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**ATTACHED EXHIBITS**

Exhibit No.\_\_\_(RAV-2)—Map of PacifiCorp’s Transmission and Service Territory

Exhibit No.\_\_\_(RAV-3)—Maps of PacifiCorp’s Rights and Assets Before and After the Transaction

Exhibit No.\_\_\_(RAV-4)—Capital Cost Analysis

Exhibit No.\_\_\_(RAV-5)—Retail Revenue Requirement Analysis

# INTRODUCTION AND EXPERIENCE

**Q. Please state your name and business address.**

A.My name is Richard A. Vail. My business address is 825 NE Multnomah Street, Portland, Oregon 97232.

**Q. In what position are you currently employed?**

A.I am the Vice President of Transmission for PacifiCorp (the Company). I have been employed with PacifiCorp since 2001.

**Q. Please describe your education and business experience.**

A.I have a Bachelor of Science degree with Honors in Electrical Engineering with a focus in electric power systems from Portland State University. I have been Vice President of Transmission for PacifiCorp since December 2012. Before my current position in Transmission, I was director of asset management since 2007. Before that position, I had management responsibility for a number of organizations in PacifiCorp’s asset management group including capital planning, maintenance policy, maintenance planning, and investment planning since joining PacifiCorp in 2001. In my current role as Vice President of Transmission, I am responsible for transmission system planning, customer generator interconnection requests and transmission service requests, regional transmission initiatives, capital budgeting for transmission, and administration of the Open Access Transmission Tariff (OATT).

**Q. What is the purpose of your testimony?**

A.The purpose of my testimony is to provide an overview of this transaction, including the following: (1) the purpose of and need for the asset exchange; (2) reliability and operational benefits of the exchange for PacifiCorp’s customers; and (3) financial implications of the asset exchange.

OTHER TESTIMONY SUPPORTING THIS FILING

**Q. Are any other individuals filing testimony on behalf of PacifiCorp in this proceeding?**

A.Yes. The following individual is providing testimony on behalf of PacifiCorp:

* Mr. Gregory N. Duvall, Director Net Power Costs, has prepared testimony supporting PacifiCorp Energy’s new firm transmission rights following the close of the transaction and associated benefits.

DESCRIPTION OF PACIFICORP

**Q. Please provide a description of PacifiCorp.**

A.PacifiCorp is an indirect, wholly-owned subsidiary of Berkshire Hathaway Energy Company. PacifiCorp provides delivery of electric power and energy to approximately 1.8 million retail electric customers in six western states. PacifiCorp consists of three core business units: (1) **PacifiCorp Energy, which** manages the electric generation, commercial and trading, and coal mining operations of the Company; (2) **Pacific Power, which** delivers electricity to retail customers in Oregon, Washington and California; and (3) **Rocky Mountain Power, which** delivers electricity to retail customers in Utah, Wyoming and Idaho. PacifiCorp’s transmission operations and management personnel are headquartered in Portland, Oregon.

Under its OATT, PacifiCorp provides Long-Term Firm Point-to-Point (PTP) Transmission Service to 11 transmission customers, Short-Term Firm and Non-Firm PTP Transmission Service to 73 transmission customers under umbrella service agreements, and Network Integration Transmission (NIT) Service to 11 transmission customers, including PacifiCorp Energy.

As of December 31, 2013, PacifiCorp’s total transmission plant in service is approximately $5.2 billion. PacifiCorp is interconnected, controls or meters approximately 74 generation plants within its Balancing Authority Areas (BAAs) and is adjacent to 11 BAAs at approximately 171 points of interconnection. PacifiCorp owns, or has an interest in, generation resources directly interconnected to its transmission system with a net generating capacity of 10,595 megawatts (MW). This generation capacity includes a diverse mix of coal, hydroelectric, wind, natural gas-fired combined cycle and combustion turbines, solar and geothermal resources.

**Q. Please describe PacifiCorp’s transmission system.**

A.PacifiCorp’s bulk transmission network is designed to reliably transport electric energy from generation resources (owned generation or market purchases) to various load centers. The Company’s transmission network is highly integrated with other transmission providers in the western United States. PacifiCorp owns and operates 16,300 miles of transmission lines in 10 states. PacifiCorp operates two BAAs referred to as PACE for PacifiCorp’s east BAA and PACW for PacifiCorp’s west BAA. Exhibit No.\_\_\_(RAV-2) provides a high-level map of PacifiCorp’s transmission system and service territory.

**Q. Which state public utility commissions regulate PacifiCorp’s retail service operations?**

A.PacifiCorp is subject to the jurisdiction of the following six state public utility commissions: (1) California Public Utilities Commission; (2) Idaho Public Utilities Commission; (3) Oregon Public Utility Commission; (4) Public Service Commission of Utah; (5) Washington Utilities and Transportation Commission; and (6) Wyoming Public Service Commission.

DESCRIPTION OF FILING

**Q. Please describe the transaction.**

A.As detailed in the Application, PacifiCorp and Idaho Power agree to acquire ownership interests in certain existing transmission system assets, as well as reallocate respective ownership interests in certain jointly-owned facilities. In summary, the Parties have entered into a transaction under the Joint Purchase and Sale Agreement (JPSA) that effectuates an exchange of transmission assets or ownership interests in jointly owned assets to better align asset ownership with load service and operational needs as well as establish transmission service purchase rights under each party’s OATT. The transaction does not create any new available transmission capacity. The ongoing maintenance and ownership obligations are established in a single agreement going forward, the Joint Ownership and Operating Agreement (JOOA).

**Q. Please describe the need for the new arrangements.**

A. PacifiCorp and Idaho Power operate and maintain respective ownership of certain jointly owned facilities as well as independently-owned transmission facilities in Idaho, Oregon, Washington, and Wyoming. The operation and ownership of many of these facilities is governed under a complicated collection of legacy agreements (Legacy Agreements), including a 1969 Jim Bridger Ownership Agreement titled the Restated Transmission Service Agreement (RTSA), and a 1969 Jim Bridger Operation Agreement titled the Restated and Amended Transmission Facilities Agreement (RATFA). Some of the Legacy Agreements have been in place for over forty years. In the years following the establishment of such Legacy Agreements, changes have occurred for both PacifiCorp and Idaho Power (collectively, the Parties) rendering the Legacy Agreements ineffective and ill-suited over time to optimize existing transmission facilities and effectively respond to regulatory changes, load growth, investment in system upgrades, and reliability and operational needs. The complexity of these Legacy Agreements has resulted in disputes over the years between the Parties regarding contract interpretation. In addition, the transmission systems of both Parties continue to evolve and there is no effective mechanism under the Legacy Agreements to account for evolving operational procedures and changes in regulatory requirements. By better aligning resources and establishing more modernized agreements to govern ownership and the operation and maintenance of the associated transmission facilities going forward, this transaction benefits both Parties and puts them in a position to better provide reliable and efficient transmission service for customers now and into the future. The Parties intend to terminate or amend the Legacy Agreements upon closing of the transaction.[[1]](#footnote-2)

**Q. Please summarize PacifiCorp’s transmission facilities and rights before the transaction.**

A. Under the Legacy Agreements, PacifiCorp’s transmission facilities and ownership interests and rights are located in three main areas: (1) transmission facilities connected out of the Jim Bridger power plant (Jim Bridger Plant) in Wyoming, (2) transmission facilities extending west of the Kinport substation and Borah substation in Idaho to the Midpoint substation in Idaho (West of Kinport), and (3) transmission facilities north of the Goshen, Idaho area. Please see Exhibit No.\_\_\_(RAV-3) for maps showing PacifiCorp’s rights and assets before and after the transaction.

RELIABILITY AND OPERATIONAL BENEFITS OF THE TRANSACTION

## A. Jim Bridger Area

**Q. What is PacifiCorp’s transmission current ownership in the Jim Bridger area?**

A. There are three 345 kilovolt (kV) transmission lines heading west and two 230 kV transmission lines heading south out of the Jim Bridger Plant. The three 345 kV lines consist of: (1) the Jim Bridger – Three Mile Knoll – Goshen line; (2) the Jim Bridger – Populus – Borah line; and (3) the Jim Bridger – Populus – Kinport line. Under the Legacy Agreements, PacifiCorp has 100 percent ownership of two of the three transmission lines, the Jim Bridger – Populus – Borah transmission line and the Jim Bridger – Populus – Kinport transmission line, and Idaho Power has 100 percent ownership of the remaining transmission line, the Jim Bridger – Three Mile Knoll – Goshen transmission line. There are two 230 kV transmission lines that are jointly owned by the Parties.

**Q. What will PacifiCorp’s transmission ownership in the Jim Bridger area be after the transaction?**

A.Under the JPSA, PacifiCorp will obtain approximately two-thirds ownership of all three of the 345 kV transmission lines and Idaho Power will obtain approximately one-third ownership of all three transmission lines. In addition, PacifiCorp will obtain 100 percent ownership of the two 230 kV transmission lines that connect the Jim Bridger Plant to the area of Point of Rocks, Wyoming and Rock Springs, Wyoming.

**Q. Please describe the benefits associated with the transaction in the Jim Bridger area.**

A.There is a gap in ownership and capacity available to PacifiCorp on the Jim Bridger – Three Mile Knoll – Goshen transmission line owned by Idaho Power, limiting PacifiCorp’s ability to reliably and cost-effectively respond to Goshen area customer load requirements during certain outage scenarios. For example, during a Goshen – Kinport line outage or a Bridger – Goshen line outage, PacifiCorp was limited in its ability to respond in a timely manner, and dependent upon Idaho Power being able to post capacity on its Bridger – Three Mile Knoll – Goshen transmission line, which subjected PacifiCorp to additional costs. Following the transaction, PacifiCorp will have an ownership percentage in all three transmission lines, which will enable PacifiCorp to use its own rights on all three transmission lines to serve affected load and respond more effectively under certain outage conditions. This improved ownership and access to capacity going forward will also enable PacifiCorp to facilitate long-term efficient operations and more cost-effective load service. Lastly, the new arrangement will result in no change to PacifiCorp’s ability to deliver Jim Bridger Plant generation to its customers using a combination of transmission assets owned by PacifiCorp, Idaho Power and Bonneville Power Administration. With

ownership of both the 230 kV lines, PacifiCorp will post an additional 200 MW of capacity available for transmission customers to purchase.

## B. West of Kinport Area

**Q. What are PacifiCorp’s transmission ownership and rights in the west of Kinport area prior to the transaction?**

A. Idaho Power owns 100 percent of the three 345 kV lines, including one transmission line that extends from Kinport, Idaho to Midpoint, Idaho and two transmission lines that extend from Borah, Idaho to Midpoint, Idaho. Under the Legacy Agreements, PacifiCorp is allowed 1,600 MW of transmission service across the transmission lines, of which up to 200 MW could be dynamically scheduled.

**Q. What will PacifiCorp’s transmission ownership and rights in the west of Kinport area be after the transaction?**

A.As detailed in the JPSA, PacifiCorp will have ownership rights and wheeling rights that it can use across all three transmission lines. Specifically, PacifiCorp will have 1,090 MW of ownership rights, plus 510 MW of firm OATT service, including 400 MW of dynamic service. PacifiCorp will be able to use a combination of point-to-point transmission service rights over Idaho Power’s system, and PacifiCorp network transmission service on newly owned assets, providing operational flexibility not afforded under the Legacy Agreements.

**Q. Please describe the benefits associated with the transaction in the west of Kinport area.**

A.Ownership rights enable PacifiCorp to provide expanded, long-term system flexibility and economic service to customers. Not being limited operationally by the terms of the Legacy Agreements also provides more flexibility for PacifiCorp to optimize this capacity when needed for load service, reliability or as excess capacity that can be sold to third parties when not needed. In addition, under the new joint ownership arrangements, costs for future upgrades would be shared in accordance with the JOOA, potentially resulting in lower upgrade costs to PacifiCorp’s customers. Benefits associated with the 1090 MW of ownership and 510 MW of firm capacity rights are discussed in more detail in the testimony of Mr. Duvall.

## C. North of Goshen Area

**Q. What are PacifiCorp’s transmission ownership and rights north of the Goshen area prior to the transaction?**

A. PacifiCorp leases transmission capacity from Idaho Power on one 161 kV transmission line between the Goshen, Idaho, Jefferson, Idaho, and Big Grassy, Idaho substations.

**Q. What will PacifiCorp’s transmission ownership and rights in the Goshen area be after the transaction?**

A.Following the transaction, PacifiCorp will have 62 percent ownership under the JOOA in this transmission line.

**Q.** **What transmission assets will be transferred from PacifiCorp to Idaho Power in this transaction?**

A.PacifiCorp will transfer ownership of several assets to Idaho Power through this transaction. Idaho Power will acquire an ownership interest in the Summer Lake to Hemingway and Hemingway to Midpoint transmission lines. As mentioned above, Idaho Power will also acquire one-third ownership of the Bridger to Populus to Borah line and Bridger to Populus to Kinport line. In addition, Idaho Power will obtain an ownership interest in the Goshen to Kinport, and Hurricane to Walla Walla; and a portion of the Goshen to Antelope and American Falls to Malad transmission lines currently owned by PacifiCorp.

**Q. Please describe the benefits associated with the transaction in the Goshen area.**

A.PacifiCorp and Idaho Power will jointly share the costs to upgrade the existing 161 kV transmission line between the Goshen and Jefferson substations as part of this transaction. In addition, PacifiCorp’s new ownership in these transmission lines will provide the ability to continue to reliably serve existing and growing load served from the Jefferson, Idaho and Big Grassy, Idaho substations.

**Q. Please describe any other benefits resulting from the transaction.**

A. In addition to the benefits described above related to specific changes in ownership and increased capacity, the transaction provides additional benefits to PacifiCorp and its customers due to the increased transparency, reliability and flexibility provided by the JOOA, enabling more efficient and reliable load service for customers while reducing risk during certain outage scenarios. Specifically, the following summarizes further benefits of the transaction:

* Exhibit No.\_\_\_(RAV-5) provides PacifiCorp’s financial analysis of the transaction, which demonstrates a neutral rate impact to customers over a 10-year period (2015-2024). The value of the assets being exchanged between the Parties is nearly equal, as detailed in Exhibit No.\_\_\_(RAV-4) and the Parties’ Application. Ongoing expenses following the closing of the transaction will be similar to expenses incurred today.[[2]](#footnote-3)
* The new agreements meet current regulatory requirements. Modernization of the agreements, including firm transmission service provided under each Party’s OATT, will provide the ability to effectively and efficiently operate and ensure consistency with evolving reliability standards. Similar joint ownership and operation and maintenance agreements have been accepted by the Federal Energy Regulatory Commission (FERC) as meeting regulatory requirements (*i.e.,* FERC Docket ER10-1217 Populus Joint Ownership and Operating Agreement).
* Future cost sharing opportunities. The JOOA allows for cost sharing for future upgrades on jointly-owned transmission facilities resulting in a strong foundation for future needs between the Parties based on mutual interest or need, including the potential participation in future joint projects, thereby reducing overall project costs to customers.
* Elimination of complex, outdated Legacy Agreements that may not allow for the Parties to effectively meet current regulatory requirements. The new agreements are transparent and consistent with transmission service under the OATT.

CLOSING

**Q. Does this conclude your direct testimony?**

A.Yes.

1. The RATFA, RTSA and Interconnection and Transmission Service Agreement (ITSA) are the primary agreements between the parties.  There are a number of related agreements which support or are directly connected to the RATFA, RTSA, and ITSA.  The RATFA, RTSA, ITSA and remaining agreements are collectively referred to as the “Legacy Agreements.”  A complete list of the Legacy Agreements that will be replaced, amended, or consolidated by the proposed transaction are identified in Schedules 1.1(g) and 1.1(h) to the JPSA. [↑](#footnote-ref-2)
2. The effect of the proposed transaction on the Company’s wheeling expenses is discussed in more detail in the testimony of Mr. Duvall. [↑](#footnote-ref-3)