-1T, p. 21, l. 14 through p. 22, l. 12. The Staff believes that providing departing customers the option of purchasing facilities used to serve them or paying the cost of removing those facilities has “conceptual merit” and strikes “a fair balance” between the interests of remaining and departing customers. Please set forth how you believe the process for determining fair market value (FMV) can be revised to assure a “fair determination.” For example, if a departing customer does not agree with the initial FMV determination and is afforded the opportunity to secure a second FMV determination by an appraiser chosen by the departing customer, from a list of appraisers previously approved by the Commission, and the lowest FMV determination controls, do you believe that process would result in a “fair determination” as that term is used in the testimony of Mr. Panco?

Response:

As noted on page 21 staff “conceptually” agrees with the Company, but questions the practicality of implementing and administering this approach. Staff’s concerns include the lack of multiple buyers and sellers for the in-place facilities to be purchased, and the potential for increased instances requiring adjudicatory proceeding for the Commission.

Staff is not proposing a new process to revise the proposed tariff since it advocates rejecting the proposed revisions to Schedule 300 because, among other reasons, those revisions appear unnecessary.

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18. Please refer to Exhibit No. DJP-1T, p. 22, l. 8. Do you agree that a departing customer who opts to purchase facilities is a “willing buyer”?

Response:

Not necessarily. “Fair Market Value” is “The amount at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts.”⁶ The company’s proposed tariff revisions essentially compels any customer who does not want to undergo the removal process to purchase Pacific Power’s facilities.

⁶ BLACK’S LAW DICTIONARY at 597-87 (6th ed. 1990) (emphasis added).

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20. Please refer to Exhibit No. DJP-1T, p. 22, l. 17 and set forth, with particularity, how you believe the Company's view of cost shifting caused by a disconnecting customer is "overly broad."

Response:

The Company's proposal is based on an aggregate, averaging cost allocation protocol and not on customer-specific, actual costs incurred. It stretches to include portions of those costs and assets which are used system-wide or in broad alternative markets. Such facilities will continue in use absent any departing customers.

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22. Please refer to Exhibit No. DJP-1T, p. 23, ll. 7-10 and explain, in detail, why the Company's planning cycle for distribution asset and expense planning is a "more appropriate" time horizon over which any such share of costs should be discounted.

Response:

"This is the most relevant time period to the services provided and their replacement cycles."⁷ (DJP-1T, p. 23, ll. 9-10) If the stranded costs are to be associated with the actual depreciation and replacement of assets, the Company's planning horizon for these particular asset and expenses would better match the basis for deeming any such assets as "stranded."

⁷ Exh. No. DJP-1T at 23:7-10.