**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

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| In the Matter ofPACIFIC POWER & LIGHT COMPANY, a division of PacifiCorp Petitioner, Petition for an Order Authorizing the Exchange of Certain Transmission Assets  | **DOCKET UE-14\_\_\_\_****PETITION OF PACIFICORP** |

1. INTRODUCTION
2. In accordance with RCW 80.12.020, WAC 480-143-120, and WAC 480-07-370(b), Pacific Power & Light Company (PacifiCorp or Company), a division of PacifiCorp, respectfully requests approval from the Washington Utilities and Transportation Commission (Commission) to exchange certain transmission assets with Idaho Power Company (Idaho Power) to resolve issues arising from legacy agreements governing their transmission service needs in relation to each other and for operation of the Jim Bridger generation plant (Jim Bridger Plant) located in Point of Rocks, Wyoming. A copy of the Joint Purchase and Sale Agreement (JPSA) is included with this Petition as Attachment A.
3. PacifiCorp 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. PacifiCorp’s principal place of business is 825 NE Multnomah Street, Suite 2000, Portland, Oregon, 97232.
4. PacifiCorp’s name and address:

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| PacifiCorp Washington Dockets825 NE Multnomah Street, Suite 2000Portland, OR 97232Washington.Dockets@PacifiCorp.com | Michelle R. MishoeSenior Counsel825 NE Multnomah Street, Suite 1800Portland, OR 97232Phone: (503) 813-5977michelle.mishoe@pacificorp.com |

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

By e-mail (preferred) 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. PacifiCorp and Idaho Power own and operate the Jim Bridger Plant[[1]](#footnote-1) and associated transmission assets[[2]](#footnote-2) under the Restated Transmission Service Agreement (RTSA), the Restated and Amended Transmission Facilities Agreement (RATFA), and the Interconnection and Transmission Service Agreement (ITSA). The RTSA, RATFA and ITSA originated with the construction of the Jim Bridger Plant and were agreed to with the intention of moving energy from the Jim Bridger Plant to the PacifiCorp West Balancing Area. In the intervening years since these agreements were signed, the regulatory landscape, PacifiCorp’s and Idaho Power’s respective load growth, and investments in system upgrades have rendered the allocation of ownership and operational responsibility provided for under the agreements inefficient with regard to modern day load service and regulatory obligations. The intent is to reallocate the Parties’ respective ownership interests and operational responsibilities for various integrated transmission facilities in Idaho, Oregon, Washington, and Wyoming (“Transmission Facilities”), some of which the Parties jointly own and operate and others that are independently owned and operated.[[3]](#footnote-3) Currently, the ownership and operation of the jointly-owned Transmission Facilities is governed under numerous agreements that are in some cases over 40 years old (“Legacy Agreements”).[[4]](#footnote-4)
4. NEW TRANSMISSION SERVICE OBLIGATIONS AND THE ASSET EXCHANGE
5. There are three 345 kilovolt (kV) transmission lines that connect the Jim Bridger power plant (“Jim Bridger Plant”) to Idaho Power and PacifiCorp’s transmission system: (i) the Jim Bridger – Three Mile Knoll – Goshen line, (ii) the Jim Bridger – Populus – Borah line; and (iii) the Jim Bridger-Populus-Kinport line. Under the Legacy Agreements, PacifiCorp owns two of the three 345 kV transmission lines that connect the Jim Bridger Plant to the transmission system and two-thirds of the total capacity, and Idaho Power owns one of the transmission lines and one-third of the total capacity. The current Legacy Agreements dictate how the Jim Bridger transmission system is operated, how capacity and ownership is divided between PacifiCorp and Idaho Power, and other system protocols. PacifiCorp and Idaho Power intend to exchange ownership interests through the proposed asset exchange to better align with the current configuration of their respective transmission systems and current load obligations, which will allow for the elimination of the Legacy Agreements. The asset exchange will provide both PacifiCorp and Idaho Power with capacity and ownership in each of the three transmission lines.
6. It was determined that new transmission service obligations and an asset exchange will transform and modernize PacifiCorp’s relationship with Idaho Power, making it simpler and more transparent, in addition to being more consistent with current regulatory requirements. The transaction will provide PacifiCorp with approximately 1600 megawatts (MW) of capacity across Idaho Power’s transmission system, which is consistent with the capacity PacifiCorp is provided under the Legacy Agreements and existing Open Access Transmission Tariff (OATT) service, and Idaho Power with capacity on various portions of the existing PacifiCorp transmission system. Existing joint ownership interests in the 345 kV and 230 kV Jim Bridger Plant transmission system will be reallocated to align with PacifiCorp’s and Idaho Power’s current operational requirements. Additionally, the transaction will establish the respective rights and obligations of PacifiCorp and Idaho Power related to joint ownership of certain assets, operation of jointly-owned facilities, and operational business practices. The transaction will not create new available transmission capacity.
7. Under the asset exchange agreement, PacifiCorp will purchase 510 MW of transmission service under Idaho Power’s OATT in place of the current amounts paid by PacifiCorp to Idaho Power under the Legacy Agreements. This represents a portion of the 1,600 MWs needed to meet PacifiCorp’s operational needs. The new arrangement will align with the Federal Energy Regulatory Commission’s (FERC) preference for transactions to be OATT-based. With OATT-based transactions, all operations continue to be governed by current reliability standards and industry business practice language instead of reconciling the antiquated language of the Legacy Agreements, which can be subject to interpretation and disagreement. Additionally, OATT-based transactions will add flexibility providing reassignment, rollover and redirect rights; and transparency allowing for more efficient use of the assets and may facilitate the development of new markets, such as the Energy Imbalance Market.

*9* PacifiCorp’s capacity needs above the amount to be served under Idaho Power’s OATT is the basis for determining the asset exchange portion of the arrangement. This results in a need for 1,090 MW of east-to-west capacity across the existing Idaho Power transmission system. PacifiCorp will meet this capacity need through the acquisition of ownership in facilities between Adelaide, Borah, Kinport, and Midpoint.

*10* The asset exchange will provide PacifiCorp capacity and ownership on each of the three transmission lines making up the Jim Bridger transmission system. Idaho Power will receive capacity and ownership on the same lines. The following summarizes the asset exchange:

* PacifiCorp will receive capacity and ownership in the following substations and transmission lines:

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| **Substations****Substations** | **Transmission Lines** |
| Kinport | Jim Bridger – Three Mile Knoll - Goshen |
| Borah | Goshen – Jefferson – Big Grassy |
| Adelaide | Midpoint – Kinport |
| Midpoint | Midpoint – Adelaide – Borah #1 |
|  | Midpoint - Adelaide – Borah #2 |

* Idaho Power will receive capacity and ownership in the following substations and transmission lines:

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| --- | --- |
| **Substations** | **Transmission Lines** |
| Goshen | Kinport – Goshen |
| Burns | Antelope – Goshen |
| Summer Lake | Antelope – Scoville |
| Jefferson | American Falls – Malad |
| Big Grassy | Midpoint – Hemingway – Summer Lake |
| Walla Walla | Walla Walla – Hurricane |
| Hurricane | Jim Bridger – Populus – Borah |
| Antelope | Jim Bridger – Populus - Kinport |

*11* The details of the transaction are further described in the JPSA and the JOOA, which reallocates the ownership interests to meet PacifiCorp’s and Idaho Power’s respective load service obligations and improve operational efficiency.[[5]](#footnote-5) If this Application is approved, the Legacy Agreements will also be eliminated or amended as part of the transaction. The JOOA will provide the terms under which PacifiCorp and Idaho Power will operate jointly owned transmission facilities. Set forth in this Application is a description of transmission asset ownership and transmission service under the JPSA and JOOA.

*12*  The asset exchange benefits PacifiCorp and is in the best interest of its customers. The exchange will resolve certain transmission operational issues to ensure safe and reliable electric service. Also included with this Application is testimony from Richard A. Vail, Vice President of Transmission, PacifiCorp, supporting the transaction and describing the background and benefits of the transaction for PacifiCorp; and testimony from Gregory N. Duvall, Director Net Power Costs, PacifiCorp, describing PacifiCorp Energy’s new firm transmission rights following the close of the transaction and associated benefits. As more fully explained below, this transaction will not affect PacifiCorp’s ability to perform its public duties.

1. DISCUSSION
2. 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.

*14*  As previously described, there are three 345kV transmission lines that connect the Jim Bridger power plant to PacifiCorp’s and Idaho Power’s transmission system. The Legacy Agreements dictate how the Jim Bridger transmission system is operated, how capacity and ownership is divided between PacifiCorp and Idaho Power, and other system protocols. PacifiCorp and Idaho Power intend to exchange ownership interests through the proposed asset exchange to better align with the current configuration of their respective transmission systems and current load obligations and eliminate the Legacy Agreements. The asset exchange will provide both Idaho Power and PacifiCorp with capacity and ownership in each of the three transmission lines.

*15*  PacifiCorp seeks approval of this transaction, which will facilitate more efficient operation of the transmission system near the Jim Bridger Plant and resolve issues with the Legacy Agreements. PacifiCorp evaluated its individual operational needs and current constraints on the transmission system near the Jim Bridger Plant to determine that outstanding issues could be resolved through provision of OATT service, exchange of certain assets, and reallocation of ownership interests, and was able to reach agreement with Idaho Power.

*16*  The value of the transaction is approximately $43 million to PacifiCorp and Idaho Power each based on the net book value of the assets being exchanged. The specific assets included were determined between PacifiCorp and Idaho Power to be those required to provide each with owned paths across the transmission system and through each substation associated with the specific transmission line. Ownership share is commensurate with the capacity needs of PacifiCorp and Idaho Power and is detailed in Exhibit C to the JOOA, which is attached to this Petition as part of Attachment A. The assets required to support the requested path in each substation, but not specifically part of the path, will continue to be owned by the original owner with the new owner required to compensate for operation and maintenance (O&M) activities. Article V and Exhibit D of the JOOA shows the compensation between PacifiCorp and Idaho Power for these O&M activities.

*17*  PacifiCorp determined that new transmission service obligations and an asset exchange will transform and modernize its relationship with Idaho Power, making it simpler and more transparent, in addition to being more consistent with current regulatory requirements. Generally, this transaction will provide PacifiCorp with 1,600 MW of capacity across Idaho Power’s transmission system through a combination of asset ownership and OATT service. Idaho Power will receive capacity on various portions of the existing PacifiCorp transmission system through an asset ownership arrangement. Existing joint ownership interests on the 345kV and 230kV Jim Bridger Plant transmission system will be re-allocated to align with current operational requirements. Additionally, the transaction will establish the respective rights and obligations of PacifiCorp and Idaho Power related to joint ownership of certain assets, operation of jointly-owned facilities, and operational business practices. A complete description of the assets to be exchanged and ownership percentages to be acquired by PacifiCorp and Idaho Power may be found in Attachment A.

*18*  The proposed transaction is in the public interest. The exchange of assets, the reallocation of ownership interests in certain assets, and the provision of OATT service will resolve operational issues to ensure safe and reliable transmission service to PacifiCorp customers. PacifiCorp and Idaho Power carefully negotiated the transaction so that the value to each company is evenly distributed. The transaction is not expected to materially affect PacifiCorp’s rates or finances.

*19*  When completed, the new arrangement will replace approximately fourteen legacy agreements and amend and consolidate three other legacy agreements, with current OATT service and ownership, offering more operational flexibility to meet customers’ needs. All transmission service to be provided between PacifiCorp and Idaho Power under their respective OATTs will be governed by rates, terms, and conditions that are clear and consistent with current FERC policies while also providing valuable reassignment, redirect, and rollover rights. If approved, the reallocation of ownership interests will enable more efficient operation of the transmission system consistent with current regulatory requirements and provide the PacifiCorp with the ability to more effectively manage required system upgrades and serve expected load growth.

*20*  Additionally, through more streamlined ownership and capacity rights, the reallocation and exchange will provide additional ownership and capacity and facilitate more long-term efficient operations and more cost-effective load service. For example, PacifiCorp will have capacity and ownership on each of the three transmission lines making up the Jim Bridger transmission system. During certain outage scenarios (such as a Goshen to Kinport line outage), PacifiCorp will be allowed to use the Jim Bridger to Goshen 345 kV transmission facilities to serve affected load, notably improving reliability. Furthermore, the JOOA creates a strong foundation for future business by enhancing relationships and accommodating future business between PacifiCorp and Idaho Power based on mutual interest or need, including potential participation in future joint projects, such as the McNary transmission project as described in Section 6.2 of the JOOA.

*21* PacifiCorp must file applications for approval with the Federal Energy Regulatory Commission, the Public Utility Commission of Oregon, the California Public Utilities Commission, the Idaho Public Utilities Commission, and the Wyoming Public Service Commission. PacifiCorp must file a notice of the transaction with the Utah Public Service Commission.

V. CONCLUSION

*22*  The Company respectfully requests that the Commission approve, under RCW 80.12.020 and WAC 480-143-120, PacifiCorp’s asset exchange with Idaho Power.

Respectfully submitted this 19th day of December, 2014.

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

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**ATTACHMENT A**

**JOINT PURCHASE AND SALE AGREEMENT**

1. Idaho Power owns one-third and PacifiCorp owns two-thirds of the Jim Bridger power plant. [↑](#footnote-ref-1)
2. There are three transmission lines used to move power from the Bridger plant. PacifiCorp owns two lines; Idaho Power owns one line. [↑](#footnote-ref-2)
3. For a complete list of the Transmission Facilities that will be subject to the Joint Ownership and Operating Agreement dated October 24, 2014, and which previously were subject to various Legacy Agreements between the Parties, please refer to Exhibit A of the Joint Purchase and Sale Agreement dated October 24, 2014, both of which are attached hereto. [↑](#footnote-ref-3)
4. The RATFA, RTSA and 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-4)
5. The JOOA does not become effective until closing, which is dependent upon federal and state regulatory approvals listed in Schedules 1.1(i) and (j) of the JPSA. [↑](#footnote-ref-5)