

**Exhibit No. \_\_\_\_ (ECO-5)  
Docket UE-152253  
Witness: Elizabeth O'Connell**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PACIFIC POWER & LIGHT  
COMPANY,**

**Respondent.**

**DOCKET UE-152253**

**EXHIBIT TO  
TESTIMONY OF**

**ELIZABETH C. O'CONNELL**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Pacific Power's 1<sup>st</sup> Supplemental Response to Staff Data Request 37*

**March 17, 2016**

### **WUTC Data Request 37**

**REQUESTED BY: Elizabeth O’Connell**

***RE: The following data requests are related to the Union Gap Substation Upgrade, discussed in the direct testimony of Company witness Richard A. Vail.***

Please provide all documentation, including both initial and final decision documents, demonstrating management and the Board of Directors approval of the Union Gap Substation Upgrade. Please also include any economic analysis or other information prepared by or for the Company and relied upon by management or the Board of Directors prior to or during the approval process. In addition to any other relevant documents, please include the following:

- (a) The relevant section of the Company’s ten year plan referring to this specific project;
- (b) An Insurance Appraisal Report (if any); and
- (c) The initial and any subsequent Investment Appraisal Documents.

### **1<sup>st</sup> Supplemental Response to WUTC Data Request 37**

On February 26, 2016, WUTC Staff provided additional clarification regarding this request. Based on that clarification, the Company provides the following supplemental response:

The approval process for project expenditures at PacifiCorp is managed through the SAP financial system and the appropriation requests (APRs) are routed electronically through an approval chain based on the dollar value of the APR. Before 2011, PacifiCorp used a paper and email routing system to approve APRs however the same approval authority dollar amount thresholds were used. All capital projects require a superior (or initial) APR. If there are changes in scope, dollars, or schedule a project change notice (PCN) is required.

For projects such as Union Gap where there are three distinct sequences, approval of funding must stay at the overall project level. Because PacifiCorp’s approval is based on overall expenditure level, this requirement ensures project approval is gained at the appropriate executive level.

- ❖ The initial APR for the Union Gap project was routed and approved prior to the implementation of the current electronic process using the SAP system. As part of the implementation of that system all active projects had a transitional APR created in SAP reflecting the last approved paper APR. The file in Attachment WUTC 37-4 titled “APR 24001111 Union Gap.pdf” shows the transitional APR created in SAP. The file titled “APR 24001111 UnionGapSub-Add230115kVCapacity(3)\_20160201185734.196\_X.xls” is a copy of the actual appropriation request routed for approval and shows

- approval by William Cunningham who was the Managing Director of Transmission at that time.
- The text after the financial table in the APR will indicate the description of the work being requested and reason for project. On this approved APR the funds are being requested to start preliminary engineering and scoping in order to evaluate and compare options for the project. The in-service date of 12/31/2010 on the APR was the projected date for the completion of that preliminary work so that a more detailed estimate could be developed and a full-funding APR could be routed.
  - Please note that, due to system limitations, the “Spent to Date” field reflected on this APR is the dollar value of the project on the date the APR was printed and does not indicate the dollar value of the project when approved. The APRs provided as part of this data response were all printed on February 1, 2016 so the Spent to Date field will indicate the same dollar value.
  - Also, due to system limitations, the dates in the header of the APR reflect calendar year (CY) however the financial table is in fiscal year. PacifiCorp’s fiscal year is designated as January through December but one year later than calendar year. So, on PCN 24001111, the calendar year in the header is 2010 and the fiscal year in the table is 2011 which both designate the same time frame.
- ❖ The file titled “APR 94000509 Union Gap.pdf” was for the first PCN routed for the project in February 2011 to shift cash flow from CY2010 to CY2011 and extend the time needed for the preliminary work to be completed.
- This PCN was routed within the SAP system so the approver is indicated beneath the headers. In this case the PCN was again approved by William Cunningham.
  - In the header of all PCN APRs the “In-Service Date” field on the left side of header is the currently approved date and matches the previous approved APR. The “Proposed In-Service Date” field on the right side of header is the proposed date change.
  - Beneath the approver section of the header on all PCNs the “Gross Funds Requested” field will indicate if the overall project costs are increasing or decreasing. If the field is zero then the overall project costs are remaining the same.
  - The file titled “APR 94000509 UnionGapmails\_20160201185623.606\_X.pdf” is the email chain on how the new in-service date was determined.
- ❖ The file titled “APR 94000700 Union Gap.pdf” was the next PCN routed for the project and further extends the date for the preliminary work to be completed.
- ❖ The file titled “APR 94001273 Union Gap.pdf” is the next PCN routed. This PCN was routed to authorize funds in order to engineer and purchase the new transformers required for the projects ahead of the full funding authorization

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- of the project. This was due to the opportunity to secure the 230/115kV transformer at a favorable price as part of a package with other units. This PCN was approved by Pat Reiten who at the time was President of Pacific Power.
- The file titled “ERFORM-QuickForm\_20160201185522.835\_X.xls” is the estimate from the estimating department that supports the dollars being requested in the APR.
  - For APRs that have expenditure amounts over \$1.0 million, PacifiCorp policy requires an Investment Appraisal Document (IAD) to further supplement the text in the APR, however, the business controller can waive this requirement for certain cases. The file titled “APR 94001273 FW\_Purchase transformer for Union Gap Substation. Pdf” is the email chain showing approval from Ron Lowder, the Pacific Power controller at the time, to waive the IAD on this preliminary APR.
- ❖ The file titled “APR 94002629 Union Gap.pdf” is the next PCN routed for the Union Gap project and the first to reflect full funding of the project. This PCN was routed through the Pacific Power approval chain and ultimately approved by Greg Abel, Chairman and Chief Executive Officer of PacifiCorp. The file titled “APR 94006194 Union Gap Sub Spec Del Auth.pdf” reflects this approval.
- The file titled “APR 94002629 Union Gap Sub Rebuild IAD.pdf” is the first IAD routed for the project and section 13 of that document shows the financial analysis completed by the Pacific Power financial departments and goes along with the generic model calculation found in the file titled “APR 94002629 Union Gap Substation GM.xlsm.”
- ❖ The file titled “APR 94006194 Union Gap.pdf” is the latest PCN routed for the project and reflects an increase in project funding of \$2.15m as seen in the Gross Funds Requested field. Due to the increase the ultimate approver of the PCN was again Greg Abel and a new Special Delegation of Authority can be found under the file titled “APR 94006194 Union Gap Sub Spec Del Auth.pdf.” In addition the file titled “APR 94006194\_Union Gap IAD” shows the IAD update.

PREPARER: Lori Adams

SPONSOR: Richard Vail