

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 18, 2012**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** November 20, 2012

DATE: November 30, 2012

TO: Public Utility Commission

FROM: Judy Johnson

THROUGH: Jason Eisdorfer, Maury Galbraith, and Marc Hellman

SUBJECT: PACIFIC POWER: (Docket No. UM 1634) Requests authorization to defer costs related to Network Damage.

STAFF RECOMMENDATION:

I recommend the Commission approve Pacific Power's (Pacific or Company) request for authorization to defer costs related to Network Damage from the November 2012 storm to be on effective November 20, 2012 for a period of twelve months.

DISCUSSION:

Pursuant to ORS 757.259 and OAR 860-027-0300, Pacific requests authorization to record and defer for a 12-month period beginning November 20, 2012, the cost related to Network Damage from a November 2012 storm.

Summary Background

Beginning on November 19, 2012, parts of the Company's Oregon service area experienced a severe rain and windstorm that caused extensive damage. An estimated 20,000 customers had service interruptions throughout Pacific's service territory stretching from Astoria to Bandon, Central Oregon and the Southern Willamette Valley. The Company activated its Virtual Emergency Action Center on November 19, 2012, to mobilize personnel to respond to the event.

The Company states that its first priority has been customer safety and power restoration so a complete assessment of the damages is not yet available.

Reason for Deferral

Pacific's request for deferral results from damages caused by the severe storm. In establishing generic guidelines for deferred accounting in UM 1147, the Commission made clear that deferred accounting was designed to cover costs associated with this type of unanticipated event.

The Company states that this Application for deferred accounting permits the Commission to support Pacific Power's efforts to respond responsibly to the November 2012 storm by immediately addressing all safety and service concerns, and conducting subsequent assessments of damage and repair costs and options. The Company states that in UM 1147, the Commission made clear that it had discretion and flexibility to allow deferred accounting to encourage utility behavior consistent with good regulatory policy. Order No. 05-1070 at 2.

ORS 757.259(2)(e) allows the deferral of utility expenses or revenues where necessary to match appropriately the costs borne by and the benefits received by customers. This request seeks to align the costs of Pacific Power's network service with the benefits customers receive from such service.

Proposed Accounting

During the period of deferral, Pacific Power proposes to account for the deferred costs of the storm by recording the deferral in Account 182.3, Other Regulatory Assets. Pacific Power requests that in accordance with ORS 757.259(3), it be allowed to accrue interest on the unamortized balance at a rate equal to its weighted average cost of capital most recently approved by the Commission.

Estimated Deferrals in Authorization Period

Pacific Power will supplement this Application with an estimate of the costs of the storm damage as soon as those are available. In the event the costs are fully covered by the Company's self-insurance reserves, Pacific Power will withdraw this Application.

Information Related to Future Amortization

When this deferral is amortized it will be subject to the 3 percent test and an earnings review.

Staff Analysis

As the Company's application meets the requirements of ORS 757.259 and OAR 860 027-0300, and the reason for the deferral is valid, I recommend the Commission approve Pacific's application.

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PROPOSED COMMISSION MOTION:

Pacific Power's request for authorization to defer costs related to Network Damage from the November 2012 storm for the 12-month period beginning November 20, 2012, be approved.