

McDowell Rackner & Gibson PC



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June 18, 2014

VIA E-MAIL AND FIRST-CLASS MAIL

ALJ Shani Pines
PUC Filing Center
Public Utility Commission of Oregon
3930 Fairview Industrial Drive, SE
Salem, OR 97302-1166

Re: UE 287

Dear ALJ Pines,

I am writing as counsel for PacifiCorp d/b/a Pacific Power (PacifiCorp) in PacifiCorp's 2015 Transition Adjustment Mechanism (TAM).

The parties in this case, PacifiCorp, Staff of the Public Utility Commission of Oregon, Industrial Customers of Northwest Utilities, the Citizens' Utility Board of Oregon and Noble Americas Energy Solutions LLC, met for a settlement conference on June 10, 2014. While the parties did not settle the case, they did reach an informal agreement relating to the manner in which PacifiCorp will model Naughton Unit 3 in the July TAM Update.

In its initial filing, PacifiCorp modeled Unit 3 of the Naughton plant assuming that the unit will cease coal-fired operation on December 31, 2014, and resume operation as a gas-fired unit effective June 1, 2015. See PAC/100, Dickman/7-8. The Company's testimony acknowledged that the conversion of the plant could be delayed until June 30, 2018, if PacifiCorp obtains an amended permit from the State of Wyoming Department of Environmental Quality (Wyoming DEQ) by December 31, 2014. *Id.* at 8. The impact of a delay in the conversion is a reduction of approximately \$7.8 million in Oregon-allocated net power costs for the 2015 TAM. *Id.* at 9.

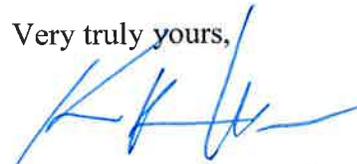
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On May 15, 2014, the Wyoming DEQ issued an amended permit for public comment, which allows for continued coal operations at Naughton Unit 3 through December 31, 2017, with conversion to natural gas operations by June 30, 2018. The public comment period ended on June 16, 2014, and no comments were received. Wyoming DEQ is expected to issue the final permit within 30 days after the end of the public comment period. Issuance of the final permit will address concerns over the December 31, 2014 compliance deadline for the unit. While additional modifications will remain to be completed on the balance of Regional Haze compliance-related implementation plans and agreements affecting Naughton Unit 3, the Company anticipates that these will be primarily administrative actions. Accordingly, to obviate the need for the parties to file testimony related to the modeling of Naughton Unit 3 in this case, PacifiCorp has agreed to reflect coal operations at Naughton Unit 3 for calendar year 2015 in the July TAM Update, which will be filed July 23, 2014.

The other parties agree that, if PacifiCorp does not obtain the amended permit in 2014, or if follow-on, compliance-related administrative actions do not proceed successfully, PacifiCorp may file a petition for deferred accounting for the increased net power costs associated with a 2015 conversion of Naughton Unit 3. In this situation, the other parties agree not to oppose PacifiCorp's filing for deferred accounting, but reserve their rights to challenge the prudence of the deferred costs at the time PacifiCorp seeks amortization of the deferred amounts in rates.

Based on this agreement, Staff and intervenors will not address issues related to the modeling of Naughton Unit 3 in their opening testimony on June 19, 2014.

Very truly yours,



Katherine A. McDowell

cc: Parties of Record

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Docket UE 287 on the following named person(s) on the date indicated below by email addressed to said person(s) at his or her last-known address(es) indicated below:

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Dated this 18th of June 2014.



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