**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

|  |  |
| --- | --- |
| In the Matter of  PACIFIC POWER & LIGHT COMPANY  Petitioner,  Petition for For an Order Authorizing the Transfer of Spare Transformer(s) | **DOCKET UE-14\_\_\_\_**  **PETITION OF PACIFIC POWER & LIGHT COMPANY** |

1. INTRODUCTION
2. In accordance with RCW 80.12.020, WAC 480-143-120, and WAC 480-07-370(b), Pacific Power & Light (Pacific Power or Company) respectfully requests authority from the Washington Utilities and Transportation Commission (Commission) to participate in the Edison Electric Institute’s (EEI) Spare Transformer Equipment Program (STEP), which would allow for the sharing of spare transformers with member utilities in the event of an act of terrorism. Pacific Power has entered into the Spare Transfer Sharing Agreement (Agreement) subject to receiving regulatory approvals. As more fully explained below, this transaction will not affect the Company’s ability to perform its public duties. Additionally, Commission authorization may not be necessary under certain exemptions and thresholds set forth in WAC Chapter 480-143, Pacific Power is filing this Petition out of an abundance of caution.
3. Pacific Power 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. Pacific Power’s principal place of business is 825 NE Multnomah Street, Suite 2000, Portland, Oregon, 97232.
4. Pacific Power’s name and address:

|  |  |
| --- | --- |
| PacifiCorp Washington Dockets  825 NE Multnomah Street, Suite 2000  Portland, OR 97232  [Washington.Dockets@PacifiCorp.com](mailto:Washington.Dockets@PacifiCorp.com) | Michelle R. Mishoe  Senior Counsel  825 NE Multnomah Street, Suite 1800  Portland, OR 97232  Phone: (503) 813-5977  [michelle.mishoe@pacificorp.com](mailto:michelle.mishoe@pacificorp.com) |

In addition, Pacific Power respectfully requests that all data requests regarding this matter be addressed to:

By e-mail (preferred) [datarequest@pacificorp.com](mailto: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 Natasha Siores, Director, Regulatory Affairs and Revenue Requirement, at (503) 813-6583.

1. 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).
2. BACKGROUND
3. On July 18, 2006, EEI, on behalf of the then participating utilities, filed an application with the Federal Energy Regulatory Commission (FERC) to gain authorization for jurisdictional public utilities to engage in the future transfers of transformers pursuant to a sharing agreement. A copy of the Spare Transformer Sharing Agreement (Agreement) is provided as Attachment A to this filing. On September 22, 2006, FERC approved the request and noted:

Without the Agreement, utilities would have to purchase substantially more transformers to achieve the same recovery capability incurring substantially higher costs, or experience the inherent time delay associated with finding, negotiating for, ordering, transporting, and testing a replacement transformer. Furthermore, the Agreement establishes the obligation to share spare transformers with Participating Utilities if there is a Triggering Event. Accordingly, we find that the sharing arrangement in the Agreement is prudent.[[1]](#footnote-1)

1. EEI’s STEP was the result of FERC’s approval. STEP is an electric industry program that strengthens the sector's ability to restore the nation's transmission system more quickly in the event of a terrorist attack. STEP represents a coordinated approach to increasing the electric power industry's inventory of spare transformers and streamlining the process of transferring those transformers to affected utilities in the event of a transmission outage caused by a terrorist attack. Under the program, each participating electric utility is required to maintain and, if necessary, acquire a specific number of spare transformers. STEP requires each participating utility to sell its spare transformers if requested to any other participating utility that suffers a "triggering event," which is defined in section 1.1 of the Agreement as:

an act or coordinated acts of deliberate, documented terrorism, as defined in the Homeland Security Act of 2002, 6 U.S.C. §101(15), as the same may be amended from time to time, resulting in (1) the destruction or long-term disabling of one or more electric transmission substations, and (2) the declaration of a state of emergency by the President of the United States pursuant to the National Emergencies Act, 50 U.S.C. §1601 et seq., as the same may be amended from time to time.

1. The Agreement, which was negotiated among more than 50 utilities through a multi-year, industry-wide consensus building process, provides each participating utility with legally-enforceable rights to access readily-available spare transformer capacity that has been committed to STEP. Should a triggering event occur, affected participating utilities are entitled to exercise call rights to acquire any of the spare transformers committed under STEP in the relevant voltage class. Unlike a voluntary mutual assistance program, these call rights are self-executing and are legally enforceable through rights to seek specific performance.
2. On December 6, 2013, the Company entered into the Agreement with other participating utility companies across the United States. The Company will not become a full participating member of STEP until the Company can demonstrate receipt of all required state regulatory approvals.[[2]](#footnote-2)
3. The Company has evaluated the risk of having to sell a spare transformer to another STEP participating utility and believes that the combination of committing existing spare transformers and the low probability of a triggering event occurrence result in an acceptable risk. While the Company takes steps to maintain the safety and security of its substations, it does not believe it is reasonable or economically feasible to amass a spare transformer inventory large enough to allow full system restoration following a worst case scenario terrorist attack. Furthermore, the Company’s customers will benefit from the increased access to available spare transformers in the event that the Company experiences a triggering event without the added costs of significant increases in its spare transformer inventory.
4. Pacific Power will participate in STEP as a way to increase resources for responding to terrorist attacks. The Company will be able to receive spare transformers from other participating utilities and send transformers to participating affected utilities in such circumstances. Transformers will typically be priced according to replacement costs, which include costs of acquiring a replacement transformer, delivery transportation cost, tax liabilities and other costs.
5. Based on preliminary information provided by EEI, the Company believes that its obligation under the sharing agreement will be two spare transformers. The first transformer rated 500-230 kV and 193 MVA, and the second transformer rated 345-138 kV and 141 MVA. This obligation is subject to adjustment as determined by the commitment formula in the sharing agreement.[[3]](#footnote-3) The Company has determined that it will meet the obligation by committing existing available spare transformers that are already maintained by the Company for potential use. The commitment of the two transformers does not prohibit the Company from utilizing the equipment for its own needs so long as the spare transformers are replaced within 18 months.[[4]](#footnote-4) Pacific Power will only transfer spare transformers if called upon by another participating utility if that utility experiences loss or disablement of a transmission substation due to an act of terrorism and cannot reinstate such substation with its own resources.
6. Because the possible transfer and sale of transformers is executory, appropriate bookkeeping entries will be made at the time of any future transfer and sale of transformers. The allowable purchase price for transformer(s) transferred to a utility experience a triggering event is defined in the sharing agreement.[[5]](#footnote-5) STEP charges an annual fee, the Company would pay approximately $5,000, to participate in the transformer exchange program.
7. DISCUSSION
8. RCW 80.12.020 and WAC 480-143-120 require Commission approval prior to completing the transfer of property necessary or useful in performing public duties. However, WAC 480-143-180 contains certain exemptions from this requirement for transfers of items that are substituted with or replaced by items of equal or greater value or usefulness. Additionally, WAC 480-143-180 contains a requirement that Commission approval be obtained if the value of the property to be transferred exceeds the greater of $20,000 or 0.1 percent of rate base. 0.1 percent of the Company’s rate base is approximately $811,000. The type of transformers subject to the Agreement are transmission-level transformers and system-allocated. If the total value of a transformer is $1.5M, the value allocated to Washington, and therefore included in Washington rate base, would be $337,500.
9. The Company filed similar requests for approval in its other five state jurisdictions and is filing with the Commission to ensure consistent regulatory treatment. At this time, the Company does not seek approval of any ratemaking treatment for the sharing agreement fees and any new inventory required by the terms of the Agreement.
10. The proposed transaction is consistent with the public interest. Pacific Power will only be committing spare transformers to STEP and will only be required to provide spare transformers in limited circumstances. Pacific Power’s inventory needed to respond to its own maintenance and outage response requirements will not be comprised. Additionally, the Company and its customers will benefit by being able to draw upon other utilities’ resources in the event of a terrorist attack.
11. The Company respectfully requests that the Commission approve, under RCW 80.12.020 and WAC 480-143-120, any Pacific Power transfer of spare transformers under the Agreement to other participating utility companies.

Respectfully submitted this 6th day of June, 2014.

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Michelle R. Mishoe

Senior Counsel

Pacific Power

825 NE Multnomah Street, Suite 1800

Portland, OR 97232

**ATTACHMENT A**

1. FERC Declaratory Order 116 FERC ¶ 61,280 at ¶ 39 [↑](#footnote-ref-1)
2. Spare Transformer Sharing Agreement, § 2.3 Required Regulatory Approvals [↑](#footnote-ref-2)
3. Spare Transformer Sharing Agreement, § 1.1 Definitions [↑](#footnote-ref-3)
4. Spare Transformer Sharing Agreement, § 3.3 Obligation to Replace [↑](#footnote-ref-4)
5. Spare Transformer Sharing Agreement, § 4.7 Determination of Purchase Price [↑](#footnote-ref-5)