

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP D/B/A PACIFIC POWER & LIGHT COMPANY,

Respondent.

DIRECT TESTIMONY OF LEA DAESCHEL

ON BEHALF OF

PUBLIC COUNSEL

JUNE 21, 2013

DIRECT TESTIMONY OF LEA DAESCHEL (LD-1T)
DOCKET UE-130043

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION AND SUMMARY	1
II. PACIFICORP'S PROPOSED INCREASES TO SCHEDULE 300 RECONNECTION CHARGES SHOULD BE REJECTED	4
III. PACIFICORP'S PROPOSED CHANGES TO RESIDENTIAL PERMANENT DISCONNECTION CHARGES SHOULD BE REJECTED	12
IV. SUMMARY AND CONCLUSIONS	15

TABLES

Table 1. Comparison of Washington Reconnection Charges to Charges in Other PacifiCorp Jurisdictions	10
Table 2. Comparison of PacifiCorp's Reconnection Charges to Other Washington IOU's	11

CHARTS

CHART 1: Total Annual Residential Disconnects for Non-Pay, Years 2007-2012	7
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EXHIBIT LIST

Exhibit No. LD-2	PacifiCorp's Response to Public Counsel Data Request 21, and Attachment.
Exhibit No. LD-3	PacifiCorp's Response to Public Counsel Data Request 41
Exhibit No. LD-4	PacifiCorp's Response to Public Counsel Data Request 43

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I. INTRODUCTION / SUMMARY

Q: Please state your name and business address, employer and title.

A: My name is Lea Daeschel, and my business address is 800 Fifth Avenue, Suite 2000, Seattle, Washington, 98104. I am employed as a Regulatory Analyst with the Public Counsel Division of the Washington Attorney General’s Office.

Q: Please briefly outline your education and employment background.

A: I received a B.A. in International Studies from the University of Oregon in 2006. In 2008, I received a Masters in Public Administration from the Mark Hatfield School of Government at Portland State University. Since joining Public Counsel in August 2008, I have worked on a wide range of energy issues, including the review and analysis of utility conservation programs, decoupling mechanisms, low-income rate assistance programs, renewable energy credits, and other various issues in electric and natural gas general rate case and tariff filings before the Commission.

Q: Have you previously testified before this Commission?

A: Yes. Most recently, I filed testimony opposing the multiparty settlement reached in the 2012 Avista rate case. I have also filed testimony and testified as a member of the settlement panel supporting a number of rate case settlements, including Avista’s 2010 and 2011 general rate case settlements and Pacific Power & Light’s 2011 general rate case settlement.

Q: What is the purpose of your testimony in this case?

A: My testimony will address PacifiCorp’s proposed changes to the Schedule 300 charges in its Washington tariff schedules. Specifically, I address the Company’s

1 proposed increases to customer reconnection charges and proposed modifications
2 to the residential permanent disconnection and facilities removal charge.

3 **Q: Please summarize your testimony and recommendations.**

4 **A:** My testimony will discuss the following issues:

5 1. **Reconnection Charges.** I recommend that PacifiCorp's proposed increases
6 to its reconnection charges be rejected because the Company fails to provide
7 sufficient evidence to support its requested increases. In its direct testimony,
8 the Company claims that its "actual costs" associated with reconnection are
9 higher than currently authorized charges. However, the Company does not
10 track actual costs associated with reconnection work, nor does it track
11 employee time spent on reconnection jobs. Thus, the Company's analysis of
12 "actual costs" associated with reconnection work is based solely on estimates.
13 Consequently, the Commission should reject the proposed increases.

14 2. **Residential Permanent Disconnection and Facilities Removal Charge.** I
15 recommend the Commission reject the proposed change to the residential
16 permanent disconnection charges.¹ PacifiCorp fails to demonstrate that actual
17 costs for residential permanent disconnection charges are less than the
18 currently authorized fees for these services. These fees are currently
19 authorized at \$200 for removal of a residential overhead service drop and
20 meter and \$400 for removal of a residential underground service drop and
21 meter. The Company does not track costs associated with residential
22 permanent disconnection charges and instead supports its cost analysis with

1 estimates. Further, the requested changes are not necessary as the Company
2 did not assess this charge to any residential customer during the test period.
3 Therefore, the Commission should reject the proposed changes to residential
4 permanent disconnection charges and maintain the currently authorized set
5 fees at \$200 and \$400.

6 **3. Adjustment to Revenue Requirement Associated with Reconnection**

7 **Charges.** As a result of my recommendation to reject PacifiCorp's proposed
8 increases to reconnection charges, I also recommend that PacifiCorp's
9 adjustment 3.8.1 be rejected. This proforma adjustment removes the actual
10 reconnection charges from the historical test year and replaces them with the
11 proposed amounts using historical numbers of reconnections. Because I am
12 recommending that no increases to reconnection charges be allowed, it is
13 necessary to remove the additional revenues the Company included in this
14 case associated with increased reconnection charges. This adjustment
15 increases revenue requirement by \$71,550.²

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¹ Specifically, these charges refer to removal of a residential overhead service drop and meter and removal of a residential underground service drop and meter.

² See adjustment 3.8.1 of Exhibit No. SRM-3. The Company's original adjustment reduced revenue requirement by \$84,850. However, in response to Public Counsel Data Request No. 23 the Company identified an error it made in calculating the adjustment. The Company inadvertently reflected a \$13,300 increase in revenues (Washington basis) on the field visit charge line. The impact of removing \$13,300 from the case will increase revenue requirement by approximately the same amount. This correction has the result of an updated adjustment which reduces revenue requirement by \$71,550.

1 **II. PACIFICORP’S PROPOSED INCREASES TO SCHEDULE 300**
2 **RECONNECTION CHARGES SHOULD BE REJECTED**

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4 **Q: Please describe the reconnection charge.**

5 **A:** The reconnection charge is the fee that is assessed when a customer has been
6 disconnected due to default or non-payment of their energy bill and then requests
7 reconnection of service.³

8 **Q: What changes is PacifiCorp proposing to its reconnection charges?**

9 **A:** The Company is proposing to increase its reconnection charges from \$20 to \$50
10 for service performed during normal business hours (Monday-Friday 8:00 a.m.
11 -4 :00 p.m., excluding holidays) and from \$50 to \$100 for service reconnections
12 requested to be performed afterhours, (Monday-Friday 4:00-7:00 p.m.) and for
13 service reconnections on weekends and holidays from \$75 to \$175. The
14 Company is also seeking to increase the charge for reconnection associated with
15 meter tampering from \$75 to \$180.⁴

16 **Q: What analysis does PacifiCorp use to support its request?**

17 **A:** PacifiCorp asserts that actual costs incurred for reconnecting customers after
18 disconnection exceed what the Company currently charges.⁵ The Company states
19 that its actual cost to reconnect service for customers during normal business hours
20 is approximately \$57 and the cost to perform this work after normal business hours
21 ranges from \$256 on weekdays to \$305 on weekends and holidays.⁶ With respect to

³ Exhibit No. BAC-1T, p. 5.

⁴ Exhibit No. BAC-1T, pp.5-6.

⁵ Exhibit No. BAC-1T, p. 6.

⁶ Exhibit No. LD-2. These figures are lower than those included in Coughlin’s testimony, Exhibit No. BAC-1T because the Company identified an error in its original cost analysis after responding to Public Counsel Data Request 21. The Company’s original cost analysis showed a cost of \$305 for weekday after-hours reconnection work and \$360 for after hours weekend and holiday reconnections.

1 the tampering fee, the Company says its actual costs are approximately \$180. The
2 Company calculates its “actual costs” by multiplying the hourly activity rate⁷ of the
3 employee who would perform the reconnection by the time needed to perform the
4 reconnection.⁸ However, the Company acknowledges it does *not* have a way to
5 specifically identify the time spent for each individual reconnection job.⁹ The
6 Company provided the following response in discovery, describing how it
7 developed the time estimates associated with reconnection work:

8 The hours noted in Coughlin’s workpaper titled “Cost
9 Analysis for Disconnect/Reconnect Work Washington” are
10 based on a 1998 study of the amount of time spent to
11 perform disconnection and reconnection work. The
12 Company no longer has a copy of this study available.¹⁰
13

14 With respect to the tampering reconnection charge, the Company states that the
15 onsite investigation time associated with this work is based on “past experience” and
16 travel time is based on the approximate location of the sites compared to the service
17 center.¹¹

18 **Q: Please provide your assessment of this analysis.**

19 A: The Company has not provided sufficient evidence to support its claims that actual
20 reconnections costs are higher than currently authorized charges. The Company
21 does not track actual costs associated with reconnection jobs, so there is no data to
22 support the Company’s claims.¹² Instead, the Company attempts to support what it

⁷ The employee activity rate is based on the allocation of work between field specialists and journeyman lineman in effect as of November 1, 2013.

⁸ Exhibit No. LD-2 and Coughlin’s workpaper titled “Tampering Visit Cost Analysis.”

⁹ Exhibit No. LD-3.

¹⁰ Exhibit No. LD-3.

¹¹ PacifiCorp’s Response to Public Counsel Data Request No. 65.

¹² PacifiCorp’s Response to Public Counsel Data Request No. 20. “The Company does not track the total cost associated with reconnection work for each individual reconnection job that is completed.”

1 asserts are its “actual costs” for reconnection work by calculating employee activity
2 rates against time estimates associated with completing the various reconnection
3 jobs. However, this analysis is also without merit because the time estimates are not
4 based on actual time spent by employees on reconnection work. Rather, the time
5 estimates are based on a study that is 15 years old that the Company can’t produce.

6 Likewise, the Company also does not track actual costs booked for each
7 tampering reconnection job. Rather, the time estimates used to develop the proposed
8 increase are based on “past experience.” This is not an adequate analysis to support
9 the increased charges sought by the Company.

10 **Q: Are there any other reasons why PacifiCorp’s proposed increases to**
11 **reconnection charges are not appropriate?**

12 A: Yes. The Company is seeking to increase its business-hour reconnection charges
13 by 150 percent, after-hours reconnection charges by 100 percent,
14 holiday/weekend reconnection charges by 133 percent, and its tampering
15 reconnection charge by 140 percent. Increasing reconnection charges by this
16 magnitude is in direct conflict to the principle of regulatory gradualism, which has
17 been consistently supported by this Commission.¹³ Further, given the Company’s
18 significant proposed base rate increase of 15 percent for residential customers, the
19 proposed reconnection charges could have a particularly negative impact on low-
20 income customers who may already be struggling to pay their electric bills. Not
21 only would these customers be subject to a substantially increased rate burden,
22 but were they to be disconnected, they would also face substantially higher

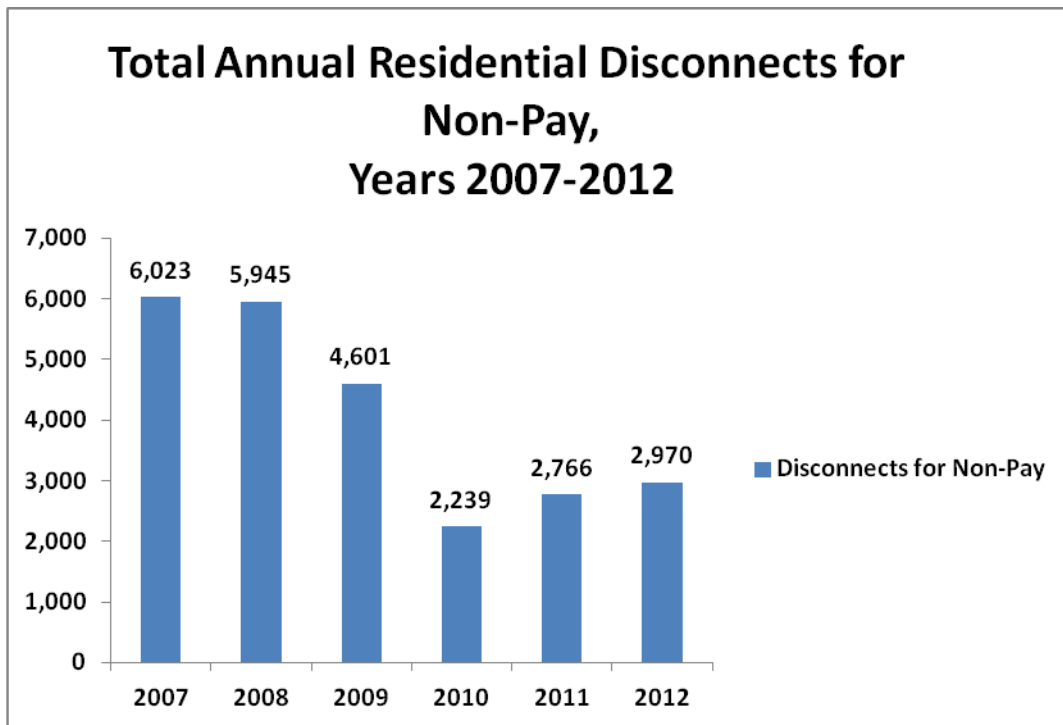
¹³ See, *WUTC v. PacifiCorp*, Docket UE-100749, Order 06 (March 25, 2011), ¶¶ 314 – 317.

1 reconnection charges which could very likely hinder their ability to reconnect
2 service.¹⁴

3 **Q: Have the number of PacifiCorp's customer disconnections increased or**
4 **decreased in recent years?**

5 A: Since 2010, PacifiCorp's customer disconnection rates have been steadily
6 increasing.¹⁵ The chart below demonstrates this trend.¹⁶

7 **Chart 1: Total Annual Residential Disconnects for Non-Pay, Years 2007-2012**



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¹⁴ In Docket UE-130545, PacifiCorp is also seeking a waiver of WAC 480-100-128(6)(k), which would allow the Company to refuse payment from a customer when the Company visits a service location to disconnect service for nonpayment. Together, the request to increase disconnection charges and the Petition for Exemption in Docket UE-130545 would have detrimental effects on low income customers.

¹⁵ Residential disconnections were in a period of decline between 2007-2010. In fact, between 2009 and 2010 disconnections were reduced by over half. However, beginning in 2010 they began a trend of increasing.

1 Between 2010 and 2012 disconnections have increased by over 3 percent.
2 As of the end of April 2013, approximately one-third of the way through the year,
3 1,319 residential customers have been disconnected, which indicates that the trend
4 of increasing disconnections is likely to continue for 2013.¹⁷

5 **Q: What is the significance of this?**

6 A: The fact that more customers are experiencing disconnections indicates that
7 customers are increasingly struggling to pay their utility bills. Increasing
8 reconnection fees only exacerbates a customer's inability to pay his or her utility
9 bill and ultimately the customer's ability to access essential utility service.
10 Increasing PacifiCorp's reconnection fees, during a period of increasing
11 disconnections, would make a difficult situation worse for PacifiCorp's low-
12 income customers. Fairness cautions against such increases at this time.

13 **Q: What is the economic picture for customers in PacifiCorp's Washington**
14 **service territory?**

15 A: PacifiCorp's Washington service territory includes some of the counties hardest
16 hit by the recent economic downturn, and these areas are still struggling to
17 recover. The vast majority of PacifiCorp's Washington service territory is in
18 Yakima and Walla Walla counties.¹⁸ Recent U.S. Census data shows that these
19 counties have a disproportionately high number of people living below the
20 poverty level compared to other areas in the state. In Yakima and Walla Walla,
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¹⁶ Chart source is PacifiCorp's Response to Public Counsel Data Request 163, Attachment.

¹⁷ PacifiCorp's Response to Public Counsel Data Request No. 163, Attachment.

¹⁸ In Washington, the Company serves approximately 132,000 retail customers in Columbia, Garfield, Kittitas, Walla Walla and Yakima counties. See Exhibit No. RPR-1T, p.2.

1 21.4 percent and 18.2 percent of the population respectively live below the
2 poverty level compared to 12.5 percent of the total population in Washington
3 State living below the poverty level.¹⁹

4 The economic hardship facing many of PacifiCorp's Washington
5 customer's emphasizes the troubling impact that increasing reconnection charges
6 would have on already vulnerable customers and further supports rejecting
7 PacifiCorp's proposed increases to these charges.

8 **Q: How do PacifiCorp's proposed reconnection charges compare to the**
9 **reconnection charges in its other jurisdictions?**

10 A: Below is a table which compares PacifiCorp's currently authorized and proposed
11 reconnection charges to what it charges in its other jurisdictions.

12 This table shows that:

- 13 • PacifiCorp's proposed office hour reconnection charge is higher than the
14 currently authorized charge in all of its other jurisdictions;
- 15 • PacifiCorp's proposed after hour reconnection charge is higher than 3 out
16 of 5 of its other jurisdictions;
- 17 • PacifiCorp's proposed weekend/holiday charge is higher than the
18 authorized charges in all but one of its other jurisdictions, and;
- 19 • PacifiCorp's proposed tampering reconnection charge is higher than what
20 it charges in all of its jurisdictions.

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¹⁹ United States Census Bureau, State and County QuickFacts. Available at :
<http://quickfacts.census.gov/qfd/states/53000.html>; Compare further with King County and Thurston
County, both at 10.5 percent of total population living below poverty levels.

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Table 1: Comparison of Washington Reconnection Charges to Charges in Other PacifiCorp Jurisdictions²⁰

	WA Proposed	WA Actual	CA Actual	Idaho Actual	Oregon Actual	Utah Actual	Wyoming Actual
Office Hour Reconnection	\$50	\$20	\$30	\$25	\$30	\$30	\$20
After Hour Reconnection	\$100	\$50	\$60	\$50	\$75	\$100	\$100
Weekend/Holiday Reconnection	\$175	\$75	\$75	\$50	\$175	\$100	\$100
Tampering Reconnection	\$180	\$75	\$75	\$75	\$75	\$75	\$75

Q: How do PacifiCorp’s proposed reconnection charges compare to the rates other Washington utilities charge?

A: Below is a table which compares PacifiCorp’s currently authorized and proposed reconnection charges to the currently authorized charges of other Washington investor-owned utilities.²¹ This table shows that PacifiCorp’s proposed charges for each reconnection charge is higher than what *every* other Washington investor-owned utility (IOU) charges for these same services.²²

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²⁰ PacifiCorp’s Response to Public Counsel Data Request 32.
²¹ Coughlin Workpaper titled “WA 2013 GRC Schedule 300 Fee Change Summary.”
²² A direct comparison cannot be made for the tampering charge because the Company was unable to access data for this from Avista and PSE, and Cascade and NW Natural charge actual costs.

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**Table 2: Comparison of PacifiCorp’s Reconnection
Charges to Other Washington IOU’s.**

	PacifiCorp Proposed	PacifiCorp Actual	Avista	PSE	Cascade	NWN
Office Hour Reconnection	\$50	\$20	\$16	\$37	\$24	\$25
After Hour Reconnection	\$100	\$50	\$32	\$37	\$60	\$50
Weekend/Holiday Reconnection	\$175	\$75	\$32	\$74	\$60	\$50
Tampering Reconnection	\$180	\$75	N.A.	N.A.	Actual costs	Actual costs

Q: Do you have any adjustments to revenue requirement associated with your recommendations on reconnection charges?

A: Yes. As a result of my recommendation to reject PacifiCorp’s proposed increases to reconnection charges, I also recommend that the Commission reject PacifiCorp’s adjustment 3.8.1. This proforma adjustment reflects additional revenue the Company expects to receive associated with the proposed increase to customer reconnection charges during the rate effective period. Because I am recommending that no increases to reconnection charges be allowed, it is necessary to remove the proforma adjustment for increased revenues associated with increased reconnection charges. This results in an increase to revenue requirement of \$71,550.²³

²³ Please note that this adjustment to revenue requirement excludes the effect of any revenue taxes and may differ slightly from the specific revenue requirements calculated by Public Counsel Witness James Dittmer.

1 **III. PACIFICORP'S PROPOSED CHANGES TO RESIDENTIAL**
2 **PERMANENT DISCONNECTION CHARGES SHOULD BE REJECTED**
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4 **Q: Please briefly describe the disconnection and facilities removal charge.**

5 A: The permanent disconnection and facilities removal change is assessed when a
6 customer requests to permanently disconnect service or when a customer changes
7 its electric service provider, and the Company permanently removes electric
8 facilities. If the facilities will no longer be used by the Company at the site, the
9 Company will remove facilities at the expense of the individual customer.²⁴

10 **Q: What changes is PacifiCorp seeking for the permanent disconnection and**
11 **facilities removal charge for residential overhead service drop and meter and**
12 **underground service drop and meter?**

13 A: The Company seeks to establish one permanent disconnection and facilities
14 removal charge for all removals of service under rule 6.1, covering both
15 residential *overhead* service drop and meter and *underground* service drop and
16 meter. The Company is proposing to eliminate the set fees that are currently
17 assessed and instead charge the actual removal cost, less salvage and depreciation.
18 Currently, the set charge for removal of a residential overhead service drop and
19 meter is \$200.00, and the current charge for removal of a residential underground
20 service drop and meter is \$400.00. The current charge for all other residential
21 service and non-residential service is actual costs less salvage.

22 **Q: What is the basis for the Company's recommendation to eliminate the set**
23 **charge for these residential permanent disconnection and facilities removal**
24 **services to actual costs?**

1 **A:** The Company argues that its charges associated with removal of overhead and
2 underground residential service drops and meters do not reflect the actual costs of
3 performing this work.

4 **Q:** **Please describe your assessment of the Company's analysis.**

5 **A:** The Company does *not* track actual costs associated with the removal of a
6 residential overhead service drop and meter or an underground service drop and
7 meter.²⁵ Because the Company does not track these costs, it is unable to provide
8 the specific cost associated with each of these removals.

9 **Q:** **How, then, does the Company support its claim that actual costs for these**
10 **removals are greater than the set charges?**

11 **A:** The Company states that its claim is based on sample estimates.²⁶ For the
12 removal of residential overhead service drop and meter, the Company estimates a
13 cost of \$463, which is based on a two-person crew with 40 minutes of travel time
14 removing 75 feet of overhead wire and one meter. For the removal of an
15 underground service drop and meter removal, the Company estimates a cost of
16 \$4,564, which is based on a 3 person crew, 40 minutes of travel time removing
17 150 feet of underground wire, 140 feet of conduit, and one meter.

18 **Q:** **What is the basis for the \$200 and \$400 charges set for overhead and**
19 **underground residential service drops and meters?**

²⁴ Exhibit No. BAC-1T, p. 4.

²⁵ PacifiCorp's Response to Public Counsel Data Request 66.

²⁶ I note that this data was not provided in the Company's direct case, and was only made available in discovery. *See*, PacifiCorp Response to Public Counsel Data Request No. 19.

1 A: My understanding is that these charges were set when PacifiCorp's net removal
2 tariff was approved, and they were based on the average cost of PacifiCorp's
3 *actual* cost of removal in these situations.²⁷

4 **Q: Does the Company support its current proposal with actual costs associated**
5 **with these residential permanent disconnection facilities removal charges?**

6 A: No. Unlike when the Company first established these charges in Docket UE-
7 001734, the Company does not base its proposal in this case on actual costs.
8 There is no evidence in this case supporting the Company's proposed changes to
9 these charges.

10 **Q: How do you respond to the argument that a removal charge should reflect**
11 **actual costs and should ensure that the costs are borne by the cost-causer,**
12 **rather than the Company's other customers?**

13 A: The Commission has clearly provided that in situations where a customer request
14 imposes a direct cost on the Company, such as removal of facilities, it is fair to
15 require the requesting customer to be largely responsible for the costs.²⁸
16 However, the Commission has also found that a cost-based charge which is based
17 on average costs in the context of facility removal of "simple residential
18 underground and overhead service drops" is appropriate.²⁹

19 **Q: How often was the permanent disconnection charge for removal of a**
20 **residential overhead service drop and meter and underground service drop**
21 **and meter removal assessed during the test period?**

²⁷ *WUTC v. PacifiCorp*, Docket UE-001734, Eighth Suppl. Order (Nov. 2012), ¶ 74.

²⁸ *WUTC v. PacifiCorp*, Docket UE-001734, Eighth Suppl. Order (Nov. 2012), ¶ 81.

²⁶ *WUTC v. PacifiCorp*, Docket UE-001734, Eighth Suppl. Order (Nov. 2012), ¶ 74 and ¶ 82.

1 A: The Company did not complete any permanent disconnections for residential
2 services which would qualify for the Residential Service Removal Charge during
3 the test period.³⁰

4 **Q: What does this demonstrate?**

5 A: It is not necessary to modify these charges at this time because the Company
6 cannot demonstrate over- or under-recovery as a result of the current charges.

7 **Q: Are there any other reasons to maintain a set fee for removal of a residential**
8 **overhead service drop and meter and underground service drop and meter?**

9 A: Yes. As noted by Commission Staff when these charges were first set, a flat
10 predetermined rate provides clarity and predictability to customers and reduces
11 the opportunity for discriminatory treatment.³¹

12 **V. SUMMARY AND CONCLUSIONS**

13 **Q: Please summarize your testimony.**

14 A: I recommend that the Commission reject PacifiCorp's proposed increases to its
15 reconnection charges for service performed during normal business hours, for
16 service performed after business hours, for service performed on holidays and
17 weekends and for service performed associated with tampering. These charges
18 should remain at \$20, \$50, \$75 and \$75 respectively. In connection with this
19 recommendation, I also recommend that the Commission reject the Company's
20 adjustment 3.8.1 in this case which has the impact of increasing revenue
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³⁰ Exhibit No. LD-4.

³¹ Testimony of Henry B. McIntosh, Exhibit No. HBM-T1, p. 5, Docket UE-001734 (Testimony supporting set charges for removal of residential overhead service drop and meter and underground service drop and meter when the Company's net removal tariff was first established).

1 requirement by approximately \$71,550. Finally, I recommend that the
2 Commission reject the Company's proposal to charge actual costs, less salvage
3 and depreciation, for removal of residential overhead and underground service
4 drops and meters, instead of the set charges that residential customers currently
5 pay for these services. These charges should remain at their current set fees
6 which are \$200.00 for removal of a residential overhead service drop and meter
7 and \$400.00 for removal of a residential underground service drop and meter.

8 **Q: Does this conclude your direct testimony?**

9 A: Yes, it does.