

July 9, 2015

***VIA ELECTRONIC FILING***

***AND OVERNIGHT DELIVERY***

Steven V. King
Executive Director and Secretary

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, WA 98504‑7250

**RE: Docket UE-15\_\_\_\_\_\_\_—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, a division of PacifiCorp (PacifiCorp or Company), provides notice of a proposed affiliate interest transaction with Bridger Coal Company (BCC). The proposed transaction is a transfer of certain mining longwall section equipment (Joy Longwall) 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. BCC currently uses DBT America, Inc. longwall coal mining equipment (DBT Longwall) for coal extraction, which was chosen based on pre-mining feasibility evaluations. The evaluations at the time indicated the DBT Longwall would be well-suited to extract coal based on the projected coal seam thickness. Actual coal seam thickness was less than projections in some of the mined areas. As a result, unacceptable amounts of rock (also known as “ash”) are extracted with the coal cut. Higher ash content decreases the efficiency of the coal supply. To maintain efficiency and maximize boiler combustion, the Jim Bridger plant requires consistent coal quality. Coal extracted with the DBT Longwall must often be blended with other coal supplies to reduce ash.

At PacifiCorp’s Deer Creek mine in Utah, coal was extracted using the Joy Longwall mining equipment. The Deer Creek mine is closing, and the Joy Longwall is therefore no longer needed at the Deer Creek mine.

PacifiCorp requests to transfer the Joy Longwall to BCC so that BCC may use the Joy Longwall at the BCC mine. The Joy Longwall will operate more efficiently than the DBT Longwall, and bypass waste material. The Joy Longwall meets BCC’s operating requirements.The cutting height better matches the coal seam thickness, which will reduce the ash content.

Also, certain coal mining support equipment (Support Equipment), including material haulage equipment, feeder breakers and high voltage electric cable, is no longer needed at the Deer Creek mine, and can also be transferred to BCC.

The proposed transfer of the Joy Longwall and Support Equipment is priced at market value and supported by both joint owners of BCC. The purchase price for the Joy Longwall is the market value of $13.3 million as determined by an average of three independent appraisals.[[1]](#footnote-1)  PacifiCorp will also incur expenses for refurbishing the Joy Longwall and shipping it to BCC. These expenses are estimated to be $4.6 million and will be reimbursed by BCC. The purchase price for the Support Equipment is the market value of approximately $1.2 million[[2]](#footnote-2) as determined by an average of informal appraisals.[[3]](#footnote-3)

A copy of the Sale and Purchase Agreement (Agreement) between PacifiCorp and BCC for the Joy Longwall and Support Equipment is included as Attachment A. Also included with this filing is a notarized verification of the Agreement, from Jeffery B. Erb, Assistant General Counsel, Pacific Power.

**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 80.16.020 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. PacifiCorp, its customers, and the public will benefit from extraction of coal with less ash content, which will better meet the operational needs for the Jim Bridger generating plant boilers. The Jim Bridger generating plant will be able to produce the same number of megawatt hours using less coal. BCC will keep the existing DBT Longwall, but transfer of the Joy Longwall will allow BCC to avoid the significant expense of a refurbishment of the DBT Longwall at this time. Additionally, PacifiCorp will be able to more efficiently and effectively manage its fuel costs. The costs per MMBtu for fuel produced by the Joy Longwall are projected to be less than the costs per MMBtu for fuel produced by the DBT Longwall currently in use at BCC.

Informal questions concerning this filing may be directed to Natasha Siores, Director, Regulatory Affairs and Revenue Requirement, at (503) 813-6583.

Sincerely,

R. Bryce Dalley

Vice President, Regulation

Enclosures

**WASHINGTON AFFILIATED INTEREST FILING**

**Sale and Purchase Agreement**

**between**

**PacifiCorp**

**and**

**bridger coal company**

**for**

**Joy Longwall and Support Equipment**

**WASHINGTON AFFILIATED INTEREST FILING**

**VERIFICATION**

**VERIFICATION**

I, Jeffery B. Erb, am Assistant General Counsel for PacifiCorp and am authorized to make this verification on its behalf. Based on my personal knowledge about the attached Sale and Purchase Agreement between PacifiCorp and Bridger Coal Company for the Joy Longwall and Support Equipment, I verify that the Sale and Purchase Agreement between PacifiCorp and Bridger Coal Company for the Joy Longwall and Support Equipment is a true and accurate copy.

I declare upon the penalty of perjury, that the foregoing is true and correct.

Executed on July 9, 2015, at Portland, Oregon.

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Jeffery B. Erb

Assistant General Counsel

Subscribed and sworn to me on this 9th day of July, 2015.

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Notary Public for Oregon

My Commission expires: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. The transfer of the Joy Longwall is subject to a six percent Wyoming sales tax that will be paid by BCC. [↑](#footnote-ref-1)
2. In addition, approximately $40,000 in shipping costs will be incurred by PacifiCorp and reimbursed by BCC to transport the Support Equipment to BCC. [↑](#footnote-ref-2)
3. PacifiCorp received informal valuations from five vendors. Not all vendors supplied valuations for all components of the Support Equipment. PacifiCorp averaged the supplied values where applicable to determine the market value. [↑](#footnote-ref-3)