

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)	DOCKET UE-141235
)	
Pacific Power & Light Company,)	ORDER 01
)	
Petitioner,)	
)	ORDER AUTHORIZING THE
For an Order Authorizing the Transfer of)	TRANSFER OF SPARE
Spare Transformer(s))	TRANSFORMER(S)
)	
.....)	

BACKGROUND

- 1 On June 6, 2014, Pacific Power & Light (Pacific Power or Company) filed a petition with the Washington Utilities and Transportation Commission (Commission) under RCW 80.12.020 and WAC 480-143-120 seeking an order authorizing the Company 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.

- 2 The purpose of STEP is to increase the electric power industry’s inventory of spare transformers and to streamline the process of transferring transformers to affected utilities in the event of a transmission outage caused by a terrorist attack. EEI coordinated the Spare Transformer Sharing Agreement (Agreement) and the Federal Energy Regulatory Commission (FERC) approved the Agreement in 2006. Under the Agreement, each participating electric utility is required to maintain and, if necessary, acquire a specific number of spare transformers. Each participating utility is required to sell its spare transformers if requested to any other participating utility that suffers a triggering event as defined in the Agreement.

- 3 On December 6, 2013, Pacific Power entered into the Agreement with other participating utility companies across the United States, subject to receiving required state regulatory approval. Even though Commission authorization may not be necessary under WAC 480-143, Pacific Power filed the Petition out of an abundance of caution.

- 4 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 regards to its public utility operations, retail rates, service and

accounting practices. It also provides electricity service in Oregon, California, Utah, Wyoming and Idaho.

- 5 The Commission approved Puget Sound Energy, Inc. (PSE) and Avista Corporation's (Avista) participation in STEP in 2006.¹

DISCUSSION

- 6 RCW 80.12.020 and WAC 480-143-120 provide that a public service company may not complete a transfer of property necessary or useful to perform its public duties without Commission approval. WAC 480-143-180 provides certain exemption from this requirement. For example, properties that are substituted with or replaced by items of equal or greater value or usefulness are not considered necessary or useful. In a scenario where Pacific Power has to sell the spare transformers to a member utility affected by a terrorist attack, it will be compensated based on replacement cost and use the money to replace the spare transformer. But because the replacement purchase will take time, Commission prudence review on such potential transfer is warranted.
- 7 Additionally, the public service company must file an application for Commission determination that the property is not necessary or useful if the property to be disposed of has a market value that exceeds the greater of 0.1 percent of the public service company's rate base last established by Commission order, or \$20,000. The estimated value of Pacific Power's two transformers currently committed does not exceed 0.1 percent of the Company's rate base. However, because the Company's obligation is subject to change under the Agreement and the cost of transformer(s) may change, Commission determination may still be required on the necessity and usefulness of the property in the event that one or both transformers need to be transferred to other utilities.
- 8 Staff reviewed the Company's petition and the accompanying Agreement and considers that the proposed transaction is consistent with the public interest. The Company believes that its obligation under the Agreement will be two spare transformers, rated 500-230 kV/193 MVA and 345-138 kV/141 MVA. The Company can meet the obligation by committing existing available spare transformers for potential use. The risk of the Company having to sell a spare transformer to another STEP participating is acceptable given the low probability of a triggering event occurrence. The commitment

¹ UE-061382 and UE-061415.

does not prohibit the Company from utilizing the equipment for its own needs as long as the spare transformers are replaced within 18 months.

9 Participation in STEP will increase the Company's resources for responding to terrorist attacks without building a large spare transformer inventory on its own. The Company will be able to receive spare transformers from other participating utilities if such need arises. Rate payers will benefit from the speedy system recovery and the inventory cost saving.

10 WAC 480-143-120 requires applications for transfers of property to describe transfers in detail and must include the public service company's current financial statements and copies of all transfer instruments. Because this petition only seeks advance approval for potential transfer of spare transformers, the Commission shall require Pacific Power to provide final and detailed documents once the transfer occurs. The requirement will also be consistent with the Commission orders on PSE and Avista on the same matter.

FINDINGS AND CONCLUSIONS

11 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, rules, regulations, practices, accounts, securities, and transfers of public service companies, including electric companies. RCW 80.01.040, Chapter 80.04 RCW, Chapter 80.28 RCW, Chapter 80.08 RCW and Chapter 80.12 RCW.

12 (2) Pacific Power & Light Company is an electric company and is a public service company subject to the jurisdiction of the Commission.

13 (3) WAC 480-143-120 requires companies to file a petition with regard to a transfer of property necessary or useful to perform its public duties.

14 (4) The proposed transfers, replacements and acquisitions of spare transformers requested by Pacific Power & Light Company are reasonable and should be approved.

15 (5) After examination of the petition and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition filed should be approved.

ORDER

THE COMMISSION ORDERS That:

- 16 (1) Pacific Power & Light Company's petition for authorizing its transfer of spare transformers under the Spare Transformer Sharing Agreement is approved.
- 17 (2) In satisfaction of WAC 480-143-120 and WAC 480-143-130, Pacific Power & Light Company shall provide final transfer or acquisition details initially within 30 days of each transaction occurring under the terms of the Spare Transformer Sharing Agreement and to supplement such initial reporting with subsequent final documents.
- 18 (3) This Order in no way affects the authority of this Commission over rates, services, accounts, valuations, estimates, or determination of costs, or any matters that may come before it, nor shall anything herein be construed as acquiescence in any estimate or determination of costs or any valuation of property claimed or asserted.
- 19 (4) The Commission retains jurisdiction over the subject matter and Pacific Power & Light Company to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective July 10, 2014.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

STEVEN V. KING, Executive Director and Secretary