

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 27, 2014**

REGULAR _____ CONSENT X EFFECTIVE DATE June 1, 2014

DATE: May 19, 2014

TO: Public Utility Commission

FROM: Deborah Garcia *DG*

THROUGH: Jason Eisdorfer *E*, Maury Galbraith *MAG*, and Marc Hellman *MH*

SUBJECT: PACIFIC POWER: (Docket No. UE 263/Advice No. 14-008) Modifies Schedule 80 to implement the Lake Side 2 tariff rider, pursuant to Order No. 13-474.

STAFF RECOMMENDATION:

Staff recommends that Pacific Power's (Pacific or Company) filing be suspended unless by noon on May 30, 2014, the Company files a corporate officer's attestation that the Lake Side 2 plant is operational pursuant to ORS 757.355. If such attestation is timely filed, then Staff recommends the Commission approve Pacific's filing and the associated tariffs be allowed to go into effect on June 1, 2014.

DISCUSSION:

Pacific Power makes this filing pursuant to ORS 757.205, OAR 860-022-0025 and OAR 860-022-0030 in compliance with the all-party stipulation (Stipulation) that was adopted in the most recent rate case Docket No. UE 263, Order No 14-474.

The purpose of this filing is to implement the separate tariff rider for recovery of the Oregon-allocated costs of the Company's investment in the Lake Side 2 natural gas-fired generating plant and associated interconnection.

In the Stipulation, the parties agreed that Pacific could recover the revenue requirement of the prudently incurred costs of Lake Side 2 through a separate tariff rider subject to the following conditions: 1) The project becomes operational by June 30, 2014; 2) The Company provides an attestation by a corporate officer that the project has been placed in service and is operational; and 3) The Company facilitates the parties' review and audit of the final project costs.

When the Company made this filing on April 11, 2014, the Company expected that Lake Side 2 would go into service on May 20, 2014, and the corporate officer's attestation would be filed the same date. On May 15, 2014, I was notified by the Company that the plant will be substantially complete by May 20 but will still need final testing before it can be considered in service. The Company does expect Lake Side 2 to be used and useful before noon on May 30, 2014, in advance of the date rates in this filing are to go into effect. This delay creates a timing issue as the public meeting to consider this filing is May 27, three days before Pacific expects the plant to be fully operational. During a telephone call between Staff, Staff's attorney, and the Company's staff and attorneys, Pacific agreed to a conditional suspension. If the deadline is not met, rates will not change and Pacific will make a subsequent filing to again request that the Lake Side 2 tariff rider go into effect.

The final stipulated condition was that Pacific facilitate the parties' review of the costs associated with this plant. Pacific has met that requirement by first submitting on January 23, 2014, the project costs through December 31, 2013, and filing monthly updates thereafter. The Company responded to all data requests. Pacific also met with Staff on two occasions, the first to provide highly confidential invoices for Staff's review and respond to questions and to provide additional information regarding the inclusion of labor into the revenue requirement associated with this rider. Finally, on April 2, 2014, Pacific conducted a workshop at the Commission to discuss the status of the project, review project costs to date, and answer parties' questions. Staff, Citizens' Utility Board, and Industrial Customers of Northwest Utilities attended the workshop.

The costs of the project that are included in the proposed tariff rider are actual costs as reflected in the Company's accounting system as of March 31, 2014, and forecast costs for the remaining period before the plant goes into service. As discussed in the April 8 workshop, the Company agrees that if the forecast costs for the period April 1, 2014, through the in-service date are greater than actual costs, the Company will defer the revenue requirement reduction for future inclusion into rates. The Company will not seek a deferral if actual costs during that period exceed the forecast costs.

This proposed rate change will affect approximately 587,000 customers and results in an overall annual rate impact of approximately \$21.9 million or 1.8 percent. This rate impact is approximately \$1.1 million less than the rate impact presented in the UE 263 Stipulation, Exhibit C. A residential customer using 900 kWh per month will see a bill impact of \$1.58 per month as a result of this change.

Staff Analysis

Staff conducted a thorough review of Pacific's filing by reviewing the data submitted by Pacific and by issuing data requests and reviewing highly confidential invoices brought to the Commission by the Company. Staff also reviewed the associated accounting for accuracy and Staff reviewed the proposed rates. Staff's findings are that the costs associated with Lake Side are prudent, the accounting of those costs is accurate, and the rates are correct.

For these reasons, Staff is proposing that the Commission conditionally suspend this filing, which gives Pacific the opportunity to move forward with implementation of the proposed tariff rates, as long as the in-service and attestation requirements are timely met.

PROPOSED COMMISSION MOTION:

Suspend Pacific Power's separate tariff rider unless an attestation from a corporate officer is received by noon on May 30, 2014, certifying that the Lake Side 2 generating plant has been placed in service on or before that date.