Service Date: July 21, 1998

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application of	)	UTILITY DIVISION
Pacific Power & Light Company	)	
for Approval of Revisions to the Line	)	DOCKET NO. D98.2.29
Extension Allowances and Service,	)	
Rule 1, Rule 2, and Rule 14 of its Tariffs	)	ORDER NO. 6076

ORDER APPROVING CHANGES TO LINE EXTENSION TARIFF

Introduction

1. On February 19, 1998, the Montana Public Service Commission (Commission) received a request from PacifiCorp, dba Pacific Power and Light (PacifiCorp), to approve changes to its line extension policies. PP&L proposed to replicate the Montana line extension tariff with those approved in Oregon and California and mirror the line extension proposals filed in Wyoming and Idaho.

2. PacifiCorp's proposal would change its current electric line extension from a fixed facility base allowance (transformer, meter and service (TMS) + 300 feet of primary cable) to a revenue-based allowance. Revenue and cost would replace the existing allowance with a fixed dollar allowance of $600. Both residential and commercial allowances would be based on the revenue available to pay for the extensions, or approximately a 1:1 ratio of revenue to costs, for a rate neutral extension policy.

3. PacifiCorp estimated the impact of its proposed line extension policy based on 1993 data. The existing residential line extension policy (TMS + 300 feet) collapses into a $600 allowance or roughly a 1:1 (revenue: cost) ratio proposal. In 1993 there were a total of 810 line extensions, of which 690 were residential extensions, or 85%, at a cost of $2,185,000 or approximately $3,167 per residential extension. General Service customers accounted for 120 line extensions, or 15% of total extensions, at a total cost of $920,000 or approximately $7,667

per commercial extension. Using 1993 as a study year, PacifiCorp□s total cost was approximately $3,105,000, or $3,833 per extension.

4. PacifiCorp maintained that its existing line extension policy is greater than the 1:1 revenue cost ratio and proposes to reduce the amount of its free extension allowance for both residential and commercial customers. Customer advances under the current tariff (TMS+300 feet) would have been $255,000. From the 1993 figures, the proposed increase in residential customer advances would have resulted in a reduction in PacifiCorp’s cost of $1,182,000. Eliminating the TMS + 300 feet and replacing it with a new $600 allowance, customer advances would increase to $1,437,000, reducing the impact to PacifiCorp. The average increase to a residential customer by eliminating the TMS + 300 feet and replacing it with a flat $600 allowance would have been a $1,713 increase or ($1,182,000 / 690).

5. For General Service customers (commercial, industrial and irrigation), PacifiCorp proposes to eliminate the existing fixed facility allowance (TMS + 300 feet) and base the allowance on one year’s revenue, or a 1:1 revenue cost ratio. This allowance would not include additional voltage, duplicate facilities, additional points of service, or any other non-standard company construction materials. Furthermore, PacifiCorp proposal extends its contracts for both billing periods and refunds from the current 36 months to 60. Exemptions from the contract period include: (1) Standard residential--contract minimum billing is as long as service is taken; (2) Standard commercial--as long as service is taken, but not less than 5 years; (3) Commercial less than 1,000 kW--as long as service is taken, but not less than five years; and (4) Commercial greater than 1,000 kW--as long as service is taken, but not less than 5 years. A customer terminating service must pay a charge equal to the extension allowance less 1/10 of the allowance for each year service is taken.

6. Under the existing tariff, the cost of relocating the current facilities for both the customer and PacifiCorp would be a 50/50. The proposed tariff would eliminate PacifiCorp's share of the cost, less salvage, and shift the entire cost of relocation to the customer. Under the current tariff, large demand users (1,000 kW or greater) are obligated to pay the entire costs of the line extension. The current refund calculation allows the initial applicant a percentage refund of the initial cost for up to three additional requests for service, or a maximum 75 percent refund

on their initial investment. PacifiCorp proposes to refund the initial applicant for any additional customer requests for service on a proportional basis rather than a percentage basis.

7. PacifiCorp's refund proposal would be extended from 3 to 5 years. Additional customers would pay a proportionate share of the use of the line according to their load share. Customers who choose to waive their right to a refund will receive a $250 refund based on the avoided costs that PacifiCorp would otherwise incur in tracking the contracts for refunds. PacifiCorp estimates it costs $50/extension/year to examine each of its line extensions.

8. PacifiCorp proposes to make extensions for remote and seasonal customers by contract. Customers would pay a contract minimum billing for as long as service is taken, but not less than five years. Each additional applicant, up to three, would pay the initial applicant an allocated share of the original contribution. PacifiCorp proposed determining these shares, taking into account: (1) how much of the new line the applicant shares; (2) the load size of the new applicant; and (3) the advances of the existing customers. The applicant would have to pay this share up-front and PacifiCorp will refund this share to the existing customers. Additional applicants would have to share proportionally the facilities charges of the existing customers.

9. PacifiCorp proposes to increase the charge for facilities installed at PacifiCorp's expense from the current 1 □ percent of installed costs per month to 1 2/3 percent of installed costs per month. For facilities installed at customers expense, the rate remains 0.67 percent of the facilities charges per month.

10. Customers would be obligated to pay the entire cost, less salvage, for relocating overhead extensions underground. Costs would include all materials for relocation. If the requests are from a legitimate government entity, then the cost would be borne entirely by that government entity. Applicants could build or hire an independent contractor to build a line extension. PacifiCorp would allow the applicant to build both overhead and underground extensions, and would provide the same allowance as for PacifiCorp built extensions. As proposed, PacifiCorp would reserve the right, within 24 months of the time PacifiCorp energized the line extension, to require the applicant to pay any and all costs for work and material deficiencies.

11. On March 25, 1998, the Commission issued a Notice of Opportunity to Comment and/or to Request a Public Hearing, and published the Notice in The Daily Inter Lake, Kalispell, Montana, The Western News, Libby, Montana, and the Bigfork Eagle, Bigfork, Montana.

12. On April 22, 1998, the Montana Consumer Counsel (MCC) filed a Petition for General Intervention and a Request for Hearing. In addition, the city of Kalispell wrote the Commission a letter dated April 23, 1998, stating that the proposed tariff changes would have a detrimental effect on pending city projects. The city feared that the filing would double its construction costs and jeopardize its ability to upgrade its facilities. The city indicated that grandfathering 1997 projects would help alleviate the potential problems faced by the city.

13. MCC and PacifiCorp have resolved concerns about PacifiCorp's proposed line extension changes. On June 9, 1998 Mr. John Bushnell, on behalf of MCC, informed the Commission that an agreement with PacifiCorp had been reached. PacifiCorp agreed to amend its original filing with respect to the grandfathering provisions. As a result, MCC withdrew as a party to this case.

14. At its duly scheduled work session on June 23, 1998, the Commission accepted the proposed line extension proposal as modified by the Agreement between MCC and PacifiCorp.

Findings, Discussion and Analysis

The PacifiCorp and MCC Agreement

15. Of primary concern to MCC is the proposed implementation of the filing. MCC's concern was PacifiCorp's proposed implementation date. The MCC deemed the implementation deadline would not allow enough time for customer service requests to be completed when the new tariff became effective. PacifiCorp had proposed to “grandfather” service requests for 30 days after the effective date of this filing. MCC objected to this short time frame and recommended an extended grandfathering period to run 30 days after the effective date of this order.

16. The agreement between MCC and PacifCorp will allow a customer who has a pending 1997 contract with PacifiCorp to receive an extension 30 days from the effective date of this order under the terms and conditions of the current tariff. PacifiCorp reserves the right to

recalculate its extension costs if the original estimate is over six months old. PacifiCorp agreed to amend its tariff incorporating the MCC's concern and to amend the third paragraph of the third page of the Advice Letter No. 98-001 as follows:

> To help transition the new line extension rule, the Company will grandfather service requests under its former extension rule, if the request was/is received during the period between January 1, 1997 and 30 days from the effective date of this filing. This will allow the Company time to notify affected applicants, builders and developers on the rule change. This will also help to minimize the impact of this change on customers now planning construction in 1998, based on the line extension they received in the past year. The Company reserves right to recalculate its extension costs if the original estimate of costs is over six months old. Grandfathering under the former extension rule applies only to customers who are ready to receive service by the end of 1998.

17. The Commission finds that this Agreement between MCC and PacifiCorp satisfactorily resolves the concerns of the City of Kalispell, as well as those of the MCC. The Commission accepts the modified line extension proposal in PacifiCorp's Advice Letter No. 98-001.

Conclusions of Law

1. The Montana Public Service Commission exercises jurisdiction over the rates and service of public utilities pursuant to Title 69, Chapter 3, Montana Code Annotated (MCA). PacifiCorp is a public utility subject to the Commission's jurisdiction.

2. PacifiCorp is required to maintain with the Commission the schedules showing all rates, tolls and charges for service within the state of Montana. . 69-3-101, MCA.

3. The Commission must approve any change in the rates and tariffs of a public utility's schedule. . 69-3-302, MCA.

ORDER

WHEREFORE THE COMMISSION APPROVES THE FOLLOWING:

PacifiCorp shall properly file with the Commission the tariffs and schedules which modify these rules as outlined in this Commission's Order and PacifiCorp's Advice No. 98-001: Rule 1, General Rules and Regulations - Definitions, Rule 2, General rules and Regulations - Types of Service, and Rule 14, General Rules and Regulations - Line Extensions.

Done and dated this 23rd day of June, 1998 by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DAVE FISHER, Chairman

NANCY MCCAFFREE, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.