

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)	DOCKET UE-144136
)	
PACIFIC POWER & LIGHT)	ORDER 01
COMPANY,)	
)	
Petitioner,)	ORDER GRANTING PETITION
)	SUBJECT TO CONDITIONS
For an Order Approving the Exchange of)	
Certain Transmission Assets with Idaho)	
Power Company)	
.....)	

BACKGROUND

- 1 On December 19, 2014, Pacific Power & Light Company (Pacific Power or Company) filed a petition requesting authorization to exchange approximately \$43 million in Company-owned transmission assets for approximately \$43 million in transmission assets owned by Idaho Power Company (Idaho Power). The purpose of the transaction is to update or replace a series of complicated transmission agreements through a combination of ownership exchanges and open access transmission tariff (OATT) transactions.¹

- 2 Pacific Power and Idaho Power are joint owners of the 2,100-MW Jim Bridger coal plant in Wyoming. Pacific Power owns two-thirds of the plant’s output, and Idaho Power owns one-third. The proposed asset transfer would change the ownership structure of the lines that Pacific Power uses to move power from Wyoming to the Pacific Northwest. Instead of Pacific Power owning two lines and Idaho Power owning the third line, Pacific Power will own two-thirds of each line and Idaho Power will own one-third of each line. At present, Pacific Power has the ability to move 1,600 MW of capacity into the Pacific Northwest. If the transfer is approved and executed, Pacific Power will still have 1,600 MW of transfer capacity.

- 3 WAC 480-143-170 requires utility transfers to be consistent with the public interest. The Commission will approve those transfers when the applicant demonstrates that the transfer “on balance, at least does not harm.”² Based on the Company’s filing and responses to

¹ Washington is the last jurisdiction to act on this Petition; it has been approved by FERC and the regulatory commissions of four other states. Attachment A to Commission Staff’s memo summarizes each entity’s decision and the conditions of approval that each imposed.

² Docket UE-991255, Second Supplemental Order (March 6, 2000) ¶ 29.

Staff's data requests, Staff believes the petition satisfies the Commission's four-part test to determine whether the no-harm standard has been met, as discussed below.

- 4 In the first part of the four-part test, the Commission examines the rates and risks faced by ratepayers if the transfer is approved. In response to a Staff data request, the Company indicated that the potential impact on Washington rates would be a near-term increase of approximately \$575,000, but cautioned that any actual increase would depend on the test period used.³ By Staff's estimate, \$575,000 would represent an increase of about 0.2 percent, or \$0.23 per month for the average residential customer. The transaction also appears to slightly reduce risks for Washington ratepayers by decreasing both the impact of line outages and the Company's need for wheeling on Idaho Power's system. Although the benefits are largely unquantifiable at this point, a potential rate increase of 0.2 percent appears reasonable to attain them. Based on this analysis, Staff believes that the proposed transaction's projected impact on the rates and risks for Washington ratepayers would not be harmful.
- 5 Second, the Commission examines the balance of interests among customers, shareholders, and the broader public. The exchange proposed by the Petition gives the Company the ability to better serve its Idaho territory without appearing to harm any of its other territories, and the Company believes that it also creates a strong foundation for it to work with Idaho Power on future projects of mutual interest. Staff believes that the proposed agreement serves the interests of Washington ratepayers and Company shareholders without harming either party.
- 6 Third, the Commission looks at the effect of the transaction on competitive markets. From a competitive standpoint, the most significant impact of the proposed exchange will be the increased capacity for Pacific Power to dynamically schedule power across Idaho Power's system. For Idaho Power, the transaction appears to improve its ability to access energy market hubs in Oregon and California. Staff believes that the proposed exchange would increase market access in the region, and Staff did not identify any potential anti-competitive outcomes.

³ Pacific Power response to WUTC Data Request 8. The company projected that the transaction could reduce Washington-allocated assets by \$175,000 and increase power costs by \$750,000. The increase in power costs is the result of moving to OATT-based rates for wheeling on Idaho Power's system.

7 Finally, the Commission considers whether the interests of Washington ratepayers will be protected. Based on the Company's responses to Staff's data requests, Staff concludes that the proposed transaction does not appear to negatively affect the interests of Washington ratepayers. Moreover, the Commission has established a process to ensure that any increased costs incurred as a result of this transaction could only be passed onto ratepayers if there is a commensurate benefit identified.

8 Staff's analysis of the Petition concludes that, on balance, the proposed transaction does not appear to harm Washington ratepayers. Staff therefore recommends that the Commission grant the Company's Petition for an order authorizing the exchange of transmission assets, subject to the following conditions: 1) the Company must notify the Commission of any material changes to the proposed transaction within 10 business days of any material change; and 2) the Company must file with the Commission the final journal entry recording the transaction within 60 days of the transaction's closure.

DISCUSSION

9 We agree with Staff that Pacific Power's exchange of assets with Idaho Power does not appear to be harmful to Washington ratepayers. As Staff noted, the potential for a minor rate increase is balanced by the potential benefits, such as improved operational efficiency, increased reliability, and reduced wheeling expenses. Furthermore, the Commission's practices ensure that any cost increases arising from this transaction will only be passed on to ratepayers if the Company can identify commensurate benefits. Accordingly, we approve the Company's Petition subject to the conditions that the Company notify the Commission of any material changes to the proposed transaction within 10 business days of any material change, and that the Company file with the Commission the final journal entry recording the transaction within 60 days of the transaction's closure.

FINDINGS AND CONCLUSIONS

10 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, regulations, practices, accounts, securities, transfers of property, and affiliated interests of public service companies, including electric companies.

- 11 (2) Pacific Power is an electrical water company and a public service company subject to Commission jurisdiction.
- 12 (3) This matter came before the Commission at its regularly scheduled meeting on September 24, 2015.
- 13 (4) On December 19, 2014, Pacific Power filed a petition for an order authorizing the exchange of approximately \$43 million in Company-owned assets for approximately \$43 million in transmission assets owned by Idaho Power.
- 14 (5) Staff reviewed the Petition and found that the exchange of assets will not harm Washington ratepayers.
- 15 (6) After reviewing Pacific Power's Petition and giving due consideration to all relevant matters and for good cause shown, the Commission finds it is consistent with the public interest to grant Pacific Power's petition and authorize the proposed exchange of assets, subject to the conditions that the Company notify the Commission of any material changes to the proposed transaction within 10 business days of any material change, and that the Company file with the Commission the final journal entry recording the transaction within 60 days of the transaction's closure.

ORDER

THE COMMISSION ORDERS:

- 16 (1) Pacific Power & Light Company's petition for authorization to exchange certain transmission assets with Idaho Power Company is granted, subject to the following conditions: 1) Pacific Power & Light Company must notify the Commission of any material changes to the proposed transaction within 10 business days of any material change; and 2) Pacific Power & Light Company must file with the Commission the final journal entry recording the transaction within 60 days of the transaction's closure.
- 17 (2) The Commission retains jurisdiction over the subject matter and Pacific Power & Light to effectuate the terms of this Order.

DATED at Olympia, Washington, and effective September 24, 2015.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

PHILIP B. JONES, Commissioner

ANN E. RENDAHL, Commissioner