

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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In the Matter of Rocky Mountain Power's )  
Application for Approval of Advance ) DOCKET NO. 14-035-64  
Authorization to Transfer Spare Transformers ) ORDER  
Pursuant to a Sharing Agreement )  
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ISSUED: September 11, 2014

**SYNOPSIS**

The Commission approves PacifiCorp's request for advanced authorization to transfer spare transformers to other participating utility companies, if required, pursuant to a sharing agreement.

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**PROCEDURAL HISTORY AND BACKGROUND**

On May 21, 2014, Rocky Mountain Power, a division of PacifiCorp ("PacifiCorp"), filed an application for approval of advance authorization to transfer spare transformers pursuant to a sharing agreement ("Application"). On May 23, 2014, the Commission issued a notice of scheduling conference. On June 3, 2014, the Commission held a scheduling conference and issued a scheduling order the same day outlining a schedule for this docket.

Pursuant to the scheduling order, the Commission held a technical conference on July 8, 2014, to allow PacifiCorp to present its Application and to allow parties and the Commission an opportunity for questions and answers. On August 8, 2014, the Division of Public Utilities ("Division") and the Office of Consumer Services ("Office") filed comments on the Application.

**DISCUSSION, FINDINGS AND CONCLUSIONS**

**I. Parties' Positions**

**A. Applicant**

The Application indicates that on September 22, 2006, the Federal Energy Regulatory Commission ("FERC") approved an application filed by the Edison Electrical Institute ("EEI") on behalf of a group of utilities requesting authorization to engage in the future transfers of transformers pursuant to a sharing agreement. EEI's Spare Transformer Equipment Program ("STEP") was the result of that approval. The Application indicates that on December 6, 2013, PacifiCorp entered into the sharing agreement with other participating utility companies across the United States. The Application cites to § 2.3 "Required Regulatory Approvals" of the Agreement and indicates PacifiCorp will not become a full participating member of STEP until PacifiCorp can demonstrate "receipt of all required state regulatory approvals."<sup>1</sup>

PacifiCorp explains that STEP is an electric industry program that strengthens the sector's ability to restore the nation's transmission system more quickly in the event of a triggering event. PacifiCorp further explains STEP represents a coordinated approach to increasing the electric power industry's inventory of spare transformers and streamlining the process of transferring those transformers to affected utilities in the event of a transmission outage caused by a triggering event.

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<sup>1</sup> We note the sharing agreement defines Required Regulatory Approvals as follows: "Required Regulatory Approvals' means, with respect to a particular party, those governmental or other approvals or waivers, and notices to any governmental authorities or other Persons, including any federal notices and approvals, that are (i) required to authorize, or are required in connection with, the performance of this Agreement by such Party, including its performance of the obligations of a Participating Utility hereunder, and (ii) set forth on such Party's signature page to this Agreement."

Under the program, each participating electric utility is required to maintain and, if necessary, acquire a specific number of spare transformers. STEP requires each participating utility to sell its spare transformers if requested to any other participating utility that suffers a “triggering event,” which is defined in section 1.1 of the sharing agreement as:

an act or coordinated acts of deliberate, documented terrorism, as defined in the Homeland Security Act of 2002, 6 U.S.C. §101(15), as the same may be amended from time to time, resulting in (1) the destruction or long-term disabling of one or more electric transmission substations, and (2) the declaration of a state of emergency by the President of the United States pursuant to the National Emergencies Act, 50 U.S.C. §1601 et seq., as the same may be amended from time to time.

The Application explains that because the possible transfer and sale of transformers is executory under the agreement, appropriate bookkeeping entries will be made at the time of any future transfer and sale of transformers. The allowable purchase price for transformer(s) transferred to a utility experiencing a triggering event is defined in the sharing agreement. PacifiCorp also indicates that it will be required to pay approximately \$5,000 per year to participate in the transformer exchange program. PacifiCorp indicates, however, that it does not seek approval under the Application of any ratemaking treatment for the sharing agreement fees and any new inventory required by the terms of the agreement.

**B. The Division**

The Division indicates the Department of Homeland Security, FERC, the North American Electric Reliability Corporation, and EEI have all recognized the threat of a triggering event and the catastrophic impact it could have on the electric transmission grid of the country. The Division believes it is prudent to plan for such a triggering event by allowing PacifiCorp to

participate in the STEP program. The Division recognizes benefits that will accrue in the form of cost savings, efficiencies, reliability, and safety assurances that are in the public interest. As such, the Division believes it is in the public interest to allow PacifiCorp to participate in the STEP program under the terms and conditions of the sharing agreement. The Division recommends the Commission approve the Application conditional on PacifiCorp satisfying ongoing reporting requirements concerning the Agreement and certain accounting protocols.

**C. The Office**

The Office describes the sharing agreement and also outlines the potential risks and benefits associated with the sharing agreement. The Office indicates that in the unlikely event that a triggering event were to occur in PacifiCorp's service territory, PacifiCorp would have access to certain transformers more quickly than if it had to order replacements. On the other hand, the Office indicates there is a risk that PacifiCorp could be called upon to provide a required transformer through the sharing agreement and then have the need of a replacement transformer for its own use due to a problem other than a triggering event. The Office states the resulting delay in obtaining a replacement transformer does pose some risk to PacifiCorp and its customers, however, the Office does not view this scenario as substantial enough to offset the potential benefit of participation in the STEP program.

The Office recommends the Commission approve the Application and require PacifiCorp to file notice when there are any substantial changes to PacifiCorp's participation in STEP, including changes in cost.

**II. Findings and Conclusions**

As an initial matter, we find no provision in Utah law or administrative rule that specifically provides for the Commission's approval of PacifiCorp's request. Moreover, the Commission does not ordinarily pre-approve or opine in advance on utility operations decisions. We find, however, the issue of electric reliability in light of potential triggering events is of national significance and believe the STEP program addresses this important matter. We further recognize the Application is intended to allow PacifiCorp to become a full participating member of the STEP program. We intend this order to accomplish that objective without setting a precedent for providing pre-approval of utility decisions not addressed in rule or statute.

With this order, we make no findings or conclusions with respect to recovery or ratemaking treatment of any costs associated with PacifiCorp's participation in the sharing agreement or STEP program and reserve all judgment on those issues for the appropriate cost recovery proceeding. As such, we find it is unnecessary to impose additional reporting or accounting requirements on PacifiCorp at this time.

**ORDER**

Pursuant to the foregoing discussion, findings and conclusions, we approve PacifiCorp's Application.

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DATED at Salt Lake City, Utah this 11<sup>th</sup> day of September, 2014.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg  
Commission Secretary  
DW#260559

Notice of Opportunity for Agency Review or Rehearing

Pursuant to §§ 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of §§ 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on the 11<sup>th</sup> day of September, 2014, a true and correct copy of the foregoing was delivered upon the following as indicated below:

By Electronic-Mail:

Data Request Response Center ([datarequest@pacificorp.com](mailto:datarequest@pacificorp.com))  
PacifiCorp

David L. Taylor ([dave.taylor@pacificorp.com](mailto:dave.taylor@pacificorp.com))  
Daniel E. Solander ([daniel.solander@pacificorp.com](mailto:daniel.solander@pacificorp.com))  
Rocky Mountain Power

By Hand-Delivery:

Division of Public Utilities  
160 East 300 South, 4<sup>th</sup> Floor  
Salt Lake City, UT 84111

Office of Consumer Services  
160 East 300 South, 2<sup>nd</sup> Floor  
Salt Lake City, UT 84111

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Administrative Assistant