Service Date: December 22, 2017

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PACIFIC POWER & LIGHT COMPANY, Respondent.	DOCKET UE-161204 ORDER 09 REJECTING COMPLIANCE FILING, IN PART; AUTHORIZING AND REQUIRING REVISED FILING

BACKGROUND

1 On November 14, 2016, Pacific Power & Light Company (Pacific Power or Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its Tariff WN U-75, Rule 1 – General Rules and Regulations; Rule 4 – Application for Electric Service; Rule 6 – Facilities on Customer's Premises; and Schedule 300 – Charges as Defined by the Rules and Regulations. Following an evidentiary hearing on June 13 and 14, 2017, the Commission entered its Final Order, Order 06, on October 12, 2017.

2 Order 06 required, among other things, that the Company work with Commission staff (Staff) and intervenors to develop procedures for resolving disputes related to the Company's proposed Stranded Cost Recovery Fee (SCRF), and to develop more detailed policies and procedures related to decommissioning Company facilities following permanent disconnection. Order 06 instructed Pacific Power to submit a compliance filing within 30 days, or by November 13, 2017. On November 14, the Commission entered Order 08, which extended the Company's deadline until December 1.

3 On December 1, 2017, the Company submitted its compliance filing. In its cover letter, Pacific Power noted that the parties were unable to resolve certain issues. Specifically, the parties disagree about whether the Commission must review and approve all SCRF calculations, and whether there are circumstances in which the Company should be permitted to abandon and decommission facilities in place following permanent disconnection. The Company acknowledged that other parties intended to file comments to address their concerns.

4 On December 5, 2017, the Commission issued a Notice of Opportunity to File Written Comments, inviting all parties to submit comments outlining their respective positions on the Company's compliance filing by December 15.

5 On December 15, 2017, Pacific Power, Staff, Public Counsel, Boise White Paper, L.L.C. (Boise), and Columbia Rural Electric Association (CREA) filed comments. Pacific Power provided a more detailed explanation of its tariff revisions, while the remaining parties contested the following portions of the Company's compliance filing:

- Credits for customer-installed facilities
- Basis for determining when facilities may be removed
- Location of facilities subject to disconnection
- Sale of facilities upon permanent disconnection
- Process for SCRF dispute resolution
- Commission review of SCRF calculation
- Policies and procedures related to abandoning and decommissioning facilities
- Application of tariff to negotiated sales and transfers
- Definitions

6 The parties' positions as they relate to each contested issue are discussed in more detail, below.

DISCUSSION AND DECISION

7 WAC 480-07-883 provides that the Commission may enter an order in any proceeding in which a compliance filing is authorized or required that approves, rejects, or rejects any portion of a filing that fails to comply with a Commission order. Although the Company's filing generally complies with the requirements set out in Order 06, certain portions require modification or clarification. Accordingly, we reject those portions of Pacific Power's tariff filing that fail to comply with Order 06 and require the Company to file revised tariff pages consistent with the terms of this Order. We address each of the contested areas of the Company's tariff in turn.

1. Credits for Customer-Installed Facilities

8 Order 06 instructed the Company to "include a credit that corresponds with the Company's current line extension refund policy for those facilities the departing customer paid to have installed."[1] Rule 1 defines "facilities" as "Company-owned infrastructure designed, built, and installed to provide service, including but not limited to

[1] Order 06 ¶ 84.

transmission and distribution lines, service drops, transformers, poles, risers, conduit, vaults, and any other equipment dedicated to supply electricity." Pacific Power's compliance filing, however, provides that a customer may receive a credit for only those portions of trenching, conduit, or vaults the customer paid to have installed.

9 In its comments, CREA argues that customers should be credited for all facilities a customer paid to install, not just trenching, conduit, and vaults. We agree. Order 06 did not permit Pacific Power to limit the required credit to only certain facilities. Customers should receive credit, according to the schedule set out in Schedule 300, for any facilities they paid to install.

10 CREA also argues that such credit should apply whether the facilities are removed or purchased. We agree. Order 06 provides that "Pacific Power must include in its revised tariff filing language specifying that any customer who disconnects from the Company's system within five years of initially connecting will receive a credit equivalent to a line extension credit for those facilities the departing customer paid to have installed. This credit will apply when facilities are removed or purchased."[2]

11 Currently, Rule 6(I)(7) of the Company's tariff specifies that "if a departing Customer requests permanent disconnection of service from the Company's service within five years of initially connecting service and provides documentation of the actual costs paid to install conduits, vaults, and trenching, the Customer will receive a credit per Schedule 300." Pacific Power must revise this provision to replace "conduits, vaults, and trenching," with "facilities" and specify that the credit applies when facilities are removed or purchased.

2. Basis for Determining When Facilities May be Removed

12 Order 06 instructed Pacific Power to retain in its tariff a provision specifying that the Company must demonstrate that safety or operational reasons require removal of facilities unless a customer specifically requests removal of those facilities. Pacific Power did not address this issue in its comments, and failed to retain this provision in its compliance filing.

13 Staff, Boise, and CREA correctly observe that Pacific Power must reinsert this language. Accordingly, we require the Company to add language specifying that it may only require removal of those facilities that must be removed for safety or operational reasons.

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[2] *Id*. ¶ 198.

14 CREA further argues that Order 06 requires customers to purchase facilities unless those facilities must be removed for safety or operational reasons. We disagree. Order 06 held that, "the Company must demonstrate that safety or operational reasons require removal of the facilities *unless a customer specifically requests removal of those facilities*."[3]

3. Location of Facilities Subject to Disconnection

15 Order 06 held that the "Company may remove those facilities that are dedicated to serving the departing customer – and that serve no other customer – regardless of location if demonstrable safety or operational reasons exist that require, or the customer requests, such removal."[4]

16 The Company's revised tariff specifies that the customer must "pay the actual cost of removal of all facilities dedicated to serve the customer requesting permanent disconnection." Boise argues that adding the word "exclusively" following "dedicated" would more accurately represent the intent of Order 06. We agree. To clarify that the Company will only remove those facilities that serve no other customer, we require the Company to revise its tariff accordingly.

4. Sale of Facilities upon Permanent Disconnection

17 Order 06 held that the Company may recover only the Net Book Value (NBV) of any facilities sold to a departing customer upon permanent disconnection. The Company's tariff revision, however, states that, in lieu of removal, customers may purchase "underground conduit and vaults at NBV and pay the actual cost of removal for all remaining facilities less salvage consistent with Schedule 300."

18 In its comments, Boise correctly notes that Order 06 does not permit the Company to recover the actual cost of removal of "all remaining company facilities." The Company must demonstrate that safety or operational reasons exist to justify the removal of *any* of its facilities. If no such reasons exist, the Company will recover its costs through the customer's purchase of those facilities at NBV.

19 Moreover, Order 06 did not limit the definition of "facilities" sold at NBV to underground conduit and vaults. As CREA notes, limiting the purchase option to only those facilities requires customers to pay to remove all other facilities even where no safety or operational concern exists. This outcome is inconsistent with Order 06. Accordingly, the Company is required to file revised pages to replace references to

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[3] *Id.* ¶ 86. Emphasis added.

[4] *Id.* ¶ 90.

"underground conduit and vaults" with "facilities" and insert language clarifying that facilities may only be removed if safety or operational reasons require removal.

5. Process for SCRF Dispute Resolution

20 **Proposed Tariff Modifications.** In Order 06, the Commission directed the parties to work together to develop a dispute resolution process to reduce the Commission's involvement in determining stranded costs on a case-by-case basis. Pacific Power's compliance filing sets out a process that includes the opportunity for the customer to obtain an independent third-party evaluation and request mediation.

21 Boise proposes adding the following terms to the Company's tariff filing: 1) an estimated SCRF should be based on the customer's anticipated date of disconnection rather than the date of the request; 2) customers should have the ability to opt out of permanent disconnection after the SCRF estimate is received; and 3) large customers should have up to two years to pay the SCRF.

22 We decline to adopt Boise's recommendations as bright-line rules. Both the SCRF calculation date and two-year payment plan are issues the parties can negotiate according to the particular circumstances of a customer's situation. Although we agree that customers should not be "locked in" to their decision to disconnect by virtue of requesting a disconnection cost estimate, that issue is adequately addressed in the Company's tariff filing, which provides that the SCRF expires after 90 days if the customer fails to pay or dispute the fee.

23 **Mediation.** Order 06 also requires parties to participate in mediation before a customer may file a formal complaint against the Company with the Commission. Rule 6 of Pacific Power's revised tariff filing, however, states that a customer "may request mediation as described in WAC 480-07-710." This language fails to satisfy the Commission's directive.

24 Boise argues that the tariff should specify the Commission will assign a mediator to eliminate the potential for disagreement between the parties over the choice of mediator. We agree. Pacific Power should modify the language in its tariff to reflect that mediation is required prior to filing a formal complaint with the Commission, and that the Commission will assign a mediator pursuant to WAC 480-07-710(3).

25 **Revising Calculations after One Year.** If an SCRF-related dispute exceeds one year, Pacific Power requests the right to update the inputs to its original calculation. In its comments, Public Counsel argues that customers should be afforded the same

opportunity to revise their calculations with new data. We decline to adopt either proposal.

26 Because the SCRF calculation expires 90 days after it is provided to the departing customer, the customer necessarily must agree to pay or dispute the fee within that timeframe. If the customer disputes the calculation, the parties will participate in mediation. If mediation fails, the customer will file a formal complaint with the Commission. Presumably, any dispute that remains ongoing after one year will be formally adjudicated. In evidentiary proceedings, the parties may offer updated calculations, but the Commission retains the discretion to permit or deny their admission into the record. Accordingly, Pacific Power must remove Rule 6(I)(5)(h).

6. Commission Review of Agreed SCRF Calculations

27 Rule 6 of the Company's revised tariff provides that the Company will submit undisputed SCRF calculations to the Commission for approval only for those customers whose loads are equal to or greater than 1 MW. In its comments, Staff argues that the Commission deferred any determination of the appropriate SCRF to a later proceeding, and Public Counsel notes that Order 06 does not differentiate between calculating and reviewing stranded costs for different customer classes. Accordingly, both Staff and Public Counsel contend that Pacific Power must submit each fee that it wishes to charge to the Commission for approval.

28 Conversely, CREA argues that submitting agreed SCRF calculations for review is not in the public interest because it will require more of the Commission's resources and could set an undesirable precedent for disputed SCRFs.

29 We agree with Staff and Public Counsel that each proposed SCRF is a tariff filing subject to Commission review and approval, regardless of customer class or size. Accordingly, Pacific Power must file all agreed SCRF calculations with the Commission. Following Staff's review, the agreement will be addressed at the Commission's regularly scheduled open meeting where the Commission may accept, reject, or modify the proposed calculation consistent with our obligation to regulate in the public interest and protect both remaining and departing customers. Pacific Power must remove language from its tariff that restricts the application of Commission review to only those SCRFs assessed for large customers.

7. Policies and Procedures Related to Abandoning and Decommissioning Facilities

30 Order 06 required the parties to work together to develop more detailed policies and procedures to address abandoning and decommissioning facilities when service may be negatively impacted or safety issues may arise as a result of removal or purchase by the departing customer. The Company's revised tariff provides that the Company may decommission, at the customer's expense, some or all of the underground conduit and vaults used to provide dedicated service to the departing customer 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. The Company proposes to retain ownership of, and liability for, all decommissioned facilities.

31 Public Counsel supports this provision, but argues that customers should be allowed to seek independent review of the Company's decision to abandon its facilities.

32 Boise argues that all decommissioning activity should be at the Company's expense, consistent with the Commission's understanding in Order 06. Boise further contends that allowing the Company to decommission facilities when the departing customer declines to purchase them conflicts with the Company's representation throughout this proceeding that decommissioning will occur only when purchase or removal is not feasible for safety or operational reasons.

33 CREA argues that the provision is unnecessary and should be removed. CREA contends that, if a customer is required to purchase facilities at NBV absent a safety or operational concern that warrants removal, there is no scenario in which decommissioning could occur. If this provision is retained, CREA proposes the Company should be required to identify the National Electrical Safety Code (NESC) guideline or industry best practice that necessitates removal when it provides written confirmation to the customer.

34 While we appreciate the Company's efforts to incorporate NESC standards and industry best practices into its compliance filing as contemplated by Order 06, we are concerned about the Company's departure from its representations throughout this proceeding that: 1) it would abandon and decommission facilities only when safety or operational issues prevented sale or removal, 2) it would incur all related expenses, and 3) ownership and liability would transfer to the customer upon completion. We address each of these issues in turn.

35 First, Pacific Power witness Mr. Scott Bolton explained in his pre-filed testimony that "the Company seeks the flexibility to abandon and decommission facilities when, in the Company's sole discretion, service may be negatively impacted or safety issues may arise

as a result of removal or purchase by the departing customer."[5] He went on to testify at hearing that "abandonment really would be in only those extreme circumstances where that was the best option due to some extenuating circumstance."[6] Mr. Bolton's description is consistent with the Company's initial filing and revised filing on rebuttal, both of which require customers to purchase or pay to remove facilities unless the Company determines service may be negatively impacted by, or safety issues may arise from, either option.

36 At no point prior to its compliance filing did the Company represent that it may agree to abandon facilities if the Customer chose not to purchase them. We decline to permit the Company to make that change now. Consistent with what the Commission has understood throughout this proceeding, the Company may only decommission and abandon facilities when safety or operational concerns prevent their sale or removal. Pacific Power must revise its tariff consistent with this decision.

37 Second, the Commission understood that the Company would bear the cost of decommissioning and abandoning facilities based on a plain reading of the Company's initial and revised tariff filings. Section 1 of Rule 6(I) presents customers with the option of paying to remove or purchasing facilities. Section 2 describes the Company's option to decommission and abandon facilities in lieu of purchase or removal.

38 Section 3 provides that, "No later than 90 days after removal of Facilities not purchased by the departing customer *or not abandoned and decommissioned by the Company*, the Company will determine the Actual Cost of Removal and adjust the estimated bill to that amount."[7] The language in Section 3 excludes purchase charges from removal costs because those charges are accounted for in Section 2. However, this language excludes costs for decommissioned facilities, which are not elsewhere assigned to the customer.

39 Similarly, Schedule 300 includes only charges for removal or purchase. The versions of the tariff presented throughout the proceeding simply do not include charges for those instances when the Company chooses to abandon or decommission facilities. The Commission based its decision to allow the Company to abandon and decommission its facilities in extremely limited circumstances, in part, due to its representation that the Company would bear the expense of doing so. Accordingly, we require the Company to

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[5] Bolton, Exh. No. RBD-1T at 11:7-10.

[6] Bolton, TR 195:2-4.

[7] Emphasis added.

revise its tariff to exclude customer charges for decommissioning and abandoning facilities.

40 Finally, Pacific Power made multiple representations throughout this proceeding that, following the decommissioning and abandonment of certain facilities, the departing customer would assume ownership of, and liability for, those facilities.[8] Order 06 did not authorize the Company to reverse its position in its compliance filing. Accordingly, Pacific Power must revise its tariff to specify that "the departing Customer will assume all responsibility and liability associated with abandoned and decommissioned Facilities at the time of disconnection."

8. Application of Tariff to Negotiated Sales and Transfers

41 Consistent with our decision in Order 06, Pacific Power included a provision in its revised tariff clarifying that the permanent disconnection and removal tariff does not apply to negotiated sales and transfers. In its comments, Boise recommends the Company further clarify that the tariff does not apply to negotiated sales and transfers *to another utility.* Boise contends this will preclude any argument that this provision could apply to a customer.

42 We decline to require Pacific Power to add this language. The record in this proceeding is clear that, while the tariff does not apply to the negotiated sales or transfers of the Company's assets to another utility, it always applies to customers who wish to disconnect permanently from the Company's system. Accordingly, we find that no further clarification is necessary.

9. Definitions

43 **Redundant Services.** Order 06 required the Company to include in its compliance filing a definition for "redundant service." Rule 1, as revised, defines "redundant service" as occurring when "a customer is receiving electric service from the Company and another utility provider has installed electric facilities to serve the customer's same load without the customer first disconnecting from the Company's facilities."

44 CREA argues that the Company's definition should specify that a customer must actually be receiving service for the same load from two different providers. We disagree. Safety concerns arise prior the point at which the customer receives service from two utilities because infrastructure installed to serve the same load is necessarily limited to facilities

[8] *See* Bolton, Exh. No. RBD-1T at 11:10-14; Exh. No. RMM-3, proposed revisions to Rule 6: "The departing Customer will assume all responsibility and liability associated with abandoned and decommissioned Facilities at the time of disconnection."

that exclusively serve the customer up to the point of delivery. Because duplication of customer-specific facilities can create safety hazards, Pacific Power should be permitted to permanently disconnect service and remove its facilities from the customer's premise if and when that occurs. Accordingly, we do not require any change to the Company's definition of "redundant service."

45 **Salvage.** Rule 1, as revised, defines "salvage" as the "estimated resale value at the end of the Facilities' useful life as determined by the Company." Boise proposes revising the definition to read "estimated resale value at the end of the Facilities' useful life *as an appropriate credit*" for consistency with Order 06.

46 We decline to require the Company to make this change. Order 06 described "salvage value" as an appropriate credit for the remaining value of the facilities at the time they are removed. The Company's definition comports with our description, which was not intended to be prescriptive.

47 **Stranded Cost Recovery Fee.** Rule 1, as revised, defines "stranded cost recovery fee" as the "charge to recover the stranded costs created by a Customer permanently disconnecting from the Company's system. The Stranded Cost Recovery Fee will be calculated on a case-by-case basis and will include energy efficiency and low-income stranded costs."

48 Boise argues that the definition should be modified as follows: ""The Stranded Cost Recovery Fee will be calculated on a case-by-case basis and will include *the impact of a customer's departure* on energy efficiency and low-income stranded costs." We agree. Order 06 required the tariff to specify that "the SCRF will include the impact of the customer's departure on low-income and demand side management programs."[9] Pacific Power must revise its tariff accordingly.

49 **Net Book Value.** Rule 1, as revised, defines "net book value" as the "installed cost of an asset less any accumulated depreciation as reflected in the Company's accounting records."

50 Boise argues that this provision should be modified to specify that NBV is the "*Company*-installed cost of an asset" to ensure the customer is not reimbursing the Company for customer-installed costs.

51 We decline to adopt Boise's recommendation. Customer costs are addressed in Schedule 300, which sets out the refund for customer-installed facilities as a percentage based on

[9] Order 06 ¶ 133.

the date when the facilities were installed. Boise's suggested change would nullify that credit and reimburse the customer for 100 percent of their costs, which fails to account for the expenses the Company incurred to operate and maintain those facilities.

52 **Actual Charge.** Finally, Boise recommends the Company change the description of the charge for "Permanent Disconnection and Removal" in Schedule 300 from "Actual Charge" to "Actual Cost." We agree. "Costs" are incurred by the Company and "charges" are assessed to customers. Allowing the Company to collect "actual charges" would leave the amount entirely within the Company's discretion rather than limiting its recovery to costs actually incurred. Pacific Power must revise its tariff accordingly.

ORDER

THE COMMISSION ORDERS:

53 (1) The Commission rejects, in part, Pacific Power & Light Company's compliance filing in this docket.

54 (2) Pacific Power & Light Company is authorized and required to file revised tariff pages consistent with the terms of this Order.

DATED at Olympia, Washington, and effective December 22, 2017.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner