

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1424

RAINBOW YOUTH GOLF EDUCATION
PROGRAM, INC.,

v.

PACIFIC POWER

PACIFIC POWER'S BRIEF

1

2

I. Introduction

3 Pursuant to OAR 860-014-0090 and Administrative Law Judge (“ALJ”) Hardie’s
4 ruling during the evidentiary hearing dated October 8, 2009, PacifiCorp, d.b.a. Pacific Power
5 (or “Company”) submits its brief in the above-captioned matter. There is only one issue
6 remaining in this proceeding—whether the installed costs for the Rainbow Youth Golf
7 Education Program, Inc.’s (“RYGEP”) line extension are reasonable. Based on the evidence
8 presented throughout this proceeding and during the evidentiary hearing, Pacific Power
9 respectfully requests that the Oregon Public Utility Commission (“Commission”) dismiss the
10 sole remaining issue in this case.

11

II. Procedural History

12 RYGEP filed a complaint containing three issues with the Commission on March 13,
13 2009. On April 2, 2009, Pacific Power filed its Answer and Motion to Dismiss. A prehearing
14 conference was held May 20, 2009. ALJ Hardie issued a bench data request on July 6, 2009
15 seeking information from Pacific Power. Pacific Power provided its response on July 15,
16 2009. RYGEP replied to Pacific Power’s response to the July 6, 2009 bench data request on
17 July 31, 2009. A second prehearing conference was held September 1, 2009. On September
18 4, 2009, ALJ Hardie issued a ruling dismissing issues 1 and 3 of the complaint, and setting
19 October 8, 2009 as the date for evidentiary hearing. On October 5, 2009, Judge Hardie issued

1 a bench request seeking further information from Pacific Power. An evidentiary hearing was
2 held October 8, 2009 for the parties to present evidence on the “installed costs” of the line
3 extension installed for RYGEP by Pacific Power. On October 20, 2009, Pacific Power
4 responded to the October 5, 2009 bench request.

5 **III. Background**

6 Pacific Power installed primary metering facilities for RYGEP in October 2008, based on
7 the estimate prepared by Pacific Power estimator Bob Hinkel in August 2008. Pacific Power
8 designed and installed the primary metering facilities at the request of RYGEP after RYGEP
9 rejected Pacific Power’s proposed initial design of secondary metering facilities for the
10 installation of electric service. Pacific Power was unaware of RYGEP’s dissatisfaction with
11 the costs of the installed facilities until RYGEP filed its complaint with the Commission.

12 **IV. Argument**

13 **A. Pacific Power’s installed costs are reasonable.**

14 Pacific Power must charge customers in the same manner for like and contemporaneous
15 service. (ORS 757.310(2)). Pacific Power’s Oregon Rule 13 (“Rule 13”), which generally
16 governs line extensions and Oregon Schedule 300, which contains the list of charges referred
17 to in Pacific Power’s tariffs. Not all provisions in these tariffs apply to every customer or
18 every line extension. The applicability of the provisions depends upon customer
19 classification and the type of line extension to be installed.

20 The primary metering job installed for RYGEP required a crew to set a pole for the
21 primary metering equipment between Pacific Power’s existing pole and RYGEP’s service
22 pole, install protective equipment on Pacific Power’s existing pole, connect Pacific Power’s
23 existing pole to the new pole while energized, install primary metering equipment on the new

1 pole, and finally install a service line from the new pole to RYGEP's service pole. (Tr. p. 72,
2 Lines 1-18).

3 RYGEP failed to meet its burden of proof to demonstrate that Pacific Power's installed
4 costs are unreasonable. RYGEP relies upon incomplete estimates prepared almost one year
5 after Pacific Power developed its estimate. Mr. Ray, Sr., who developed RYGEP's estimate,
6 while well-experienced as a journeyman lineman, has no experience or training for
7 developing utility estimates. (Tr. p. 15, Lines 2-6.) Additionally, while Mr. Ray, Sr., who
8 developed RYGEP's estimate, owns a business for installing line extensions, he does not
9 have any experience installing primary metering facilities. (Tr., p. 18, Lines 22-24).

10 RYGEP Exhibit 4 from the October 8, 2009 hearing is RYGEP's estimate of costs for
11 the line extension. This estimate shows prices for a pole, cross arms, bolts and hardware,
12 insulators, pins, cut-outs, lightning arrestors, 60 feet of three-phase conductor, 20 feet of one
13 inch conduit, primary metering devices, and labor & vehicle. (Tr., RYGEP/4). RYGEP's
14 estimate totals \$8916.50. (Tr. RYGEP/4). At first glance, RYGEP's estimate appears lower
15 than the \$13,616 estimate prepared by Pacific Power.¹ Mr. Stewart testified that RYGEP's
16 cost estimate being lower than Pacific Power's does not mean that Pacific Power's costs are
17 unreasonable. (Tr., p. 32, Lines 13-20). Further, as Mr. Hinkel testified, RYGEP's estimate
18 lacks several key elements of a primary metering installation. (Tr., p. 75-76, Lines 25-2).
19 RYGEP's estimate lacks voltage transformers, potential transformers, certain arrestors,
20 jumper wires, meter base, meter, connecting wires, cords, junction boxes and a transformer
21 bracket. (Tr., p. 75, Lines 3-7). RYGEP's estimate includes what RYGEP refers to as
22 "Primary Metering." (Tr., RYGEP/4). RYGEP admits that this estimate is rough because its
23 vendor would not provide pricing information as RYGEP is not a utility. (Tr., RYGEP/4).

¹ Pacific Power Motion to Dismiss, Answer, and Affirmative Defenses p. 9; Pacific Power response to July 6, 2009 Bench Data Request, Attachment C; October 8, 2009 Hearing Transcript, pp. 11-2 Lines 21-9.

1 Because it is not known what is included in this rough estimate, it offers no credible basis on
2 which to assess whether it is reasonable.

3 Additionally, Pacific Power's costs of materials are lower than those included in
4 RYGEP's estimate. (Tr., p. 75, Lines 21-24). Finally, it is difficult to determine whether
5 RYGEP's labor cost estimates represent a reasonable amount of labor. RYGEP's labor cost
6 estimate does not include costs associated with installing the primary metering equipment.²
7 Pacific Power's labor estimate, which is based on an activity rate, includes both costs for
8 crews to install the poles and associated hardware, as well as the assembly and mounting of
9 the primary metering equipment.

10 Pacific Power presented ample evidence to demonstrate its installed costs are reasonable.
11 Mr. Stewart testified that "installed costs" refers to the estimated costs for a job. (Tr., p. 27,
12 Lines 10-13). Pacific Power's estimates are the designs for a job. (Tr., p. 27, Lines 19-22).
13 To develop an estimate for a line extension, an estimator meets with the customer to obtain
14 the information necessary to design a job, such as location of service and load information.
15 (Tr., pp. 27-28, Lines 25-8). The estimator then uses the Company's design system, a
16 computer program called Retail Construction Management System ("RCMS"), which then
17 provides the materials for the job, as well as the costs for the job. (Tr., p. 28, Lines 9-16).
18 Pacific Power uses RCMS to develop estimates for all distribution-level jobs, both internal
19 and external. (Tr., pp. 28-29, Lines 19-1). RCMS averages costs of materials by
20 automatically pulling information from the Company's accounting system so that costs of
21 materials are current. (Tr., p. 29, Lines 5-13). The Company uses average cost instead of
22 invoice cost because it more accurately represents the costs to Pacific Power for materials.

² October 8, 2009 Hearing Transcript, p 24, Lines 7-11. The labor component of the RYGEP estimate is for a three-person crew, which consists of two journeymen linemen and one operator. The RYGEP estimate does not include costs for a meterman, which would be necessary for a primary metering job.

1 (Tr., pp. 29-30, Lines 14-20). The Company may use materials from the warehouse, which
2 may not be attributable to a particular invoice. Using average costs captures actual costs for
3 materials on hand. (Tr., pp. 29-30, Lines 14-20). The Company does not include a markup in
4 its costs for materials. (Tr., p. 29, Lines 21-22). For labor and other overheads, RCMS
5 assigns an activity rate to the projected number of manhours needed to complete a job. (Tr.,
6 p. 30, Lines 5-15). The activity rate is based on, among other things, Pacific Power's actual
7 costs and includes crew labor, vehicle, equipment, warehouse costs, and certain management
8 costs. (Tr., p. 30, Lines 5-15).

9 Mr. Hinkel developed the RYGEP estimate using Pacific Power's usual estimation
10 process. (Tr., pp. 68-69, Lines 23-5). He worked with the customer to determine the specifics
11 needed for the primary metering facilities. (Tr., p. 69, Line 25). Then Mr. Hinkel input the
12 design data into RCMS, which then provided the prices for material, labor and other
13 associated overheads. (Tr., p. 70, Line 3). Using load information, Pacific Power then
14 determined the amount of RYGEP's allowance and advance; and then prepared a line
15 extension contract using Pacific Power's standard line extension contract template. (Tr., p.
16 70, Lines 5-8). Mr. Hinkel did not alter any costs received from RCMS. (Tr., p. 71, Lines 16-
17 17). Pacific Power's crews installed the line extension in accordance with Mr. Hinkel's
18 design. (Tr., p. 71, Lines 20-21).

19 At the October 8, 2009 hearing, RYGEP submitted a cost estimate for some of the
20 materials used in the RYGEP's line extension. (Tr., RYGEP/4). This cost estimate lacks
21 several key components necessary for the primary metering installation. (Tr., pp. 75-76,
22 Lines 25-2). While it lacks several key elements, a comparison of the materials included in

1 RYGEP/4 to Pacific Power's costs of materials shows that Pacific Power's costs are lower.³
2 Additionally, RYGEP developed its costs estimates in July 2009, almost one year after the
3 line extension was installed and several months after filing the complaint.⁴ These factors
4 make it difficult to develop a fair and reasonable comparison of what RYGEP believes the
5 line extension should have cost to Pacific Power's estimate.

6 Further, RYGEP's line extension is a non-typical installation. (Tr., pp. 70-71, Lines 24-
7 4). RYGEP chose primary metering, which Pacific Power usually installs for customers with
8 loads of one megawatt or greater. (Tr., p. 71, Lines 1-4).

9 RYGEP largely bases its claims that Pacific Power's costs are "exorbitant" on conjecture,
10 not on any credible evidence. While it is difficult to fully compare RYGEP's incomplete
11 estimate to Pacific Power's costs, when comparing the cost of materials included in
12 RYGEP's estimate to Pacific Power's, Pacific Power's cost of materials are lower. And at
13 first glance, RYGEP's labor costs appear to be lower than Pacific Power's labor costs.
14 However, RYGEP's estimate does not include labor for a meterman to assemble and install
15 the primary metering equipment. Pacific Power developed RYGEP's estimate using its actual
16 costs for the job, without markup, just as Pacific Power does for all of its distribution-level
17 construction work. Altering the amount of the "installed costs" for RYGEP's line extension,
18 especially based on conjecture, would unnecessarily and unfairly shift the costs of the line
19 extension away from RYGEP.

20 **B. Pacific Power correctly calculated RYGEP's contract minimum billing and**
21 **facilities charges.**

³ Id., p. 75, Lines 5-24. During the hearing, Pacific Power used the HD Supply estimate submitted by RYGEP in its Reply to Pacific Power's Response to the July 6, 2009 Bench Request, which became PP/3. RYGEP used these prices to develop the estimate submitted at hearing. See October 8, 2009 Hearing Transcript, p. 19, Lines 15-16.

⁴ Id., p. 19, Lines 2-16. Note: the date on October 8, 2009 Hearing PP/3 is July 27, 2009.

1 While not at issue in the remainder of this proceeding, contract minimum billing and
2 facilities charges were discussed at length during the October 8, 2009 evidentiary hearing.
3 During that discussion, RYGEP continued to express confusion as to how the contract
4 minimum billing and facilities charges work in conjunction with RYGEP's line extension
5 contract. Pacific Power will use this section of its brief to provide another explanation in
6 hopes of clarifying the issue for RYGEP.

7 First, the Company develops an estimate for a line extension. (Tr., p. 42, Lines 2-3).
8 Then, using the customer's anticipated load, the Company determines the anticipated revenue
9 stream for the customer's use of the line extension. (Tr., p. 42, Lines 3-6). Using the
10 anticipated revenue stream, the Company determines the Allowance, which is the amount of
11 the line extension funded by the Company. (Tr., p. 42, Lines 7-12, p. 43, Lines 6-7). The
12 Allowance is then subtracted from the estimate. Any amount remaining after that subtraction
13 becomes the Advance, which is the portion of the estimate that the customer is responsible
14 for paying. (Tr., p. 43, Lines 15-20). The Company uses the Allowance and the Advance to
15 determine the amount of the Facilities Charge. (Tr., pp. 45-46, Lines 21-5).

16 The Facilities Charge is designed to ensure that the Company recovers sufficient revenue
17 to cover certain costs, like investment and maintenance costs, associated with line extensions.
18 (Tr., pp. 47-48, Lines 2-10). Using Schedule 300, Page 3, Line 13 O-2, the Company
19 multiplies the Advance ("facilities installed at Consumer's expense") by 0.67 percent and the
20 Allowance ("facilities installed at Company's expense") by 1.67 percent, and then adds the
21 two totals together to get the total Facilities Charge amount.⁵

⁵ During the October 8, 2009 hearing, RYGEP referred several times to these provisions as either one or the other. Both calculations are necessary for the determination of the facilities charge. See, for example, October 8, 2009 Hearing Transcript p. 49, Lines 9-18.

1 Contract minimum billing is the mechanism the Company uses to ensure it collects a
2 certain amount of revenue each month for a customer's line extension. (Tr., p. 62, Lines 2-6).
3 Rule 13, Section I.B describes contract minimum billing. There are two methods of
4 calculating contract minimum billing, one for Direct Access and Standard Offer customers,
5 and one for all other customers. (Tr., p. 60, Lines 5-13, and p. 61, Lines 12-16). RYGEP is
6 neither a Direct Access nor a Standard Offer customer; therefore the method of calculating
7 contract minimum billing for all other customers applies.⁶

8 Essentially, the more electricity a customer uses each month, the lower the contract
9 minimum billing amount included in the bill each month. (Tr., p. 63, Lines 20-22).
10 Generally, the Company uses 20 percent of a customer's usage (in dollars) as a credit against
11 the Facilities Charge. (Tr., p. 63, Lines 12). When the customer's electricity usage (in
12 dollars) for a month meets the contract minimum billing requirements, the customer will not
13 see the contract minimum billing amount on the bill for that month. (Tr., p. 63, Lines 12-14).
14 For customers such as RYGEP, the contract minimum billing provisions apply for a period of
15 five years. After five years, the customer will no longer see the contract minimum billing on
16 the bill. (Tr., pp. 63-64, Lines 24-3).

17 This is the process Pacific Power applied to determine RYGEP's Facilities Charge and
18 Contract Minimum Billing requirements. (Tr., p. 61, Lines 20-22). Pacific Power applies this
19 process to all of its customers in accordance with Rule 13 and Schedule 300. (Tr., p. 61,
20 Lines 17-19).

21 **C. The total costs for the RYGEP's line extension is irrelevant to the installed costs,**
22 **contract minimum billing or facilities charges.**
23

⁶ The method of calculating RYGEP's contract minimum billing is contained in the first paragraph under Rule 13, Section I.B. See October 8, 2009 Hearing Transcript, pp. 36-37, Lines 23-3. See also, Id., p. 60, Lines 10-16.

1 A portion of the October 8, 2009 hearing focused on Pacific Power’s total costs
2 associated with the RYGEP’s line extension. Pacific Power provided a spreadsheet listing all
3 costs listed in Pacific Power’s accounting system as being coded to RYGEP’s line extension.
4 (Tr., PP/5). These costs include not only the materials used for RYGEP’s line extension, but
5 all labor and associated overheads charged to the line extension job. The materials listed in
6 the total costs are in line with those in the estimate. The only major variance is for the three
7 transformers, which the Company had to special order at a cost significantly greater than the
8 cost included in the RCMS system. (Tr., pp. 78-79, Lines 1-15). The labor and overhead
9 variance is due to unforeseen multiple trips to the sight that could not have been captured in
10 the estimate because they were unknown at the time of developing the estimate. (Tr., pp. 78-
11 79, Lines 19-11).

12 However, the total cost of RYGEP’s line extension is irrelevant to the installed (estimate)
13 costs. Pacific Power bases RYGEP’s facilities charges and contract minimum billing
14 amounts on the estimate, not the total costs. Pacific Power does not “true up” total costs to
15 the estimate, largely because when variances occur, the amounts are greater than the estimate
16 due to Pacific Power needing to divert resources to emergency projects or other reasons
17 beyond the customer’s control. (Tr., pp. 78-79, Lines 19-11). The variance for RYGEP’s line
18 extension is an anomaly in its magnitude and cause, and attributable to Pacific Power’s
19 efforts to accommodate RYGEP’s requests and needs.

20 **V. Conclusion**

21 Pacific Power respectfully requests that the Commission enter an order finding that the
22 installed costs for the Rainbow Youth Golf Education Program, Inc.’s line extension are
23 reasonable.

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1 DATED: October 22, 2009

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Respectfully submitted,

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Legal Counsel

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CERTIFICATE OF SERVICE

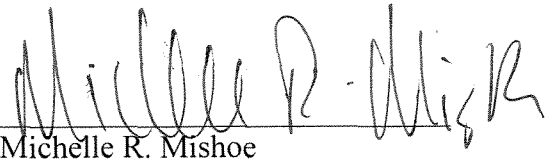
I hereby certify that a true and correct copy of Pacific Power's Post-Hearing Brief has been served on all known parties to Docket No. UM 1424 on the date indicated below by email and first class mail to said person(s) at his or her last known address(es) indicated below.

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