

January 18, 2018

**VIA ELECTRONIC FILING**

Steven V. King  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
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COMMISSION

**RE: Docket UE-18 \_\_\_\_\_ —Affiliated Interest Filing—PacifiCorp and Bridger Coal Company**

Under the provisions of RCW 80.16.020 and in accordance with WAC 480-100-245, Pacific Power & Light Company (Pacific Power), a division of PacifiCorp, provides notice of a proposed affiliate interest transaction with Bridger Coal Company (BCC). The proposed transaction is a transfer of certain coal analyzing equipment (Thermo-Fisher Elemental Cross-belt Analyzer) by PacifiCorp to BCC. BCC is a joint venture owned 66.67 percent by PacifiCorp through its direct wholly-owned subsidiary Pacific Minerals, Inc., and Idaho Power Company, which owns the remaining 33.33 percent.

**BACKGROUND AND PROPOSED TRANSFER**

BCC is the primary supplier of coal to the Jim Bridger generating plant located in southwest Wyoming. The Jim Bridger Power Plant is designed to burn coal within specific parameters to maximize generation output. Coal outside of these parameters may cause the plant to be de-rated and reduce generation output. In an effort to maximize quality of coal deliveries, samples are currently taken and analyzed via a Thermo-Fisher CQM Analyzer as coal exits the mine to determine quality characteristics prior to shipment to the power plant. The data from these samples provides the flexibility to blend varying qualities of coal to improve overall quality delivered to the plant.

A project to further improve coal quality analysis for blending purposes is being developed which involves the purchase of the idled Thermo-Fisher Elemental Cross-belt Analyzer (ECA) from PacifiCorp's Deer Creek mine in Utah that meets the specification requirements for the project and will result in a substantial cost savings to the project versus purchase of a new unit. Additional savings will be achieved by reducing coal handling costs. The ECA will be located immediately downstream from the underground mine shipping location that is approximately six miles upstream from the CQM analyzer discussed above. The ECA will measure the coal quality of all underground mine coal. This includes coal shipped directly to the plant, blended coal with the surface mine and coal stockpiled for later blending purposes. The addition of the ECA will accurately determine the quality of the underground mine coal. The existing coal analyzer does not provide the accuracy for plant blending requirements.

The Deer Creek mine ceased operations in 2015. The ECA is therefore no longer needed at the Deer Creek mine.

PacifiCorp requests to transfer the ECA to BCC so that BCC may use the analyzer at the BCC mine.

The proposed transfer of the ECA is priced at market value and supported by both joint owners of BCC. Two appraisals were obtained by BCC to determine the fair market value of the ECA. Appraisals were performed by recognized and highly regarded engineering/consulting firms in the mining and geology industry. The average of the two appraisals, \$29,850, was used as the transaction price.<sup>1</sup>

A copy of the Bill of Sale and Disclaimer Agreement (Agreement) between PacifiCorp and BCC for the ECA is included as Attachment A.

#### **AFFILIATE STATUS AND NOTICE**

BCC is a joint venture owned 66.67 percent by PacifiCorp through its direct, wholly-owned subsidiary Pacific Minerals, Inc., and 33.33 percent by Idaho Power Company. RCW 80.16.010 includes in its definition of “affiliated interest,” “every corporation five percent or more of whose voting securities are owned by any person or corporation owning five percent or more of the voting securities of such public service company or by any person or corporation in any such chain of successive ownership of five percent or more of voting securities.” Therefore, PacifiCorp’s ownership interest in BCC via Pacific Minerals, Inc. creates an affiliated interest relationship between the Company and BCC.

Transacting with BCC is in the public interest. The transfer will not have a negative effect on PacifiCorp’s ability to serve its customers or otherwise affect the public. The ECA has been idled since the Deer Creek mine ceased operations in 2015 with no likely reuse potential within PacifiCorp. This item was slated to be disposed through a public auction at some future date. Amounts received at a previous auction of other Deer Creek mine equipment were equivalent to scrap value, which is generally less than the market value. PacifiCorp, its customers, and the public will benefit from the improved coal quality analysis and improved flexibility to blend varying qualities of coal to improve the overall quality delivered to the Jim Bridger Plant. Purchasing the used ECA provides significant savings over purchasing new equipment. Additionally, PacifiCorp will be able to more efficiently and effectively manage its fuel costs.

Also included with this filing is a notarized verification from Jeffery B. Erb, Chief Corporate Counsel and Corporate Secretary for PacifiCorp, regarding the Bill of Sale and Disclaimer Agreement.

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<sup>1</sup> The transfer of the ECA is subject to a six percent Wyoming sales tax that will be paid by BCC.

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It is respectfully requested that all formal correspondence and Staff requests regarding this material 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 Street, Suite 2000  
Portland, Oregon, 97232

Please direct informal inquiries to me at 503-813-5410.

Sincerely,

                  /s/                    
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Enclosures

NEW-PPL-Attachment-A-1-18-18.pdf

NEW-PPL-Verification-Erb-1-18-18.pdf