

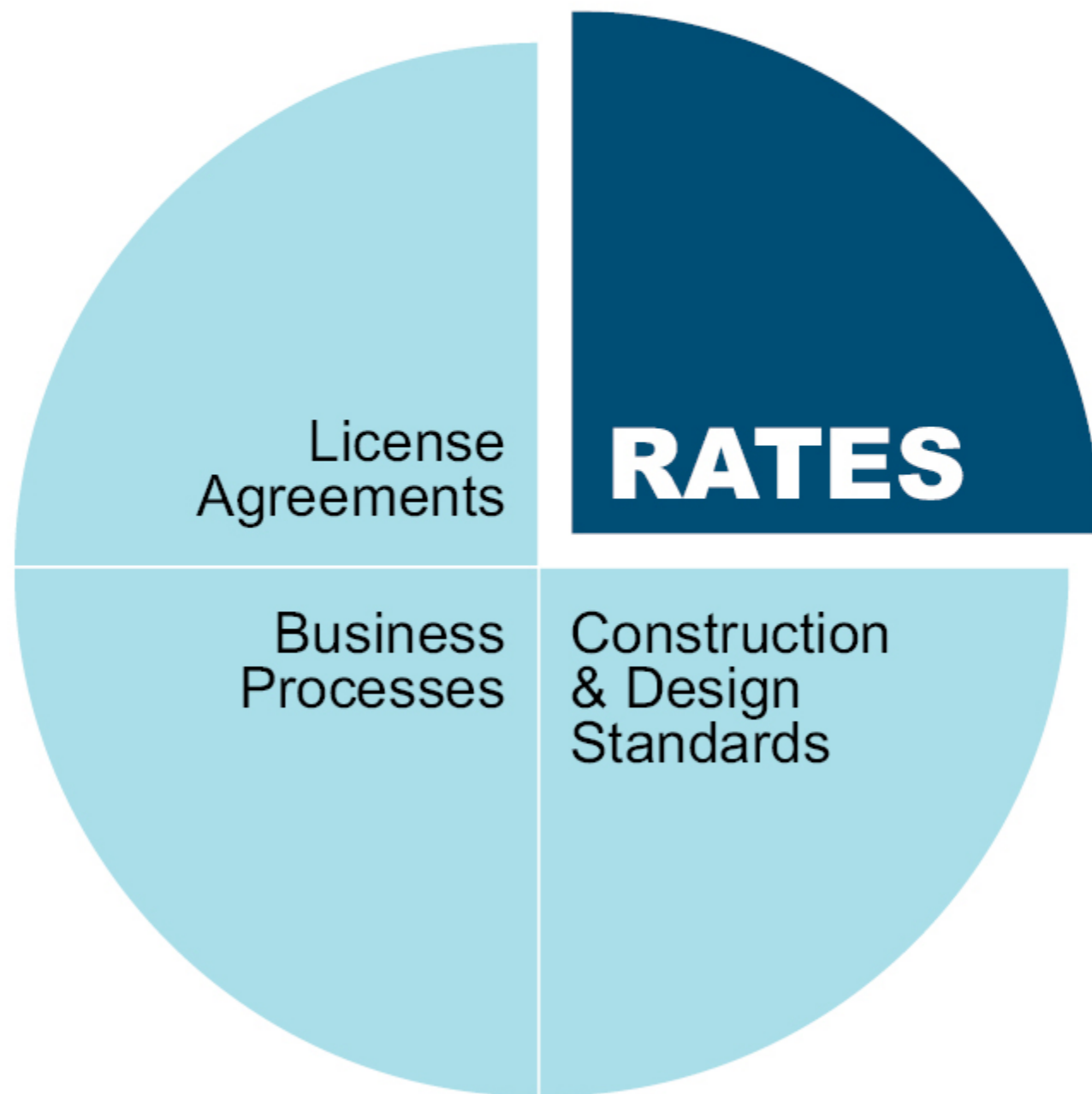


Pole Attachment Rate Update



**Board of Commissioners
September 4, 2018**

Overview



- » Background
- » Methodology
- » Proposed Rate
- » Considerations Applied to Calculation
- » Calculation Feedback
- » Rate Alternative
- » Progression of Rate Development

NO BOARD ACTION
REQUESTED TODAY

Background

State law governs pole attachment regulations for public utility districts in Washington State



Rate last updated in
1999

Rates must be periodically updated to ensure:

- » Calculation methodology aligns with State statute
- » Rate inputs reflect up-to-date information
- » Discretionary elements correspond with current practices

Rate compilation was a collaborative effort with various District subject matter experts and management including:

- » Customer Utilities
- » Accounting
- » Strategic Financial Planning
- » Legal

Rate Methodology

Per RCW 54.04.045(3)

» Subsections 3(a) and 3(b) both allocate costs associated with actual pole space occupied by attachments.

» These subsections differ in the cost allocation of the support and clearance space.

Subsection 3(a) – allocates support & clearance space costs in proportion to the space occupied on the pole.

Subsection 3(b) - allocates support & clearance space costs equally to all attaching parties.

» Subsection 3(c) instructs the average of 3(a) and 3(b) yields a “just and reasonable” pole attachment rate.

Chelan PUD Avg. Joint Use Pole

Electric Supply Space

Communication Worker Safety Zone 3.33'

Communication Space

Required Ground Clearance 18'

Ground

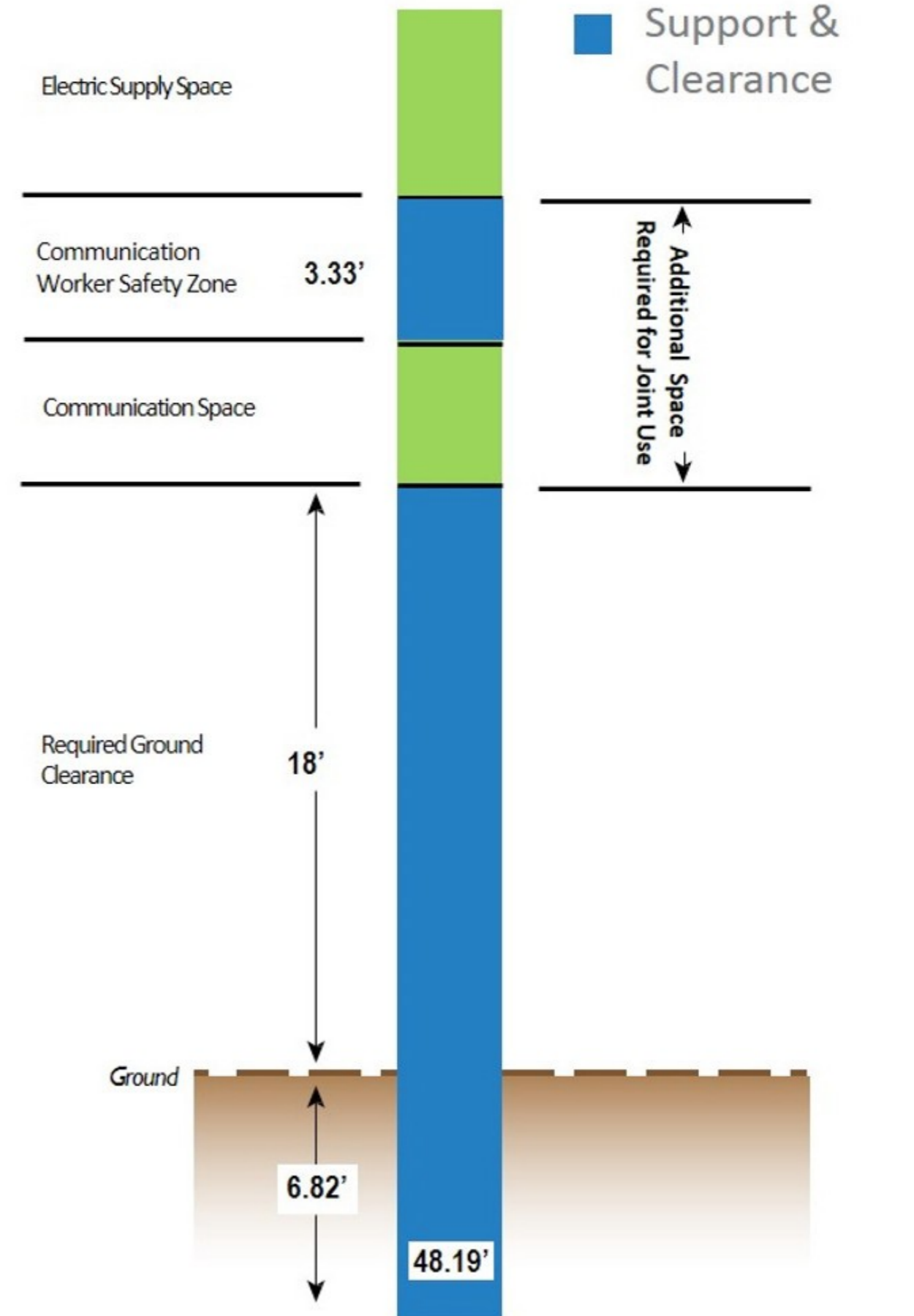
6.82'

48.19'

Usable Space

Support & Clearance

Additional Space Required for Joint Use



An aerial photograph of a mountain town, likely Chelan, Washington. The town is nestled in a valley, surrounded by dense evergreen forests. In the background, rugged mountains rise, some with patches of snow. A large white rectangular box is overlaid on the center of the image, containing text about utility rates.

Chelan PUD's Proposed Rate

(Calculated Per RCW 54.04.045)

≈ **\$29.89**

**Rate Frontier Charges Chelan
PUD for attachments**

\$45.84

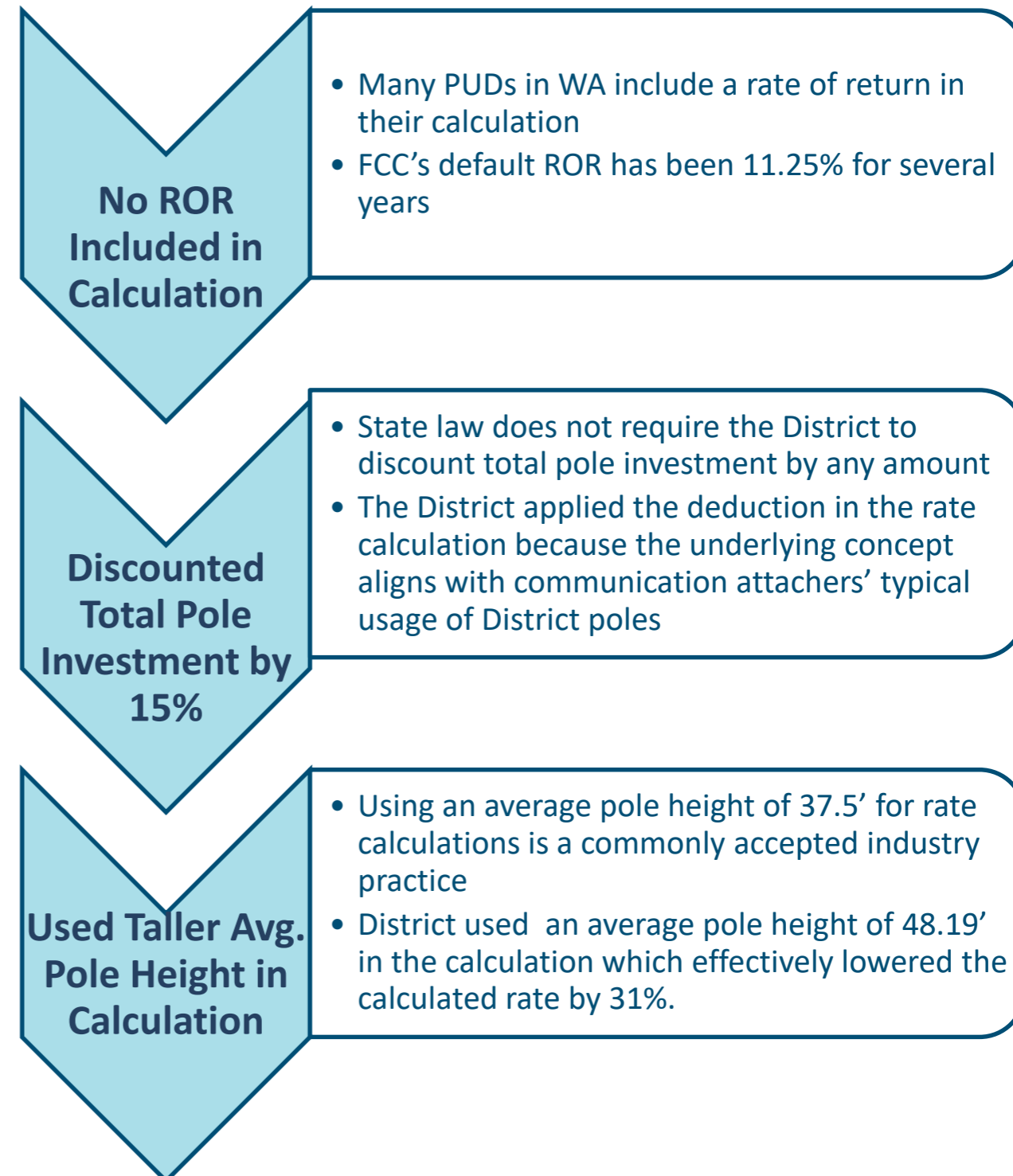
Proposed Rate is a Fair Rate

\$29.89 is not the maximum or minimum rate allowed per RCW, it is a fair rate

Each element and input utilized in the calculation was carefully considered and analyzed to ensure the final calculated rate is:

- » Compliant with the methodology specified by statute
- » Adherent to the legislatures stated intent
- » Reflective of associated District costs & practices

Many discretionary components of the District's proposed rate calculation resulted in a rate lower than the maximum allowed by statute, for example:



Calculation Feedback

The District received feedback on 6 components of the calculation

2

Feedback comments relate to issues still pending in Pacific PUD v. Comcast, CenturyTel, Charter

4

Feedback comments are not currently in litigation and the District satisfies the current standard set by the Courts

Rate Alternative

- » After review of the feedback received, the District believes the formula and inputs used in the initial calculated rate of \$29.89 are reasonable.
- » However, staff recommends the District adopt an interim rate of \$23.14 to account for the two feedback comments that relate to issues still pending in the Pacific PUD appeal. Once the Court of Appeals rules on these issues, the rate calculation will be re-evaluated.

Progression of Rate Development

PROCESS TO DATE

Analysis of rate components & calculation of updated rate

Stakeholder outreach for calculation review

- » Provided attaching parties calculation support in June 2018 asking for their review and feedback
- » Notified attaching entities of the opportunity to provide additional comment on the calculation at the August 20th Board meeting

CURRENT EFFORTS

Received feedback on six components of the rate calculation

Feedback from attaching parties has been evaluated and corresponding responses are being drafted

Incorporate Board feedback between now and October 31st

NEXT STEPS

Include rate in the annual Board of Commissioners Fees & Charges update to occur in November

Implement updated pole attachment rate on January 1, 2019

* The pole attachment rate would normally be termed a charge per District classifications. The term rate is used for consistency with industry vernacular.

QUESTIONS?



APPENDIX

- » Overview of Calculation Process
- » WA Public Utilities Pole Attachment Rate Chart
- » Financial Impact of Rate Increase

Calculation Process

Interpreted Statute Language into Mathematical Formula as follows:

$$3(a) = (\text{Avg Pole Cost})(\text{Carrying Costs}) \left[\frac{\text{Occupied Space}}{\text{Usable Space}} + \frac{\left[\frac{\text{Occupied Space}}{\text{Usable Space}} \right] \left[\text{Support \& Clearance Space} \right]}{\text{Pole Height}} \right]$$
$$3(b) = (\text{Avg Pole Cost})(\text{Carrying Costs}) \left[\frac{\left[\frac{\text{Support \& Clearance Space}}{\text{Avg. Number of Attachers}} \right] + \left[\text{Occupied Space} \right]}{\text{Pole Height}} \right]$$

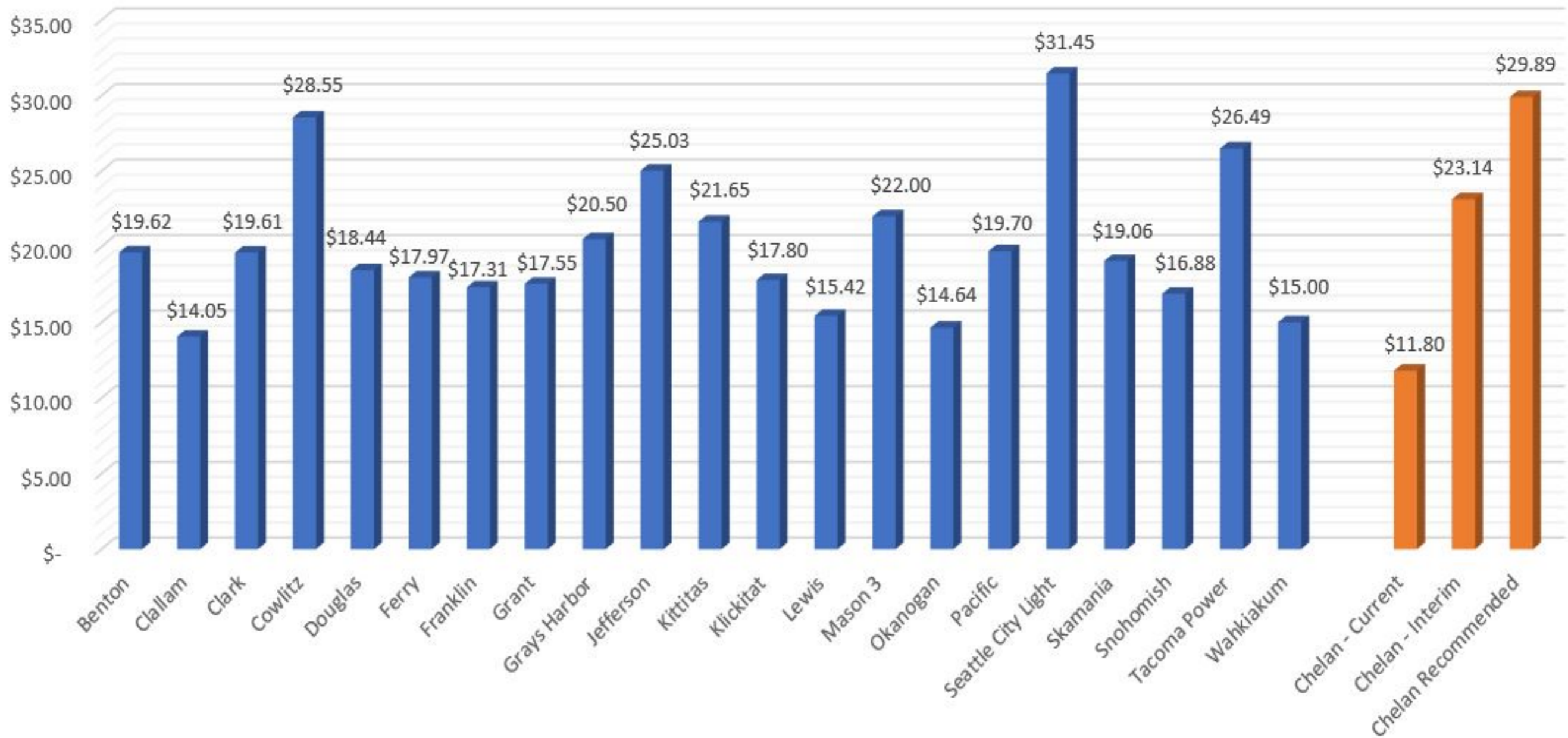
Analyzed inputs and data to be used with the statutory formula, including:

- Calculated average pole cost
- Determined average pole height
- Calculated average number of attachers per pole
- Determined expected pole life
- Use of Gross figures vs. Net figures
- Analysis of direct and indirect pole related costs (carrying costs)

Reviewed above formulas, inputs, and data with:

- Various District Subject Matter Experts
 - Accounting
 - Strategic Financial Planning
 - Legal
- District Management

Pole Attachment Rates of other Washington Public Utilities



Financial Impact by Attachment Type

Communications Attachment Type	# of Attachments	Current Rate \$11.80	Interim Rate \$23.14	Proposed Rate \$29.89*	Total Increase
Third Party Communication Attachments	14,923	\$ 176,091	\$ 345,318	\$ 446,049	\$ 269,956
Chelan PUD Communication Attachments	12,631	\$ 149,046	\$ 292,281	\$ 377,541	\$ 228,495
Total Impact:		\$ 325,137	\$ 637,599	\$ 823,590	\$ 498,451

***Subject to change pending outcome of Court of Appeals ruling**