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State of Utah
Department of Commerce
Division of Public Utilities

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Memorandum

TO: Public Service Commission

FROM: Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Chuck Peterson, Utility Technical Consultant
Bob Davis, Utility Analyst
Justin Christensen, Utility Analyst

DATE: January 6, 2015

SUBJECT: 14-035-144 ROCKY MOUNTAIN POWER'S NOTICE OF THE SALE OF THE FOUNTAIN GREEN HYDROELECTRIC PLANT In the Matter of Rocky Mountain Power's Notice of the Sale of the Fountain Green Hydroelectric Plant

Recommendation (NO ACTION)

The Division of Public Utilities (Division) has reviewed PacifiCorp's dba Rocky Mountain Power's (RMP or Company) intent to discontinue operations associated with and to dispose of the Fountain Green Hydroelectric Power Plant located near Fountain Green, Utah.

After analysis, the Division finds no outstanding issues that should prevent the transaction of the Fountain Green property to the Utah Division of Wildlife Resources. The disposition of the property is in exchange for the Non-Exclusive Term Easement located in West Valley, Utah adjacent to the Lee Kay Center property to be used for the Terminal to Oquirrh 345kV transmission line project. At this time, the Division recommends that the Commission take no action to the Company's intent to discontinue operations and dispose of the property.

Issue

On November 11, 2014, Rocky Mountain Power, (the Company), filed a letter to inform the Commission of the Company's decision to discontinue operations associated with and to dispose of the Fountain Green hydroelectric power plant located near Fountain Green, Utah.

On November 12, 2014, the Commission issued an Action Request to the Division requesting a Review for Compliance and Make Recommendations of the filing and to provide analysis, evaluation of results and conclusions as a basis for recommendations regarding the filing. The Commission asked the Division to report back by January 12, 2015.

Discussion

The Project consists of a one-unit generator rated at 160 kilowatts ("kW"). In 2011, there was a partial collapse of the Fountain Green plant powerhouse. Since that time the Company has explored several options for the future of the Project including restoration with continued PacifiCorp operation, decommissioning and removal, or sale of the Project.

A request for proposal sales package was distributed to 23 interested parties. Six parties provided a total of seven offers for the project. Through subsequent negotiations, it was determined that a transaction to exchange the Project for an easement that will be required for a portion of the Terminal-Oquirrh 345kV transmission line planned for construction in West Valley, Utah adjacent to the Lee Kay Center, represented the best cost risk balance for customers in lieu of decommissioning. This resulted in the execution of an Agreement of Purchase and Sale.

Disposition of the Project by Rocky Mountain Power will not adversely affect retail or wholesale customers. The discontinuation of the Fountain Green generation capacity will have no material effect on Rocky Mountain Power's generation capacity, which is comprised of approximately 10,579 MW. Rocky Mountain is unaware of any adverse impact to another utility or customers that would result from the transaction to transfer the Project

While no action is required by the Public Service Commission of Utah, the transaction must be approved by the Oregon Public Utility Commission Docket No. UP 312 and the Public Service Commission of Wyoming Docket No. 20000-459-EA-14. If the transaction is approved by those commissions, the disposition of the Project will be accounted for by transferring the value of the transaction (which includes the Fountain Green

development book value, transaction expenses, estimated closing costs, and cash granted to the buyer to offset administrative costs of the easement acquired by Rocky Mountain Power) to the new Terminal-Oquirrh easement asset, resulting in a net zero book loss. If the transaction is not approved by those commissions, the Company will review the more costly and higher risk decommissioning alternative.

Conclusion

The Division has reviewed the Company's Notice of the Sale of the Fountain Green Hydroelectric Plant applicable to electric service in the State of Utah and finds that it meets the Commission's reporting requirements found in R746-401-3 (B) and (E). The Utah allocated book cost of the proposed transaction is less than ten million dollars and less than five percent of the gross investment in utility plant devoted to Utah service. The Company provided notice as a courtesy. The notice was filed on November 11, 2014 while the proposed closing date was set between the parties for November 21, 2014¹. It is not known by the Division if the deal was consummated by the parties on November 21, 2014. The Division asked for information through formal data requests pertaining to the original gross investment, salvage value and ledger detail for the transaction. The Company responded to the data requests in a timely manner. The Division is satisfied with the Company's responses. In reference to approval by the Oregon Public Utility Commission and Wyoming Public Service Commission Dockets UP 312 and 2000-459-EA-14, respectively, the Dockets are still open at the due time of this action request. With no other outstanding issues at this time, the Division recommends that the Commission take no action in regards to the Company's proposed exchange of the Fountain Green Hydroelectric Plant for the Terminal-Oquirrh 345kV transmission line Lee Kay Center easement and believes the transaction to be in the public's best interest.

CC Jeffrey K. Larsen, RMP
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¹ RMP Confidential Exhibit RMP-3, Section 9.1