



PacifiCorp  
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Data requests to the Company regarding this matter should be addressed in the following manner with copies to the representatives listed below:

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PacifiCorp  
825 NE Multnomah, Suite 800  
Portland, OR 97232

PacifiCorp requests that all notices, correspondence and pleadings with respect to this Application be sent to:

For PacifiCorp:  
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PacifiCorp  
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With a copy to:  
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### **Jurisdiction and Authority**

A public service company must receive Commission approval for any transaction to sell property that is necessary or useful in the company's performance of its duties to the public.

Specifically, RCW 80.12.020 provides:

No public service company shall sell, lease, assign or otherwise dispose of the whole or any part of its franchises, properties or facilities whatsoever, which are necessary or useful in the performance of its duties to the public, and no public service company shall, by any means whatsoever, directly or indirectly,

merge or consolidate any of its franchises, properties or facilities with any other public service company, without having secured from the commission an order authorizing it so to do . . . .

The standard for approval of a sale is whether the proposed transaction is consistent with the public interest:

**WAC 480-143-170 Application in the public interest.** If, upon the examination of any application and accompanying exhibits, or upon a hearing concerning the same, the commission finds the proposed transaction is not consistent with the public interest, it shall deny the application.

The Commission has further articulated this as a “no harm” standard.

“The standard in our rule does not require the Applicants to show that customers, or the public generally, will be made better off if the transaction is approved and goes forward. In our view, Applicants’ initial burden is satisfied if they at least demonstrate no harm to the public interest.”

*PacifiCorp/ScottishPower Merger Proceeding*, Docket No. UE-981627, Third Supplemental Order (April 2, 1999), p. 2; *see also*, *GTE/Bell Atlantic Merger Proceeding*, Docket No. UT-981367, Second Supplemental Order (1999), p. 25.

## II. THE CENTRALIA TRANSMISSION LINE SALE

### A. Description of the Purchaser

TransAlta Centralia Generation, LLC (“TransAlta Generation”) is a Washington limited liability company and a direct wholly-owned subsidiary of TECWA Power, Inc. (“TECWA Power”), which, in turn, is a direct wholly-owned subsidiary of TransAlta USA Inc.

(“TransAlta”). TransAlta is the indirect owner of the Centralia Power Plant and the Centralia Coal Mine. In 2000, TransAlta subsidiaries acquired the Centralia coal-fired generating facilities and the coal mine. In 2004, a TransAlta subsidiary acquired the Skookumchuck dam and hydroelectric generating facilities located in the vicinity of Centralia, Washington on property adjacent to the Centralia Power Plant.

**B. The Proposed Transaction**

PacifiCorp proposes to sell and transfer to TransAlta Generation the Centralia 230 kV transmission line (the “Centralia Transmission Line”) consisting of approximately three miles of 230 kV line, a switching station and associated easements and rights-of-way, all as more fully described in Schedule 2.1 of the governing sales agreement, the Centralia 230 kV Transmission Facilities Purchase and Sale Agreement between PacifiCorp and TransAlta Centralia Generation LLC, submitted herein as Application Exhibit 1.<sup>1</sup> A map of the Centralia Transmission Line is also attached as Application Exhibit No. 11.

The aggregate sale price of the transaction is \$120,000--the stated price in the Option Agreement (attached hereto as Application Exhibit No. 2). Payment will be made by wire at closing. The original cost less depreciation value of the Centralia Transmission Line is approximately \$128,755.83. Currently, PacifiCorp transmits power over the Centralia Transmission Line to serve its retail customer, the Centralia Coal Mine, and to provide retail station service to the Centralia Power Plant. The effect of the Transaction will be to give TransAlta the option to obtain these retail services from a retail utility other than PacifiCorp. TransAlta has indicated that it intends to find an alternate retail provider for the Centralia Power Plant station service load, but intends to continue taking retail service from PacifiCorp at the Centralia Coal Mine.

**C. No Harm to Public Interest and Proposed Ratemaking Treatment**

TransAlta and PacifiCorp have participated in a number of transactions involving assets and real property associated with the Centralia Generating Plant, the Centralia Coal Mine and the Skookumchuck dam and related facilities.

Approval of the sale of the Centralia Generating Plant and the Centralia Mine was granted by the WUTC on March 6, 2000. *Second Supplemental Order in Docket Nos. UE-991255 and UE-991262.* The actual commercial closing date of that transaction was

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<sup>1</sup> The option to purchase the line was transferred from TransAlta Centralia Mining, LLC to TransAlta Centralia Generation, LLC on October 18, 2004.

accomplished on May 4, 2000. Approval of the sale of the Skookumchuck dam and related facilities was granted by the Commission on March 4, 2004. *Order No. 01 in Docket No. UE-040202*. The actual commercial closing date of that transaction was accomplished on October 5, 2004.

Prior to the scheduled closing of the Centralia Generating Plant and Centralia Coal Mine transaction, TransAlta expressed an interest in acquiring the Centralia Transmission Line, if the Federal Energy Regulatory Commission (the "FERC") would allow TransAlta, as an exempt wholesale generator ("EWG"), to own the transmission facilities. As a result, on May 4, 2000, the closing date referenced above, PacifiCorp executed an Option Agreement with TransAlta Centralia Mining LLC ("TransAlta Mining") under which TransAlta Mining was granted an option to purchase the Centralia Transmission Line for the lesser of book value or \$120,000 (See Application Exhibit No. 2). The deadline for exercising the option was extended by the Option Amending Agreement of April 31, 2001 for an additional option exercise period through December 31, 2002 (attached hereto as Application Exhibit No. 3). In an agreement executed on November 26, 2002 (attached hereto as Application Exhibit No. 4), the term for exercising the option was extended again, through and until the date of termination of the Retail Mine Power Services Agreement dated May 4, 2000 between TransAlta Centralia Mining LLC and PacifiCorp, so that TransAlta could seek the necessary clarifications from FERC about the impact such a transaction would have on its EWG status. On October 18, 2004, TransAlta Mining transferred the option rights to TransAlta Generation. (Application Exhibit No. 5), and shortly thereafter, TransAlta Generation filed its clarification application with FERC (attached hereto as Application Exhibit No. 6). The FERC recently made the determination that TransAlta Generation would be allowed to acquire the Centralia Transmission Line, without jeopardizing its EWG status (Application Exhibit No. 7). Subsequently, TransAlta Generation exercised its option to purchase the Centralia Transmission Line on May 5, 2005. (Application Exhibit No. 8).

PacifiCorp and TransAlta consider the contemplated sale of the Centralia Transmission Line to be consistent with, and a part of, the several Centralia area asset dispositions. Transfer to

TransAlta Generation will eliminate the need for PacifiCorp to operate the line and to incur operation and maintenance costs for a three-mile stretch of transmission line that is isolated from the rest of PacifiCorp's operations.

Given the historical context and the de minimus amount involved, PacifiCorp proposes to absorb the loss in Account 421.2, and forego the opportunity to recover the loss from its retail customers. Application Exhibit No. 9 describes the pro forma accounting entries reflecting the proposed transaction. PacifiCorp submits that this transaction is in the public interest and would cause no harm to the Company's Washington ratepayers.

**D. Exhibits in Connection with Centralia Transmission Line Sale**

The exhibits that accompany this Application with respect to the Centralia Transmission Line sale are:

1. Application Exhibit No. 1: the Centralia 230 kV Transmission Facilities Purchase and Sale Agreement.
2. Application Exhibit No. 2: Initial Option Agreement
3. Application Exhibit No. 3: Option Agreement Extension No. 1
4. Application Exhibit No. 4: Option Agreement Extension No. 2
5. Application Exhibit No. 5: Assignment of the Option Agreement
6. Application Exhibit No. 6: TransAlta's FERC Application
7. Application Exhibit No. 7: FERC's determination of TransAlta's EWG status
8. Application Exhibit No. 8: Notice of TransAlta's exercise of the Option
9. Application Exhibit No. 9: PacifiCorp's pro forma accounting entries
10. Application Exhibit No. 10: Map of the Centralia Transmission Line

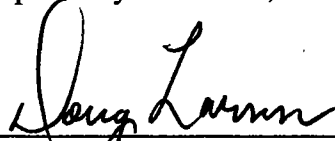
**III. REQUESTS FOR RELIEF**

PacifiCorp requests a Commission order:

- (a) Approving the proposed sale of the Company's interests in the Centralia Transmission Line as described in Section II. of the Application above;
- (b) Approving the proposed treatment of the contemplated net loss associated with the Centralia Transmission line sale;
- (c) Granting such other relief as the Commission deems necessary and proper.

DATED: January 04 2006.

Respectfully submitted,

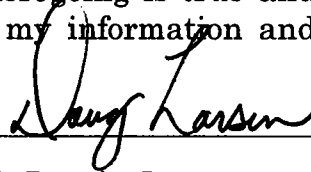


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D. Douglas Larson  
Vice President, Regulation

**CERTIFICATE**

I certify (or declare) under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct to the best of my information and belief:



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(January 4, 2006)

D. Douglas Larson  
Vice President,  
Regulation