

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: August 5, 2014**

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE \_\_\_\_\_ N/A \_\_\_\_\_

DATE: July 29, 2014

TO: Public Utility Commission

FROM: Lance Kaufman *ck*

THROUGH: Jason Eisdorfer, Maury Galbraith, and Marc Hellman *ME* *H*

SUBJECT: PACIFICORP: (Advice No. 14-010) Modifies Rule 13 Line Extensions and performs housecleaning of related schedules and rules.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve PacifiCorp's (Company) most recently filed updated rules and tariffs. Staff also recommends approval of PacifiCorp's waiver request for Less than Statutory Notice.

**DISCUSSION:**

Background

On June 6, 2014 PacifiCorp filed an application to modify its line extension policy with an effective date of August 1, 2014. This filing makes several substantive changes to the Company's line extension rules. PacifiCorp's line extension policy is provided in Tariff Rule 13. This rule contains detailed explanation for how PacifiCorp responds to requests for new service, upgraded service capacity, modified distribution facilities, and removal of distribution facilities.

On July 15, 2014, after discussion with Staff, the Company filed a request for an extension of the effective from August 1, 2014 to August 15, 2014. This extension was requested to allow Staff time to review the Company's response to Staff's Data Requests. During a phone call on July 29, 2014 Staff requested the Company clarify a policy regarding the calculation of Facilities Charges. PacifiCorp refiled the related tariff pages in Rule 13 on July 29, 2014. PacifiCorp is requesting a waiver for Less than Statutory Notice as a result of this request.

Rule 13 contains provisions for who is responsible for the initial cost of the requests as well as ongoing contractual obligations for maintenance and cost recovery. Rule 13 has had several revisions in recent years. In 2002 PacifiCorp incorporated modifications related to direct access and SB 1149 (Advice Nos. 02-002, 02-004, 02-005). In 2006 PacifiCorp modified the extension allowance for street light customers to equal five years of revenue (Advice No. 06-012). In 2011 PacifiCorp increased the residential extension allowance to equal approximately one year of revenue. In 2012 PacifiCorp modified the treatment of and non-residential extension allowances (Advice No. 12-001).

Staff was unable to identify recent commission orders related to line extension policies. Oregon Administrative Rule provides relatively little guidance on the content of utility line extension policies. Commission rules state, "For the connection of its distribution system to the customer's premises, an electric company shall, with the exceptions provided under its extension rules, furnish service connections to the customer's service entrance (OAR 860-021-0045)." The Commission provides further guidance specific to gas utilities: "Each gas utility shall develop, with the Commission's approval, a uniform policy governing the amount of service extension that will be made free to connect a new customer. This policy should be related to the investment that can prudently be made for the probable revenue (OAR 860-021-0050)."

#### Staff's Analysis

The filing was first proposed and outlined to Staff on February 5, 2014. Staff provided feedback to PacifiCorp on the draft version, and this feedback was incorporated into the revised tariff rule. Staff requested that PacifiCorp work with CUB and ICNU in order to address any concerns that these parties have with the revised changes. Staff has followed up with both ICNU and CUB regarding this Advice. Neither party has outstanding concerns. Staff issued 15 data requests addressing the proposed changes to the line extension and the Company's general line extension policy. Staff followed up on the response to these data requests through a telephone conference with PacifiCorp on July 29, 2014.

In addition to discussing the filing with the Company and interested parties, Staff compared the Company's line extension policy with that of the other Oregon investor owned electric utilities. The Company's filing is thorough and comprehensive. Relative to Idaho Power and PGE, PacifiCorp's policy places a greater portion of the line extension burden on customers requesting the line extension, and less on general rate payers. This is evident through lower extension allowances and the application of minimum billing contracts to a substantial portion of new customers.

The current filing continues to increase the burden to customers requesting line extensions. The modification to Rule 13, Section 1 accomplishes this by reallocating costs from system benefit related costs to extension related costs. The modifications to Rule 13, Section 2, shifts residential transformer costs to be assigned as line extension costs for residential customers larger than 25kVA. The modification to Rule 13, Section 4, makes developers responsible for customer initiated design modifications.

Staff finds these cost reallocations reasonable for several reasons. First, Staff agrees that there is a sufficient causal relationship between the line extension request and the relevant types of extension costs. Second, the reallocated costs represent long term investments. The proposed changes provide an appropriate and efficient cost signal to the customers. Without an appropriate price signal customers may ask the Company to invest in distribution facilities when in fact there is no economic benefit for the investment.

The first modification to Rule 13, Section 3 identifies that the extension allowance for a capacity expansion is based on the associated revenue increase. This change is consistent with the principle referenced in OAR 860-021-0050, namely that an extension allowance should be based on expected revenue.

The second modification to Rule 13, Section 3 reduces the Company's obligation to reserve unused capacity related to line extensions. The proposed changes provide a reasonable period for unused capacity to be grown into, three years. The originally filed tariff did not address facilities charges or customer contributions in aid of construction for facilities for which reserved capacity is released. At Staff's request the Company filed a revised tariff with less than statutory notice. The revised tariff clarifies the Companies policy regarding the treatment of Facilities Charges related to Facilities no longer used by the original line extension customer.

The modifications to Rule 13, Section 6 are made to align tariff language with OAR 860-022-0046. Staff confirmed that the new tariff language is consistent with OAR 860-022-0046.

The Facilities Charges on Schedule 300 were modified to differentiate across 57,000 volts. This is consistent with the modifications made to Rule 13. In addition, the Facilities Charge is being decreased. Staff reviewed the calculations substantiating the decrease and agrees with both the principal and the calculations. In future calculations the Company should consider the merits of removing the Administrative and General component of the facilities charge as well as the Customer Accounts and Services component.

**PROPOSED COMMISSION MOTION:**

Staff proposes the Commission approve PacifiCorp's Rule 13 and associated tariffs as amended in the supplemental filing of Advice 14-010. Staff also proposes approval of PacifiCorp's Less than Statutory Notice.