

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 24, 2015

REGULAR _____ CONSENT X EFFECTIVE DATE March 1, 2015

DATE: February 13, 2015

TO: Public Utility Commission

FROM: Suparna Bhattacharya ^{SB}

THROUGH: Jason Eisdorfer and Marc Hellman ^{JE MH}

SUBJECT: PACIFIC POWER: (Advice No. 15-002) Schedule 94, Distribution Safety Surcharge.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Pacific Power's (Company) request to cancel Schedule 94, Distribution Safety Surcharge, effective March 1, 2015.

DISCUSSION:

On September 20, 2013, the Company filed an advice filing to establish Schedule 94 Distribution Safety Surcharge (DSS). The funds collected through this surcharge are to recover costs associated with correcting outstanding National Electrical Safety Code (NESC) conditions deferred under OAR 860-024-0012(3) as necessary to reach the Commission's safety objective of correcting all conditions within a two-year timeframe and the cost of a new electronic system for tracking and reporting NESC conditions and correction schedules.

The Company characterizes NESC conditions based on the categories used by the Oregon Joint Use Association (OJUA). Under this system of categorization, there are three condition types: Category A, Category B, and Category C. Category C conditions pose little or no foreseeable risk of danger to life or property and are typically repaired during the next major work activity.

At the time of filing, the Company estimated that approximately \$1.8 million would be needed to complete all Category C conditions that were deferred under OAR 860-024-0012(3). The calculation was based on a weighted average cost of correction accounting for geographic efficiencies and specific scope of correction work by type. The Company also calculated that approximately \$0.2 million would be needed

to implement the new electronic tracking and reporting system. The Company noted in the original filing that it would periodically evaluate collections and actual costs and adjust the rate as necessary.

In the process of correcting the deferred Category C conditions, the Company was able to achieve greater efficiencies than originally projected by using single-man fielding. Single-man fielding is a one-person field verification of the pole conditions. That person is also able to complete simple fixes or provide notes and additional information for the follow-up crew. This process increased the efficiency of the total correction activity in 2014, reducing the overall cost.

The current filing updates Schedule 94 surcharge collections and indicates that collections through February will be sufficient to cover the updated cost. As a result, the Company requests to cancel Schedule 94, effective March 1, 2015. This proposed change will affect approximately 588,000 customers and will result in an overall annual rate decrease of approximately \$1.0 million or 0.08 percent. Schedule 94 rates are generally levied on a cents per customer basis. As such, residential customers, regardless of usage, would see a monthly bill decrease of \$0.11 per month. To support this filing and meet the requirements of OAR 860-022-0025, the Company submitted updated Schedule 94 tariff sheet, attachments showing costs associated with DSS corrections as well as estimated effect on the customers by rate schedules.

Pursuant to OAR 860-022-0020, along with this application Pacific Power also filed an application for a waiver of legal statutory notice. The "Less than Statutory Notice" request is needed as the effective date of March 1, 2015, is less than thirty days from the February 6 filing date.

The Company plans to provide to Staff a report of actual costs after project completion. Any over-collected or under-collected amounts will be transferred to the Miscellaneous Deferred Accounts balancing account.

Staff's Analysis

Based on the worksheets attached to the filing as well as through discussions with the Company, Staff confirmed that the total expected cost to correct C conditions by December 31, 2015, is going to be less than \$2 million as filled in the original filing of September 2013.

It is anticipated that the total cost of the DSS will be around \$1.3 million.

- i. New System for Tracking Third-party conditions = \$230k
- ii. Stand Alone C conditions = \$1.1 million (7,790 corrections)

The original forecast for DSS (as filed in September 2013) was \$2.0 million

- i. New System for Tracking Third-party conditions = \$230k

ii. Stand Alone C conditions = \$1.8m (9,850 corrections)

The original expected cost per correction estimated during the initial filing in September 2013 was \$178. With single-man fielding, cost per correction for 2014 reduced to \$118.38, thus reducing the expected costs associated with the Category C conditions.

The Company has collected approximately \$1.2 million between November 2013 and January 2015, with another \$80K expected in February 2015, for a total of about \$1.3 million. The total DSS collection thus, fully recovers the expected cost required to complete all Category C corrections and hence should expire. As noted in the Schedule 94 tariff sheet, the surcharge should expire on the earlier of a) October 31, 2015; or b) upon such time when the authorized amounts have been fully collected.

Staff also reviewed the annual impact on revenue with this cost reduction for all rate schedules. The proposed change will affect 588,336 customers. Residential revenues will decrease by 0.11 percent, commercial and industrial revenues will decrease by 0.05 percent and public street lighting revenues will decline by 0.17 percent over a 12-month period ending December 31, 2015. The overall annual revenue will decrease approximately 0.08 percent with the cancellation of DSS.

The Company has reviewed the memo and has no areas of concern.

PROPOSED COMMISSION MOTION:

Pacific Power Company's request to cancel Schedule 94 effective with service on and after March 1, 2015, as well as, the Company's waiver request for Less than Statutory Notice, be approved.