

Exhibit T-___ (HBM-T1)
Docket No. UE-001734
Witness: Henry B. McIntosh

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,)	DOCKET NO. UE-001734
)	
Complainant,)	
)	
v.)	
)	
PACIFICORP,)	
)	
Respondent.)	
_____)	

DIRECT TESTIMONY OF
Henry B. McIntosh

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

July 2, 2001

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Henry Burke McIntosh and my business address is 1300 South Evergreen
3 Park Drive Southwest, P.O. Box 47250, Olympia, Washington 98504. My e-mail
4 address is hmcintos@wutc.wa.gov.

5
6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 A. I am employed by the Washington Utilities and Transportation Commission
8 (Commission) as a Regulatory Consultant.

9
10 **Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND RELEVANT**
11 **EXPERIENCE.**

12 A. I have M.B.A., M.A., and A.B. degrees from the University of California, and I have
13 worked in the energy and utility fields continuously for about 24 years. Although I have
14 some gas industry experience, my main work has been in the electricity field. I have
15 worked for the Missouri Public Service Commission, Public Service Company of New
16 Mexico, and R.W. Beck, a consulting firm. I have been employed at the Washington
17 Commission since May 1994. I have made presentations in many Open Meetings before
18 this Commission, and I have testified in Rate Case Settlements before the Commission.

19
20 **Q. WHAT IS THE SUBJECT OF YOUR TESTIMONY?**

21 A. The subject of my testimony is an evaluation of the filing by PacifiCorp in this Docket,
22 involving a tariff revision that requires customers disconnecting service, to pay the net

1 cost of removal of facilities. I sponsor an alternative to the language proposed by the
2 Company.

3
4 **Q. WHAT IS STAFF'S RECOMMENDATION?**

5 A. The Commission should reject the tariff revision proposed in the filing and authorize the
6 Company to file tariff revisions consistent with Staff recommendations. The specific
7 language Staff proposes is contained later in my testimony, and in Ex. ____(HBM-2).

8
9 **Q. WHAT IS PACIFICORP'S PROPOSED TARIFF CHANGE?**

10 A. PacifiCorp proposes a change to Rule 4 in Tariff WNU-74:

11
12 **4. APPLICATION FOR SERVICE**

13 . . .

14 (f) **Availability of Facilities:** Company shall not be required to
15 maintain facilities in place or to continue the availability of facilities
16 installed for the Customer's service when: (a) facilities are not being
17 utilized to provide service in accordance with an application for
18 service; or (b) when such service is not furnished in accordance with
19 contract provisions set forth in this tariff.

20
21 *When a Customer requests the Company to disconnect Company's*
22 *facilities so that Customer may switch to another electric utility,*
23 *Customer shall pay to Company, prior to disconnection, the estimated*
24 *removal cost less salvage of those facilities that will no longer be used as*
25 *a result of Customer switching to the other utility.*

26
27 The italicized text is the new language proposed by the Company. A copy of

28 PacifiCorp's Tariff Rule 4, including this proposed language, is in Ex. ____(HBM-3).

29
30 **Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF PACIFICORP'S PROPOSAL.**

1 A. PacifiCorp is using this filing to recoup its costs of facilities removal without passing
2 those costs on to the general body of customers. Those customers who cause the cost of
3 facilities removal would bear the cost, under PacifiCorp's proposal.

4
5 **Q WHAT HAS PROMPTED PACIFICORP TO PROPOSE THIS REVISION?**

6 A. According to the Company's testimony, the City of Dayton passed Ordinance in January
7 2001, allowing more than one electricity provider in the city. The Columbia Rural
8 Electric Association (CREA) is installing its own lines and some PacifiCorp customers
9 are switching service to CREA. PacifiCorp has been removing facilities without charge
10 when these customers switch. (Ex. ___(WGC-T1) at 2).

11
12 **Q PLEASE DESCRIBE THE FACILITIES THAT MAY BE SUBJECT TO**
13 **REMOVAL UNDER PACIFICORP'S PROPOSAL.**

14 A. The Company's proposed tariff language is not clear on this point, but the Company has
15 stated that its proposal is limited to distribution facilities. (Ex. ___(HBM-4), PacifiCorp
16 Response to Public Counsel Data Request No. 20). The Company has also stated that its
17 proposal does not apply to primary facilities in the public right-of-way. (Ex. ___(HBM-
18 5), PacifiCorp Response to Staff Data Request No. 2.15).

19
20 **Q. WHY ARE PACIFICORP'S PROPOSED TARIFF REVISIONS**
21 **UNACCEPTABLE TO STAFF?**

1 A. The language in PacifiCorp's proposal is vague. The scope of PacifiCorp's proposal is
2 not expressly limited to distribution facilities. Further, PacifiCorp does not define which
3 distribution facilities are covered by the charge. For example, PacifiCorp's proposed
4 language is ambiguous as to whether secondary facilities on public easement are subject
5 to removal.

6
7 PacifiCorp's proposal is also discriminatory. It only applies to a customer who requests
8 disconnection because it will be seeking service from a competing provider. So a
9 customer disconnecting for other reasons would not be subject to the charge. There is no
10 cost basis for this distinction, so PacifiCorp's proposal is discriminatory in an economic
11 sense. There is no apparent or strong policy reason why all customers seeking permanent
12 disconnection should not bear the same costs they impose on PacifiCorp.

13

14 **Q. IF A COST OF REMOVAL TARIFF WAS APPROVED, HOW OFTEN WOULD**
15 **IT BE APPLIED?**

16 A: That is not possible to predict with certainty. However, we expect the number to be
17 small. The Company so far has received only fifteen requests for disconnection from
18 customers switching to another utility. Eight removals have occurred. The Company
19 states it is unaware of other situations in which customers would permanently disconnect
20 service, other than for purposes of relocating facilities upon customer request. For such
21 facility relocations, a charge for the net cost of relocation already exists. (Ex. __ (HBM-
22 6), PacifiCorp Responses to Staff Data Request No. 2.3 and Public Counsel Data Request
23 No. 22).

1 **Q. PLEASE EXPLAIN STAFF’S PROPOSAL.**

2 A. Staff proposes that a net removal charge be approved. Staff ‘s proposal is different from
3 PacifiCorp’s proposal in the following respects: a) Staff’s proposal clarifies that the
4 charges apply only to distribution facilities; b) the charges apply to any customer
5 requesting permanent disconnection in circumstances where the facilities will not be
6 reused at that site or when the customer specifically requests that a facility be removed;
7 c) it limits and defines the scope of the distribution facilities involved; d) where possible,
8 it states a specific charge for certain applications of the tariff. Staff considers a cost-based
9 charge of \$200 for overhead residential, and \$400 for underground residential removals,
10 as reasonable. These charges should be imposed in a uniform manner. A flat,
11 predetermined rate provides clarity and predictability to customers and rules reduces the
12 opportunity for discriminatory treatment.

13
14 **Q. WHY SHOULD THE NET REMOVAL CHARGES APPLY ONLY WHEN THE**
15 **FACILITIES WILL NOT BE REUSED AT THE CUSTOMER’S SITE?**

16 A. In the case of temporary disconnections to a site, such as when ownership changes, there
17 is usually no need for disconnection or reconnection by physical removal of property, as
18 switching off the service serves the same purpose. The next occupant would use the
19 facilities.

20
21 **Q. WHAT IS THE SCOPE OF THE FACILITIES THAT CAN BE REMOVED FOR**
22 **CHARGE UNDER STAFF’S PROPOSAL?**

1 A. If a customer specifically requests removal of facilities on public easement, a charge may
2 apply. Otherwise, a charge applies only to removal of those distribution facilities serving
3 the customer that are not on public easement. Such distribution facilities generally
4 include a meter, and a conductor, known as a “service drop.” In some cases, the property
5 could be other conductors, poles and line transformers. In rare cases, the property would
6 be high voltage transmission lines, if they were entirely dedicated to the customer under
7 discussion. These limitations provide a reasonable boundary on the applicable charges.

8

9 **Q IS THE DISTINCTION BETWEEN TRANSMISSION AND DISTRIBUTION**
10 **PLANT ALWAYS CLEAR?**

11 A. No. For example, what is transmission and what is distribution may be disputed in the
12 case of a large industrial customer who takes power at directly at high voltage. Providing
13 a correct definition of distribution facilities is difficult. If disputes arise, the issues may
14 need to be resolved by the Commission.

15

16 **Q. PLEASE STATE STAFF’S PROPOSAL.**

17 A. Staff proposes the following language be added to Rule 4 of PacifiCorp’s Tariff:

18 *In Rule 4 (f) add the following after the existing paragraph on page F.3:*

19

1 a) When Customer requests Company to permanently disconnect Company's
2 facilities, under circumstances where the facilities would likely not be reused at the
3 same site, Customer shall pay to Company the actual cost for removal less salvage of
4 only those distribution facilities that need to be removed for safety or operational
5 reasons, and only if those facilities were necessary to provide service to Customer.
6 However, the actual cost for removal less salvage charged to Customer making a
7 request under this paragraph shall not include any amount for any distribution
8 facilities located on public easement (other than the meter and overhead or
9 underground service). When the facilities removed by Company are residential
10 overhead service & meter only, the charges shall be \$200. When the facilities
11 removed by Company are residential underground service & meter only, the
12 charges shall be \$400.

13
14 b) When Customer requests Company to permanently disconnect Company's
15 facilities, under circumstances where the facilities would likely not be reused at the
16 same site and Customer also requests Company to remove specific distribution
17 facilities, Customer shall pay to Company the amounts described in paragraph (a)
18 above, as well as the actual cost for removal less salvage of any different distribution
19 facilities Customer requests be removed. Notwithstanding the last sentence of
20 paragraph (a), the actual cost for removal less salvage charged to a Customer
21 making a request under this paragraph may include amounts for distribution
22 facilities located on public easement if Customer specifically requests such facilities
23 be removed.

24
25 c) Company shall remove facilities pursuant to paragraph (a) and (b) only to
26 the extent it can do so without an adverse impact on the service provided, or to be
27 provided, to other customers.

28
29 In billing for removal of distribution facilities under paragraphs (a) and (b),
30 Company shall charge Customer for the actual cost for removal, less salvage, unless
31 the specific charge stated in paragraph (a) applies. Company shall provide an
32 estimate of such charges to Customer prior to removal of facilities. The Customer
33 shall pay the amount estimated prior to disconnection and removal of facilities. The
34 facilities shall be removed at a date and time convenient to both the Customer and
35 Company. Within 10 business days after removal, Company shall determine the
36 actual cost for removal less salvage, and adjust Customer's estimated bill to that
37 amount.

38
39
40 **Q. ARE THERE OTHER CONDITIONS OF STAFF'S PROPOSAL?**

41 A. Yes. There should be a sunset date and reporting requirements to ensure reasonable
42 conduct by all concerned.

1 **1.** The tariff revision should bear a “sunset date” of December 31, 2005. This puts
2 the burden on PacifiCorp to affirmatively seek the continuance of the tariff. This sunset
3 date coincides with the end of the current Rate Plan for PacifiCorp. The sunset date does
4 not prohibit changes to the tariff in the meantime. Such changes would be subject to
5 normal tariff change procedures, but any such changes should also be subject to the
6 sunset date.

7
8 **2.** PacifiCorp should be required to report annually on its experience under the tariff
9 language. It would report number of times the tariff was used, date, customer type,
10 nature of request, estimated removal cost and salvage, actual removal cost and salvage,
11 description of facilities removed, and the accounts used to book each transaction. The
12 annual reports should be due beginning one year after the proposed tariff language takes
13 effect.

14
15 **Q. WHAT IS THE BASIS FOR THE \$200 CHARGE FOR REMOVAL OF**
16 **RESIDENTIAL METERS AND OVERHEAD SERVICE DROPS, AND \$400**
17 **CHARGES FOR UNDERGROUND SERVICE DROPS?**

18 **A.** These figures are based on Staff’s understanding of the Company’s average cost of
19 removal in these situations. We expect the Company to have justified these figures by the
20 time this testimony is offered. In the case of commercial and industrial customers, we
21 expect that net removal costs are not amenable to such averaging and will be dealt with
22 on a case-by-case-basis. It is primarily for this reason that we recommend reporting on
23 each incident of removal in periodic reports to the Commission.

1 **Q. DOES PACIFICORP'S CURRENT TARIFF CONTAIN ANY CHARGES THAT**
2 **ARE SIMILAR TO THE PROPOSED CHARGES?**

3 A. Yes. Under terms of Tariff WN U – 74, Line Extensions Rule 14, III.A.1, the Company
4 can require a non-residential customer to pay a contract minimum billing for five years,
5 regardless of whether or not the customer remains connected to the system for that
6 period. Rule III.A.2 provides that any non-residential customer who leaves before ten
7 years must repay the standard line extension allowance.

8
9 In Tariff WN U-74, General Rules and Regulations, 6(f), a customer requesting
10 relocation of facilities pays the net cost of relocation. In each of these examples, the
11 customer has caused the cost to be incurred and the customer pays the cost. Copies of
12 Rule 14.III.A and 6(f) are in Ex. ____ (HBM-7).

13
14 **Q. IS THERE A DANGER THAT FACILITIES OF NEIGHBORING CUSTOMERS**
15 **COULD BE IMPAIRED BY REMOVAL OF FACILITIES PURSUANT TO THE**
16 **CHANGES PROPOSED BY THE COMPANY OR STAFF?**

17 A. No. Facilities being used by customers other than those requesting removal of property
18 would not be removed. (Ex. ____ (HBM-8), PacifiCorp Response to Staff Data Request
19 No. 2.23).

20
21 **Q. ARE THERE REASONS THAT THE PROPERTY SHOULD BE REMOVED**
22 **WHEN A DIFFERENT ELECTRIC PROVIDER IS CHOSEN BY THE**
23 **CUSTOMER?**

1 A Yes. In response to Staff Data Request No. 2.19, PacifiCorp states that in that situation,
2 the Company removes facilities for safety and operational reasons. Staff has no reason to
3 dispute that response,. (Ex. __ (HBM-9). For example, fire fighters must quickly obtain
4 electricity Company cooperation to de-energize circuits which might endanger
5 firefighters or citizens during an emergency. The existence of two service drops presents
6 a confusing situation to emergency personnel that is not acceptable.

7

8 **Q. IS THE STAFF PROPOSAL REASONABLE?**

9 A. Yes. It is reasonable to charge customers based on the cost their action imposes on the
10 Company.

11

12 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

13 A. Yes.