

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PACIFICORP dba PACIFIC POWER &
LIGHT COMPANY

Petition for an Order Authorizing the
Transfer of Property and an Order
Approving Deferral of Revenue Related to
Transfer of Property.

DOCKET UE-24_____

PACIFICORP’S PETITION FOR
PROPERTY TRANSFER AND
ACCOUNTING ORDER

I. INTRODUCTION

1 In accordance with RCW 80.12.020, WAC 480-143-120, and WAC 480-07-370(b), PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or the Company) submits this petition to the Washington Utilities and Transportation Commission (Commission). The Company respectfully seeks an order to approve the Purchase and Sale Agreement (Transfer Agreement) between the Company and LHM DEV E, LLC (LHM DEV E), and requests a determination that the disposition of the property is in the public interest. The Transfer Agreement outlines terms of the conveyance of real property located in Salt Lake City, Utah, from the Company to LHM DEV E, which is referred to in this petition as the “North Temple Property” or “NTP.”

2 Additionally, in accordance with WAC 480-07-370(3), PacifiCorp requests an accounting order that would authorize the recording of a regulatory liability for any net proceeds arising from the Transfer Agreement for the benefit of customers. This account would then be addressed in a subsequent rate proceeding. PacifiCorp requests this petition be approved by October 1, 2024.

3 In support of this petition, PacifiCorp states as followed:

4 PacifiCorp is an electrical company and public service company doing business in the state of Washington under RCW 80.04.010 and is subject to the jurisdiction of the Commission with regard to its public utility operations, retail rates, service, and accounting practices. The Company also provides retail electricity service under the name Pacific Power in Oregon and California and under the name Rocky Mountain Power in the states of Utah, Wyoming, and Idaho. PacifiCorp’s principal place of business is 825 NE Multnomah Street, Suite 2000, Portland, Oregon, 97232.

5 PacifiCorp’s name and address:

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In addition, PacifiCorp respectfully requests that all data requests be addressed to:

By e-mail (preferred)

datarequest@pacificorp.com

By regular mail

Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

Informal inquiries may be directed to Ariel Son, Washington Regulatory Affairs Manager, at (503) 813-5410.

6 Statutes and rules that may be at issue in this petition include RCW 80.01.040, RCW 80.12.020, WAC Chapter 480-143, and WAC 480-07-370(b).

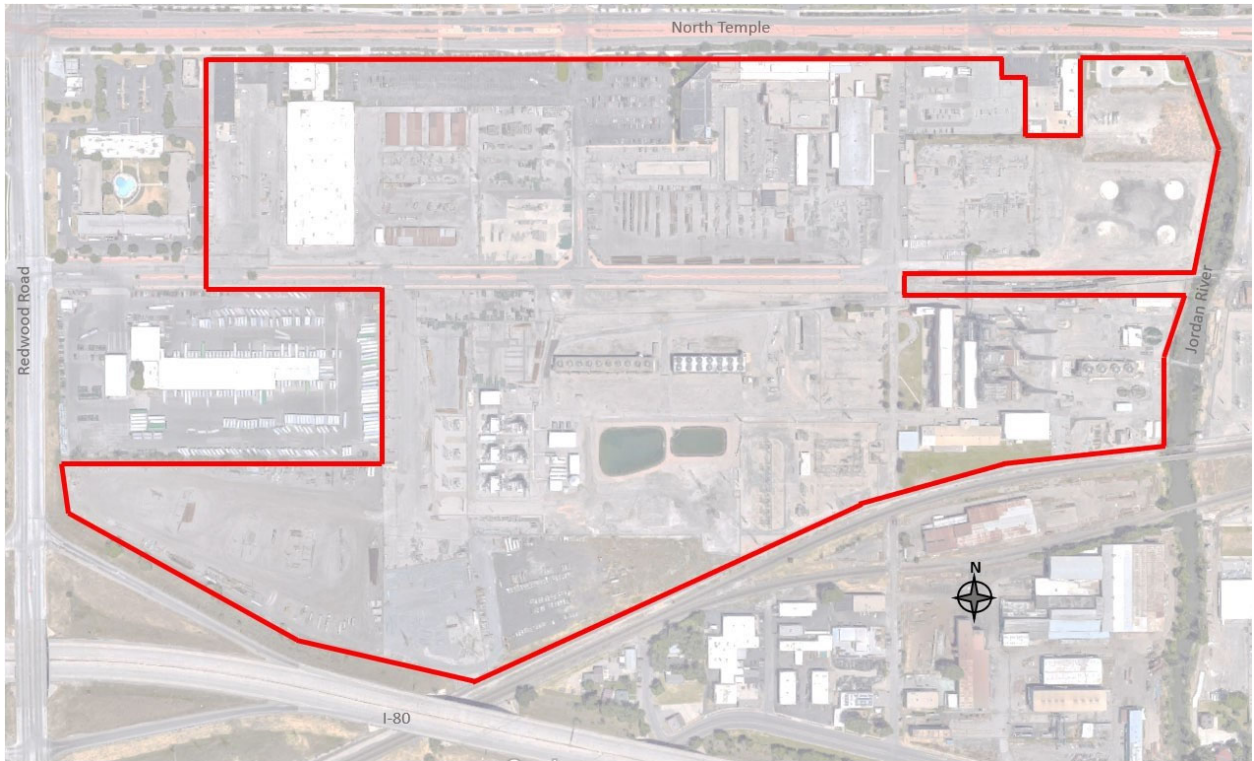
II. BACKGROUND

7 The NTP consists of an estimated 100-acres of real property in Salt Lake City, Utah. The property is flanked to the east by the Jordan River, North Temple bounds it to the north,

Interstate 80 and a railroad define its southern edge, and Redwood Road lies to the west.

Figure 1 offers a reference map of the NTP property:

Figure 1 – NTP General Reference Map



8 PacifiCorp acquired the NTP in the 1940s. Before that time, significant portions of the NTP were utilized for various purposes including industrial activities and landfill to store residential, commercial, and industrial waste for Salt Lake City and surrounding areas. PacifiCorp’s corporate headquarters (“North Temple Office” or “NTO”) have been located at NTP since approximately 1955, when it relocated from its prior downtown headquarters in the Kearns Building in Salt Lake City. Since then, PacifiCorp has made various improvements to the property beyond typical repairs and maintenance. The property has remained in the same or substantially similar condition since 1990.

9 Currently, the NTP includes an approximately 264,000 square foot multi-purposed office building that houses various visitor rooms, conference rooms, and training spaces

(164,000 square feet); warehouse operations (31,000 square feet); IT Data Center (45,000 square feet); electric grid operations (20,000 square feet); and the Security Center (4,000 square feet). The NTP also includes the Salt Lake Metro Service Center (SLCSC), inventory laydown yards, space for parking, storage, and other operations.

10 The NTO currently provides system-wide support across PacifiCorp's six-state service area. For example:

- The NTO includes personnel in engineering, grid operations, thermal generation, regulation, legal, finance, facilities and property management, customer and community solutions, environmental management, fuels procurement and mining, wind and solar resource development, health and safety, IT, human resources, and security divisions. All of these departments manage assets and operations that support system-wide generation and electric operations, and regularly appear before state utility commissions across PacifiCorp's six-state service area;
- The IT Data Center located in the NTO supports PacifiCorp's corporate and operation technology needs;
- The Grid Operations Center located in the NTO manages the power system in PacifiCorp's Utah, Idaho and Wyoming service territories on a 24/7 basis, responds to disturbances on the power system, investigates outages on distribution and transmission assets, dispatches field resources, schedules and performs switching on the distribution and transmission systems as well as the backup for the Pacific Power grid operations located in Portland, Oregon, which manages the power systems in California, Oregon and Washington;
- The Security Center located in the NTO monitors and provides critical infrastructure

security to PacifiCorp's physical and cyber assets throughout the Company's six-state service area.

11 At present, the NTP facilities are beyond their useful life for operational, disaster recovery requirements. These facilities require a major renovation or reconstruction to address significant concerns with the facility to ensure continuous essential service and improve operational efficiencies. In particular, these facilities grapple with a range of issues, including structural, electrical, mechanical, plumbing, fire protection, as well as physical and cyber-security vulnerabilities, and architectural shortcomings. All these issues demand attention for the facilities to be suitable for sustained occupancy in the future. A third-party evaluation conducted by CRSA, an architectural and planning firm, coupled with PacifiCorp's own internal expertise and insights, support this assessment. The CRSA evaluation is included with this petition and can be found in Exhibit 1 of this petition.

12 Confronted with the NTO's inadequate state for ongoing use and operation, the Company faced a pivotal choice between renovating the current premises or constructing entirely new facilities. It became evident that the essential renovations and improvements needed for the existing facilities would not be cost effective. In particular, CRSA's assessment revealed that revamping the current infrastructure would incur costs exceeding those of new construction *by over ten percent*, not to mention the additional financial strains from renting temporary spaces during the renovation, moving materials and equipment, and the disruption to regular business activities. Moreover, renovation would not meet key

project objectives identified by the Company.¹ Furthermore, the building’s outdated structure and motel-like design would still pose physical security threats to the Company’s assets, and the current inefficient layout would remain unchanged. Upgrading the facilities would also fail to meet critical resilience goals necessary to ensure the Grid Operations Center, Security Center and IT Data Center remain functional in major events; and the dispersed layout of assets across the NTO would limit the potential benefits to customers that could come from the property’s strategic disposition.

13 The initial phase of development on the NTP site will include critical PacifiCorp construction initiatives: a new headquarters (referred to as the “New NTO”), and potentially the new Energy Services Building (referred to as the “New ESB”) for electric grid operations and dispatch control. PacifiCorp plans to develop between 4 acres and 10 acres, depending on the final location of its New ESB. Additionally, PacifiCorp will retain approximately 35 acres for the Gadsby power plant and substation operations.

14 The New NTO will be designed to house about 700 PacifiCorp employees across approximately 215,000 gross square feet to continue performing system-wide support across the Company’s six-state service area. It will be constructed to Leadership in Energy and Environmental Design (LEED) silver certification standards.

15 The New ESB is set to accommodate roughly 60 PacifiCorp employees and will encompass about 80,000 gross square feet. It, too, will be constructed to meet LEED silver certification standards. Moreover, the New ESB will adhere to the resilience risk Category

¹ These objectives include: (1) Enhance resilience of grid operation and data center assets; (2) Bolster physical and cyber security to ensure life safety and asset protection; (3) Build upon community relations; (4) Execute the Company’s environmental compliance strategy at the NTP; (5) Enhance the Company’s ability to attract and retain employees by providing an optimal work environment that fosters increased collaboration and employee engagement; and (6) Provide customer benefits and rate mitigation revenue from development or disposition of sections of the NTP.

IV standards applicable to critical infrastructure. The building will be equipped with a base isolation system for seismic protection, allowing it to separate the foundation from the superstructure. This feature ensures that the building remains operational during and after natural calamities, extreme environmental incidents, and potential terrorist attacks. The New ESB will be designed to withstand earthquakes of up to 7.5 magnitude, wind speeds of 110 mph, heavy snow loads, remain habitable during poor air quality events, and includes Electromagnetic Pulse shielding. Furthermore, it will incorporate multiple layers of physical and electronic security to deter unauthorized entry and protect against terrorist or riotous assaults.

16 In this proceeding, PacifiCorp is not seeking a prudence determination, or any rate change associated with the construction of the New NTO or the New ESB. The Company has provided an overview of its intended projects at the NTP to give context to this petition. Instead, this petition requests authorization for the approval of the Transfer Agreement to enable the sale of real property that is either underdeveloped or surplus to utility operations. Additionally, it seeks to establish a balancing account to track the net proceeds associated with the Transfer Agreement for the benefit of customers, that will be addressed in a future rate proceeding.

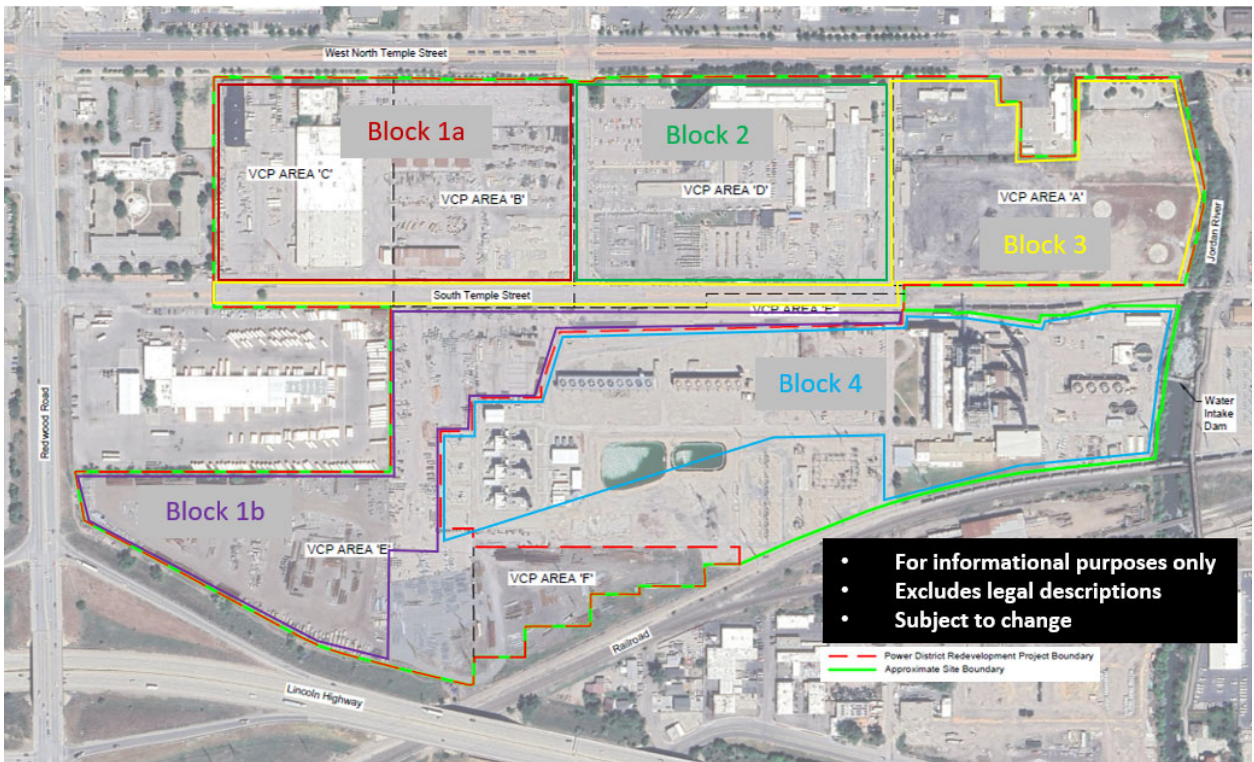
III. APPROVAL OF PROPERTY TRANSFER

17 WAC 480-143-120 requires Commission approval prior to completing the transfer of property necessary or useful in performing public duties. Under RCW 80.12.020, no public service company shall sell, lease, assign or otherwise dispose of its properties which are necessary or useful in the performance of its duties to the public without having secured from the Commission an order authorizing it to do so. The Company requests the Commission to

issue an order authorizing the transfer of property as described in this petition.

A. The Property and Proposed Transaction

18 Attached to this petition as Confidential Exhibit 2 is the Transfer Agreement between LHM DEV E and PacifiCorp.² The Transfer Agreement presents a unique opportunity to receive proceeds for certain parcels of the NTP that are either underdeveloped or not required for utility operations. The Transfer Agreement categorizes the NTO into separate blocks (Block 1-A, 1-B, 2, and 3):



19 Portions of Blocks 1-B and 2 will be retained by PacifiCorp for the construction of the New NTO and potentially New ESB facilities and are not available for purchase by LHM DEV E.

20 The Transfer Agreement outlines the conditions under which LHM DEV E may

² Furthermore, in accordance with WAC 480-143-120, the Company’s financial statements are publicly available at: <https://www.pacificorp.com/about/financial-regulatory.html>

exercise its option to purchase portions of the aforementioned Blocks depicted above for the NTP and includes provisions for the assessment of land value, parking accommodation, and environmental liability. In particular, the agreement enables LHM DEV E to purchase acreage at an agreed upon value, plus escalation adjustments. LHM DEV E is not required to exercise its entire option at once; therefore, the option may be exercised through a series of transactions over time. Section 2(b) of the Transfer Agreement provides a timeline duration for property purchase from March 1, 2024 through December 31, 2039. Mandatory purchases by LHM DEV E begin January 1, 2028, as per Section 14(a).14(a).

B. Not Necessary or Useful

21 Necessary or useful property would include most property owned by the utility. An exception, however, is for property that is substituted with or replaced by items of equal or greater value or usefulness.³ PacifiCorp plans to replace the aging NTO, develop a New ESB for electric grid operations and dispatch control and data center that delivers needed resilience to remain operational during and after natural calamities, extreme environmental incidents, and potential terrorist attacks. A second exception covers property that is surplus or unneeded assets for which full value is received.⁴ The Transfer Agreement, as described above, presents a unique opportunity to receive proceeds for certain parcels of the NTP that are either underdeveloped or not required for the construction of new facilities. Finally, a third exception is for property that is obsolete.⁵ As described above, the current facilities are in an inadequate state for ongoing use and operation.

22 Although Commission approval may not be required for the sale or transfer of such

³ See WAC 480-143-180(1).

⁴ See WAC 480-143-180(2).

⁵ See WAC 480-143-180(3).

property, PacifiCorp still respectfully seeks a Commission order pursuant to WAC 480-143-120 for approval of the Transfer Agreement.

C. Benefits of the Transaction

23 The proposed transaction is consistent with the public interest. The approval of the Transfer Agreement aligns with the public interest by offering a unique opportunity to facilitate the sale of real property that has been identified as either underutilized or not required for forthcoming NTP facility construction. The approval of this transfer will not impact current rates. The Company’s present petition seeks authorization for the transfer of specific portions of the NTP and does not request a prudence determination or approval for any prospective construction of facilities. Therefore, the transfer proposed in this proceeding will not affect current rates, and the prudence and potential rate impact of any future construction will be evaluated in a subsequent rate proceeding. Additionally, as detailed in the following section, the Company proposes to account and record any proceeds, less the net book value of any property sold and costs associated with the disposition(s), from the Transfer Agreement for the benefit of customers.

IV. APPROVAL OF DEFERRAL

A. Description

24 In accordance with WAC 480-07-370(3), PacifiCorp also requests approval of an accounting order that would authorize the recording of a regulatory liability for any net proceeds arising from the Transfer Agreement. Additionally, the Company proposes deferring to this regulatory liability amounts at the time of the transaction associated with any property sold. The Company further requests that this balancing account be amortized, along with applicable interest, in a subsequent rate proceeding. Considering the Transfer

Agreement grants LHM DEV E the option(s) to purchase the real property, the timing, and proceeds from such a transaction cannot currently be determined at this time and are currently not known and measurable for purposes of rate setting. As a result, it is in the public interest to approve the requested accounting order. This will ensure that any net proceeds from any transactions are appropriately preserved and returned to customers in a future proceeding.

25 The standard for granting an accounting petition is the presence of extraordinary circumstances that: (1) are beyond the Company’s control; and (2) cause a material impact.⁶ The circumstances of this accounting are unique and outside of the Company’s control because the Transfer Agreement enables LHM DEV E to purchase a certain amount of acreage of real property, as specified in the Transfer Agreement, for total amount for which is to be determined and currently not known and measurable for rate setting purposes. These circumstances are material because should LHM DEV E exercise its option in full, the Company estimates that the amount recorded will be approximately the amount specified in Appendix H of the Transfer Agreement less the environmental deduction specified in the Transfer Agreement, the net book value of any property sold, and costs associated with the disposition(s). Granting this accounting petition is in the public interest because approval will ensure the funds are passed to ratepayers in a subsequent proceeding.

B. Proposed Accounting

26 If this petition is approved, the Company will record deferred amounts by crediting

⁶ *In the matter of Petition of Avista Corporation d/b/a Avista Utilities, UE-200900, Order 01 (October 27, 2022)* (“The threshold for approving accounting petitions is the presence of extraordinary circumstances that (1) are beyond a Company's control and (2) cause a material impact. We agree with Staff that the impact to customers here is material and that an erroneously approved level of benefits constitutes a condition currently beyond the Company's control. We also agree that Avista has proposed a fair methodology for returning to customers this over-collection of EIM benefits.”).

Federal Energy Regulatory Commission (FERC) Account 254-Other Regulatory Liabilities and debiting FERC Account 421.1-Gain on disposition of property. If this petition is denied, the net proceeds will remain in FERC Account 421.1. Amounts in customer rates associated with any property sold will be deferred by debiting the appropriate revenue accounts and crediting FERC Account 254.

27 PacifiCorp requests that interest be accrued on the unamortized balance at the quarterly rate published by the Federal Energy Regulatory Commission (FERC).

28 The Company acknowledges that the Commission's approval of deferred accounting treatment does not constitute a prudence determination or approval for the construction of any facilities described in this petition. Recovery of any costs would be subject to a prudence review and a final decision on rate recovery in a future regulatory filing.

C. Estimate of Amounts

29 Given the Transfer Agreement's provision allowing LHM DEV E the option to purchase a maximum amount of acreage, combined with the annually escalating basis for the transaction and unknown final costs related to preparing the real property for sale, the Company is unable to specify an exact figure to be recorded in the deferred account at this time. However, should LHM DEV E exercise its option in full, the Company estimates that the amount recorded will be approximately the amount specified in Appendix H of the Transfer Agreement less the environmental deduction specified in the Transfer Agreement, the net book value of any property sold, and costs associated with the disposition(s). The Company will submit informational filings to this docket once any option is exercised by LHM DEV E.

V. CONCLUSION

30 WHEREFORE, PacifiCorp respectfully requests an order approving the Transfer Agreement under RCW 80.12.020 and WAC 480-143-120, and accounting order authorizing it to record a regulatory liability to FERC Account 254 (Other Regulatory Liabilities) to account for any new proceeds associated with the Transfer Agreement to be amortized in a subsequent rate proceeding.

Respectfully submitted this 9th day of April, 2024.

By: 

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