



STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250
(360) 664-1160 • TTY (360) 586-8203

October 26, 2012

Mr. Pat Reiten, CEO
PacifiCorp d/b/a Pacific Power & Light
825 Northeast Multnomah
Portland, Oregon 97232

Re: Letter from Mike Hale, Boise, Inc., dated October 10, 2012
Docket UE-121680

Dear Mr. Reiten:

On October 10, 2012, the Commissioners of the Washington Utilities and Transportation Commission (Commission) received a letter from Mr. Mike Hale, Energy Manager of Boise, Inc., detailing outages and other reliability issues with PacifiCorp's service to the Boise White Paper, L.L.C. (Boise), Wallula Mill location. A copy of the letter is attached. Boise believes an investigation is warranted.

The Commission is concerned by the allegations in Boise's letter, but before initiating a formal investigation, we are providing PacifiCorp with an opportunity to respond. Please provide the Commission with a detailed response to Boise's letter no later than **Thursday, November 8, 2012**.

If you have any questions regarding this matter, you may contact me at (360) 664-1208 or by email at ddanner@utc.wa.gov.

Sincerely,

DAVID W. DANNER
Executive Director and Secretary

Attachment

Boise Inc.

1111 W. Jefferson St., Suite 200 PO Box 990050 Boise, ID 83799-0050
T 208 384 7065 F 208 331 5789

BOISE

October 10, 2012

Chair Jeffrey Goltz
Commissioner Phil Jones
Commissioner Patrick Oshie
Washington Utilities and Transportation Commission
PO Box 47250
1300 S Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: PacifiCorp Reliability Issues at the Boise White Paper, L.L.C. Wallula Mill

Dear Commissioners:

During the months of July and August, the historically unreliable and substandard facilities used by PacifiCorp to provide electric service to Boise White Paper, L.L.C. ("Boise") at its Wallula mill caused four power outages and uncontrolled mill shutdowns. Boise is attempting to negotiate reimbursement of some of the costs related to these outages, and has renewed its request that PacifiCorp install upgrades that will enable it to provide safe and reliable electric service to the mill. Given PacifiCorp's past refusals to take the steps necessary to provide firm, reliable power, it is unclear whether this issue will be resolved without the involvement of the Commission.

Boise has been experiencing frequent power outages and voltage dips at the Wallula mill since at least the 1980s, caused by the inadequately protected 230 kV transmission line feeding the Wallula substation and the unprotected 69 kV lines interconnecting to the Kraft substation. PacifiCorp consistently has refused to make the modifications necessary to provide reliable service. On July 9, 2012, a disruption in electrical service shut down power to the entire mill. On July 14, 2012, and again on August 21, 2012, a power disruption caused most of the mill to shut down. The substantial costs of these outages were dwarfed, however, by the July 19, 2012 outage. This total electrical power failure lasted for approximately 3.5 hours, costing Boise \$291,399 in lost productivity, \$101,458 in additional maintenance costs, and \$29,583 in extra natural gas purchases, for a total cost of \$422,440 for the July 19th outage.

These outages and the associated uncontrolled shutdowns are an extremely serious issue for Boise. During the Mid-American merger proceeding, Boise intervened—through the Industrial Customers of Northwest Utilities—and negotiated a merger condition requiring PacifiCorp to study and evaluate this issue. Condition Wa 25 of the Merger Settlement required PacifiCorp to "[p]repare an engineering study analyzing the cost of installation of adequate lightning protection to the 69 kV sub-transmission system that is interconnected to the 'Kraft Substation.'" Re MidAmerican

Energy Holdings Co., WUTC Docket No. UE 051090, Order No. 7, at App. A, 20 (Feb. 22, 2006). The condition also required PacifiCorp to “[p]repare an engineering study analyzing the cost of installation of adequate lightning protection to the 230 kV transmission system that is interconnected to the ‘Wallula Substation.’” *Id.* It appears that PacifiCorp has never complied with the condition requiring a study of the 230 kV line. It did complete a study of the 69 kV line, but its subsequent refusal to take the remedial actions suggested by the study have rendered the condition meaningless and left the lines without adequate protection.

Boise did not need to insist upon a study in order to find out whether or not there were solutions that would provide “adequate lightning protection” to the transmission lines. The Wallula Mill is the only Boise facility that suffers from constant electric interruptions, despite the fact that its other mills are situated in regions where lightning events are far more common. The purpose of the study condition was to require PacifiCorp to take positive steps toward resolving the issue. In fact, PacifiCorp’s report indicated that multiple solutions are available to protect the 69 kV line that provides service to the mill. Thus, preventing or sharply reducing lightning-induced service interruptions is not beyond PacifiCorp’s control. Rather than act on the studies it conducted, the utility decided that it would not be “cost effective” to make the improvements suggested by the report.

Not only are electric disruptions expensive, but they also compromise safety and environmental protections. An uncontrolled shutdown may cause rotating machinery hazards, potential chemical and hot water spills, and startling noises. These dangers are further exacerbated because employees may face them unexpectedly while in the midst of difficult mill work. Further, illumination may be reduced or eliminated, leaving mill employees exposed to hazards. Uncontrolled shutdowns can make it difficult to fully comply with environmental permits.

Based on the studies that PacifiCorp has conducted, the utility estimates that it will cost \$2 million to \$9 million, to protect the lines that serve the Wallula mill. Boise believes these cost estimates to be inflated and unreasonable, but even if they are accurate, PacifiCorp cannot ignore either its statutory obligation to serve, or its contractual obligation to provide firm, reliable electrical service to Boise. Further, Boise is a unique customer; as PacifiCorp’s largest Washington customer, the electric bill for the Wallula plant is over \$24 million per year. In fact, Boise provides nearly 10% of PacifiCorp’s revenue requirement. Further, Boise has benefitted all customers by subsidizing conservation throughout PacifiCorp’s system. In the past two years, Boise has paid approximately \$1.6 million through its System Benefit Charge, while receiving back only \$100,000 in benefits. Given Boise’s importance to PacifiCorp’s Washington system, it is not unreasonable to expect reliable service. Boise has taken every step possible to mitigate the harm caused by these frequent outages and voltage fluctuations, but the losses due to uncontrolled shutdowns continue to mount. To date, Boise has documented millions of dollars in losses.

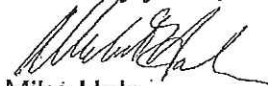
The reliability of electrical power necessary to keep a continuous industrial process operating is more stringent than what is acceptable to most residential and

commercial customers. Boise suggests that for continuous process industries, the SARFI 70 index more closely represents what is required. The SARFI 70 index includes voltage sags below 70% of nominal. The WUTC web site indicates that regulated utilities must report reliability annually using the SAIDI-IEEE and the SAIFI-IEEE methodology. Boise believes that the SAIDI and SAIFI indexes overstate the actual reliability from the viewpoint of a continuous process industry.

Boise believes that an investigation into the reliability of PacifiCorp's service to the Wallula mill is warranted. At a minimum, the issue should be raised in a rate case. Boise believes that the Commission has authority—either as part of a rate case or in a separate investigation—to compel PacifiCorp to provide reliable service. The Revised Code of Washington gives the Commission the authority to hold hearings to “determine the just, reasonable, or sufficient rates, charges, regulations, practices or contracts to be thereafter observed and in force, and . . . fix the same by order.” RCW § 80.28.020. If the Commission finds, after such a hearing, “that the voltage of current supplied for heat, light or power . . . is insufficient . . . inadequate or inefficient, it shall order such improvement.” *Id.* § 80.28.030. The Commission has made clear that service quality may be reviewed during a rate case and considered when setting a public service company's rate of return. WUTC v. U.S. West Commc'ns, Inc., WUTC Docket No. UT-950200, Fifteenth Supp. Order at 28 (April 11, 1996). If PacifiCorp continues to refuse to remedy its reliability problems, Boise would be willing either to assist the Commission's review in an individual docket or to raise the issue as part of a rate case.

Thank you for your consideration in this matter. Please give me a call if you have any questions.

Sincerely yours,



Mike Hale
Manager, Energy