

PUBLIC COUNSEL DATA REQUEST PC-9 TO CREA:

PC-9. Re: Response Testimony of Michael P. Gorman, Exhibit No. MPG-1T

Please refer to MPG-1T, page 11, lines 17-26, which states:

If a customer chooses to leave PP's service, under the terms and conditions approved by the WUTC, then that customer should be obligated to pay no more than necessary to provide PP compensation for the facilities that were used to provide service to the customer. Requiring customers to compensate PP for these facilities at the fair market value, which will likely exceed the facilities' net book value, will result in unjust charges to departing customers. If the customers had not left the system, they would have compensated PP based on net book value of the facilities via the original cost rate base form of setting rates. As such, compensation for facilities dedicated to a customer should be purchased from PP at their net book value.

Based on this statement, please explain:

- a) How did Mr. Gorman determine that the fair market value of these facilities would likely exceed the facilities' net book value?
- b) If Columbia REA were to acquire the same facilities today and install them to serve its customers, would the cost be higher than PP's net book value?
- c) What is Columbia REA's policy for requiring departing customers to pay for facilities that must be removed because they are no longer needed to serve that customer?
- d) Please provide Columbia REA's terms of service for commercial and industrial customers, including the on-going cost for service and any one-time charges for commencing or terminating service.

RESPONSE TO PUBLIC COUNSEL DATA REQUEST PC- 9:

- a. This is Mr. Gorman's understanding based on his experience in evaluating fair market value of utility assets for regulatory proceedings. Both Indiana and Arizona are fair market value jurisdictions. Assessing the difference between fair market value and original cost in measuring a utility's rate base is standard practice in these two jurisdictions. Generally, fair market value exceeds original cost when these measurements are performed. Mr. Gorman has participated in several rate cases in both of these jurisdictions over the last 30 years.
- b. Columbia REA objects to this request on the grounds that the information requested is not relevant to the issues in this proceeding, is vague, and calls for speculation. Without waiving the foregoing objections, Columbia REA responds as follows: Columbia REA cannot state with certainty whether "the cost to acquire the same facilities" as those currently used by PP to serve its customers would be higher or lower, as this depends on the condition of the facilities and whether and under what conditions they are available

for purchase, which is why requiring a fair market valuation is problematic. Additionally, while Columbia REA could incur additional costs to install the referenced facilities, such costs have no impact on PP's remaining customers and, therefore, are not relevant to the rates, terms, and conditions of PP's service to its customers.

- c. Columbia REA objects to this request on the grounds that the information requested is not relevant to the issues in this proceeding. Without waiving said objection, Columbia REA responds as follows: If Columbia REA installed a line extension to the customer, that customer could be required to reimburse the cooperative for a prorated portion of any costs Columbia REA incurred to install the line extension, depending on how long the customer took service from the cooperative. See Attachment A to Columbia REA's Response to PC-9c for a copy of Columbia REA's form Electric Service Agreement, which provides more specifics on how these costs may be incurred. Please also see Confidential Attachment A to Columbia REA's Response to Staff Data Request No. 1 for a copy of Columbia REA's line extension policy. Columbia REA does not otherwise charge departing customers for the cost of disconnection and has no tariffs that are equivalent to Pacific Power's tariffs at issue in this proceeding.
- d. See Attachment A to Columbia REA's Response to PC-9c and Confidential Attachment B to Columbia REA's response to Staff Data Request No. 1.

Date: May 17, 2017
Respondent: Michael Gorman as to Subsection a; Les Teel as to Subsections b through d.
Witness: Michael Gorman as to Subsection a; Les Teel as to Subsections b through d.