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Via Electronic Filing and Federal Express

Commissioner Dave Danner
Commissioner Ann Rendahl
Commissioner Jay Balasbas
Executive Director & Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
P. O. Box 47250
Olympia, WA 98504-7250

Re: WUTC v. Pacific Power & Light Co.
Docket UE-161204

Dear Commissioners:

Columbia Rural Electric Association ("CREA") respectfully submits these comments in response to Pacific Power & Light Company's ("Pacific Power" or the "Company") December 1, 2017 Compliance Filing in the above-referenced docket. As you know, the parties conferred and attempted to reach an agreement on the Compliance Filing responsive to the Washington Utilities and Transportation Commission's ("Commission") Final Order in this docket. In most respects, Columbia REA agrees that the Company's modifications adhere to the Final Order's requirements. There are, however, a few notable exceptions, which either reflect differences of opinion between Columbia REA and Pacific Power or are based on modifications the Company proposes that are plainly non-compliant with the Commission's Final Order.

For ease of reference, Columbia REA has prepared a redline of the Company's tariff to identify the areas of disagreement between the two parties.

1. <u>The Final Order requires customers to purchase Facilities at Net Book Value unless a safety or operational issue requires their removal</u>.

Most of the disputed issues between Pacific Power and Columbia REA with respect to the Compliance Filing stem from differing interpretations of the Final Order. The Company's revised Rule 6 appears to create a disjunctive scenario in which a customer

requesting permanent disconnection will either pay to remove Facilities, regardless of circumstance, or will purchase *some* Facilities at their Net Book Value and pay to remove others (more on both of these options below).

By contrast, Columbia REA reads the Final Order to establish a default scenario and an alternative under certain limited circumstances. Specifically, when a customer elects to permanently disconnect, it must purchase all Facilities subject to Permanent Disconnection (i.e., those Facilities dedicated to serving the disconnecting customer) at their Net Book Value. The Final Order plainly states that "[b]asic notions of fairness and equity dictate that customers who wish to permanently disconnect from a regulated utility should be required to pay the undepreciated value of the facilities dedicated to providing them service, but nothing more."[1/] Purchase at Net Book Value is "required." Only when a safety or operational issue necessitates removal of Facilities would a customer be required to pay the Actual Cost of Removal, and removal would apply only to those Facilities to which the safety or operational issue applied.

Columbia REA's interpretation is simple and straightforward for customers to follow and for the Commission to enforce. In the vast majority of circumstances, departing customers will purchase Facilities at Net Book Value, leaving remaining customers whole. This circumstance would not occur only when Facilities must be removed for safety or operational reasons.[2/] Conversely, Pacific Power's interpretation is messy and complex. Under the Compliance Filing, in any given permanent disconnection, a customer might purchase Facilities at their Net Book Value, or the customer might pay to remove them. Who decides which scenario occurs and when – the Company or the customer – is not identified, but either appear to be an option for each Permanent Disconnection. This will promote additional controversy and litigation. It is also non-compliant with the Final Order for other reasons, discussed below.

2. The Company's tariff changes do not limit removal of Facilities for safety or operational reasons.

The Commission's Final Order expressly rejected the Company's proposal to eliminate language from its existing Rule 6 that allows it to remove "only those facilities that need to be removed for safety or operational reasons, and only if those facilities were necessary to provide service to the customer."[3/] The Commission noted that the Company "has not provided any evidentiary support for this change" and that "allowing the Company to require facility removal at its sole discretion is not required to ensure the full return of the investment, or to hold other ratepayers harmless. Rather, it merely provides a disincentive for customers to choose another service provider."[4/]

1/ Final Order ¶ 106 (emphasis added).

2/ Although the customer will still cover the remaining Net Book Value of the Facilities as part of the Actual Cost of Removal. Final Order ¶ 84; Proposed Rule 1 ("Actual Cost of Removal" definition).

3/ Final Order ¶¶ 85-88.

4/ Id. ¶¶ 87-88.

Nevertheless, the language limiting removal of Facilities only for safety or operational reasons is absent from the Company's Compliance Filing. Pacific Power offers no explanation for this omission.

This is an example of why the Company's interpretation of the Final Order to provide an optional, rather than a mandatory, Net Book Value purchase of Facilities makes no sense. If Facilities may only be removed for safety or operational reasons, as the Final Order plainly requires, and a customer is not required to purchase Facilities that do not need to be removed, then the customer could simply decline to purchase the Facilities, leaving other customers to cover any remaining Net Book Value.[5/] The only sensible interpretation of the Final Order is to require a Net Book Value purchase in the absence of Facility removal.

3. Purchase at Net Book Value applies to all Facilities subject to Permanent Disconnection.

As an alternative to removal of Facilities, Rule 6 in the Company's Compliance Filing provides that a customer may "[p]urchase underground conduit and vaults at Net Book Value and pay the Actual Cost of Removal for all remaining Facilities less salvage …."[6/] The Final Order, however, plainly states that "Pacific Power must include in its revised tariff filing language specifying that customers may purchase facilities at Net Book Value upon permanent disconnection."[7/] The order did not limit these facilities to underground conduit and vaults.

Additionally, the Company again fails to recognize the Commission's Final Order limiting removal "only … for safety or operational reasons." Limiting the purchase of Facilities to underground conduit and vaults produces a scenario where a customer must pay to remove other customer-dedicated Facilities even in the absence of a safety or operational concern. That "is not required … to hold other ratepayers harmless … [and] merely provides a disincentive for customers to choose another service provider."[8/]

4. Pacific Power's decommissioning option is unnecessary and, if retained, should be revised.

a. The Final Order has necessarily precluded the need for decommissioning Facilities.

The Company has proposed language allowing it to decommission certain customer-dedicated Facilities "if the Company finds that removal of the underground equipment would create a safety or operational concern, or when the departing Customer declines to purchase the equipment."[9/] The Commission directed the parties to "work together to develop

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5/ The Compliance Filing would appear to indicate that, in this circumstance, the Company would decommission facilities, but for the reasons discussed below, that option also makes no sense.
6/ Proposed Rule 6.I.1.b.
7/ Final Order ¶ 198 (emphasis added).
8/ Id. ¶88.
9/ Proposed Rule 6.I.2.

more detailed policies and procedures" related to a decommissioning option. However, following the Commission's Final Order it became apparent to Columbia REA that a decommissioning option was unnecessary.

Under the Company's proposed language, a customer could refuse to purchase Facilities even when no safety or operational issue exists. In that circumstance, the Company would decommission the Facilities and the customer would pay the cost of decommissioning. Not only is that unnecessary and wasteful, but remaining customers, or shareholders, would then assume the remaining Net Book Value of such facilities, which increases their costs. Thus, the Company's decommissioning option would actually harm remaining customers. That is why it makes sense to require a customer to purchase Facilities at their Net Book Value. It is consistent with the Commission's stated "obligation [] to ensure Pacific Power and its shareholders are made whole and its remaining customers are held harmless."[10/]

If a customer is required to purchase Facilities at their Net Book Value, absent a safety or operational concern that necessitates removal, then there is no scenario under which decommissioning could occur. The Company identifies a circumstance in which removal would create a safety or operational concern as a justification for decommissioning. But in that circumstance, transferring ownership and liability of the Facilities to the customer via a Net Book Value purchase resolves that concern from the Company's perspective.

The Commission has already found this to be the case. In resolving the Walla Walla Country Club's complaint against Pacific Power for attempting to "decommission" facilities dedicated to serving the Club, the Administrative Law Judge rejected Pacific Power's arguments that leaving empty vaults and conduit in place would: (1) present safety risks for excavators digging in the area that could accidentally strike an energized line; (2) present safety risks related to duplicative facilities; and (3) violate NESC requirements unless Pacific Power perpetually maintained those facilities.[11/] The Commission summarily affirmed these findings, stating that they were "well-reasoned discussions of the evidence presented …."[12/]

Now that the Commission's Final Order has established a new framework for permanent disconnections in which, under the vast majority of cases, the customer will be required to purchase Facilities at their Net Book Value and be required to remove Facilities only when a safety or operational concern exists, it will only generate confusion on the part of customers and lead to additional litigation over permanent disconnections to include a third "decommissioning" option that can never occur.

b. If the Commission retains the decommissioning option, it should modify the Company's proposed language.

Despite the discussion above, if the Commission determines that a decommissioning option should remain in Rule 6, then the Commission should make the

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[10/] Final Order ¶ 108.
[11/] Docket No. UE-143932, Order 03 ¶¶ 19-25 (Jan. 15, 2016).
[12/] Id., Order 05 ¶ 6 (May 5, 2016).

following changes. First, under the Company's proposal, it may decommission Facilities when it "finds that removal of the underground equipment would create a safety or operational concern, or when the departing customer declines to purchase the equipment."[13/] This allows the Company to decommission facilities even when the customer purchases them if it determines that removal would create a safety or operational concern. That makes no sense and is little more than an attempt to unwind the Commission's holding in the Walla Walla Country Club docket. It provides an excuse for Pacific Power to commit waste on and of a customer's property. The Commission should change this language to require both that removal would create a safety or operational concern and the customer has declined to purchase the Facilities.[14/]

Second, the Company should be required to identify the NESC guidelines and/or industry best practices that necessitated each decommissioning action when it provides a written confirmation to the customer. This will ensure the Company's actions were necessary.

5. The Commission need not review and approve Stranded Cost Recovery Fees that have been agreed to between the Company and a customer.

In its cover letter, the Company notes that Commission Staff has taken the position that all Stranded Cost Recovery Fees ("SCRF") must be reviewed and approved by the Commission, regardless of whether the customer has agreed to pay the fee.[15/] Pacific Power notes its disagreement with this position, but as a compromise, the Company proposes to submit SCRFs for customers with loads greater than 1 MW to the Commission.

Columbia REA agrees with the Company that the Final Order does not require the Commission to review and approve every SCRF, and believes that submitting such fees to the Commission, unless they are disputed, is not in the public interest, even for customers greater than 1 MW. Doing so will require more of the Commission's resources and will subject departing customers to additional delay and expense for no apparent benefit.

Further, Commission approval of SCRFs that have been agreed to between the Company and a customer could be used as precedent in the event of a disputed SCRF. If one customer has agreed to a particular SCRF simply to move the process along, or any other reason personal to that customer, but another similarly situated customer determines that the same SCRF is unjust and unreasonable as applied to it, parties may point to the Commission's previously approved SCRF as evidence of the fee's justness and reasonableness. Without a compelling basis for reviewing agreed upon SCRFs, the public interest is better served by devoting the Commission's resources to more pressing matters.

[13/] Proposed Rule 6.I.2 (emphasis added).

[14/] Again, Columbia REA's interpretation of the Final Order is that a customer cannot decline to purchase Facilities at Net Book Value. The recommendation above is only in the event the Commission disagrees with this interpretation.

[15/] Pacific Power Cover Letter at 2.

6. Additional comments and edits.

The redline attached to these comments includes modifications other than those described above. First, Columbia REA proposes a slightly revised definition of "Redundant Service." The revisions are intended to clarify that a customer must actually be receiving service from two different providers for the same load in order to receive "redundant service."

Finally, in Section I.7 of Rule 6, the Company has proposed to apply a credit only for "conduit, vaults, and trenching" that the customer paid to install. Additionally, in Schedule 300, this credit only applies to such facilities that are removed. Paragraph 199 of the Final Order, however, states that a customer is eligible for a credit "for those facilities the departing customer paid to have installed. This credit will apply when facilities are removed or purchased" (emphasis added). Thus, consistent with the Final Order, Columbia REA's edits ensure that the applicable credit applies to any Facilities the customer paid to install (not just conduit, vaults, and trenching), and applies regardless of whether the Facilities are removed or purchased.

Columbia REA appreciates the Company's work in preparing a revised tariff filing in response to the Commission's Final Order in this docket. Columbia REA is available to the parties and to the Commission to discuss and clarify its proposed changes to Pacific Power's compliance filing, if necessary. Columbia REA also reserves the right to support or dispute any additional changes to the Compliance Filing proposed by other parties.

Sincerely,

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cc: UE-161204 Service List