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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF ROCKY MOUNTAIN)	
POWER'S REPORT OF EXCHANGE OF)	
CERTAIN TRANSMISSION ASSETS WITH)	Docket No. 14-035-_____
IDAHO POWER COMPANY)	
)	
)	

**REPORT OF AN EXCHANGE OF CERTAIN TRANSMISSION
ASSETS WITH IDAHO POWER COMPANY**

Comes now PacifiCorp, dba Rocky Mountain Power (“Rocky Mountain Power” or the “Company”), and hereby respectfully files this Report with the Public Service Commission of Utah, pursuant to Utah Admin. Code R746-401-3 (sale of utility and nonutility assets) of the Company’s exchange of certain transmission assets with Idaho Power Company (“Idaho Power”) (collectively, the “Parties”).

In support of this Report, Rocky Mountain Power states as follows:

1. The Company is a public utility providing retail electric service to customers in Utah, Wyoming, Idaho, California, Oregon and Washington, and wholesale electric service throughout the Western United States.

2. The Company provides electric service to retail customers in the state of Utah, through its Rocky Mountain Power division. The Company serves approximately 840,000 customers and has approximately 2,400 employees in Utah.

3. The Company requests that all notices, correspondence and pleadings with respect to this Report be sent to:

Bob Lively
Utah Regulatory Affairs Manager
Rocky Mountain Power
201 S. Main St., Suite 2300
Salt Lake City, UT 84111

Daniel E. Solander
Senior Counsel
Rocky Mountain Power
201 S. Main St., Suite 2300
Salt Lake City, UT 84111

In addition, formal correspondence and requests for additional information regarding this matter should be addressed to:

By E-mail (preferred):	datarequest@pacificorp.com
By regular mail:	Data Request Response Center PacifiCorp 825 NE Multnomah, Suite 2000 Portland, Oregon 97232

Informal inquiries related to this Report should be directed to Bob Lively, Utah Regulatory Affairs Manager, at (801) 220-4052.

INTRODUCTION

4. The Parties own and operate the Jim Bridger Plant¹ and associated transmission assets² under the Restated Transmission Service Agreement (“RTSA”), the Restated and Amended Transmission Facilities Agreement (“RATFA”), and the Interconnection and Transmission Service Agreement (“ITSA”) (“Legacy Agreements”). The Legacy Agreements 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 the Legacy Agreements were signed, the regulatory landscape, the Parties’ respective load growth, and investments in system upgrades have rendered the allocation of ownership and operational responsibility provided for under the Legacy Agreements inefficient with regard to each Party’s modern day load-service and regulatory obligations. The Parties desire to reallocate their 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 Currently, the ownership and operation of the jointly-owned Transmission

¹ Idaho Power owns one-third and PacifiCorp owns two-thirds of the Jim Bridger generation plant.

² There are three transmission lines used to move power from the Bridger plant. PacifiCorp owns two; Idaho Power owns one.

³ For a complete list of the Transmission Facilities that will be subject to the Joint Ownership and Operating Agreement dated October 24, 2014 (“JOOA”), 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 (“JPSA”), both of which are attached hereto.

Facilities is governed under numerous agreements that are in some cases over 40 years old.⁴

5. Accordingly, the Parties have agreed to enter into a transaction under the Joint Purchase and Sale Agreement (“JPSA”), dated October 24, 2014, included with this Report as Attachment A, and a Joint Ownership and Operating Agreement (“JOOA”), included herein as Exhibit C of Attachment A, to reallocate their respective ownership interests to meet their respective load service obligations and improve operational efficiency.⁵ If all required regulatory approvals are received the Legacy Agreements will also be eliminated or amended as part of the transaction. The JOOA, dated October 24, 2014, will provide the terms under which the Parties will operate jointly-owned transmission facilities. A description of transmission asset ownership and transmission service under the JPSA and JOOA is set forth below.

**ASSET OWNERSHIP AND TRANSMISSION SERVICE
UNDER THE PROPOSED JPSA AND JOOA**

6. 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 transmission lines and two-thirds of the total capacity and Idaho Power owns one of the transmission lines and one-third of the total

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.

⁵ The JOOA does not become effective until closing which is dependent on federal and state regulatory approvals listed in Schedules 1.1(i) and 1.1(j) of the JPSA.

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. With elimination of the Legacy Agreements, the Parties desire 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. For example, during a Goshen to Kinport line outage or a Bridger to Goshen line outage, PacifiCorp will now be allowed to use the other Jim Bridger 345 kV transmission lines to serve Goshen load as a result of the Parties each having ownership rights in all three 345 kV lines. The asset exchange will provide both Idaho Power and PacifiCorp with capacity and ownership in each of the three transmission lines.

7. The Parties determined that new transmission service obligations and an asset exchange will transform and modernize their relationship, 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 the Parties’ current operational requirements. Additionally, the transaction will establish the respective rights and obligations of the Parties related to joint ownership of certain assets, operation of jointly-owned facilities, and operational business practices. The transaction does not create new available transmission capacity.

8. Under the new asset exchange agreements, 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 1600 MW needed to meet its operational needs. The Parties’ 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. In addition, OATT-based transactions will add flexibility 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. The Parties used PacifiCorp’s capacity needs above the amount to be served under Idaho Power’s OATT as the basis for determining the asset exchange portion of the arrangement. This results in a need for 1090 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. The table below identifies the substations and transmission lines in which PacifiCorp will receive ownership as part of the asset exchange:

<u>Substations</u>	<u>Transmission Lines</u>
Kinport	Jim Bridger – Three Mile Knoll – Goshen
Borah	Goshen – Jefferson – Big Grassy
Adelaide	Midpoint – Kinport
Midpoint	Midpoint – Adelaide – Borah #1
	Midpoint – Adelaide – Borah #2
	Adelaide – Midpoint

10. To facilitate its service obligations, Idaho Power will receive ownership in the following PacifiCorp substations and transmission lines in addition to the reallocation of the Jim Bridger substation and transmission system assets identified above:

<u>Substations</u>	<u>Transmission Lines</u>
Goshen	Kinport – Goshen
Burns	Antelope – Goshen
Summer Lake	Antelope – Scoville
Jefferson	American Falls – Malad
Big Grassy	Midpoint – Hemingway – Summer Lake
Walla Walla	Hemingway – Summer Lake
Hurricane	Jim Bridger – Populus – Borah
Antelope	Jim Bridger – Populus – Kinport

The details of the transaction, and a completed description of the assets to be exchanged and the capacity and ownership percentages to be acquired by each Party, are further described in the JPSA.

11. The reallocation of ownership and operation of the transmission assets being exchanged will provide long-term benefits to the Parties’ respective customers. This will resolve certain transmission operational issues to ensure safe and reliable electric service. As more fully explained below, this transaction will not affect either Party’s ability to perform its public duties.

APPROVAL OF THE TRANSFER OF OWNERSHIP

12. Pursuant to Utah Admin. Code R746-4-1-3.B:

Each public utility shall file with the Commission, at least 30 days before its being consummated, a report of the sale, transfer or other disposition by that utility of utility assets having a book cost allocated to Utah in excess of the lesser of ten million dollars or five percent of gross investment in utility plant devoted to Utah service at the latest balance sheet date as set forth in its most recent annual report on file with the Commission.

13. The exchange of transmission assets between the Parties is consistent with the public interest, customers' rates will not increase as a result of this transaction, and each party has the bona fide intent and financial ability to operate and maintain the assets. The Parties evaluated their 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. The Company is providing this report of the asset exchange which will achieve the following:

- Exchange transmission assets or ownership interest in jointly-owned assets to better allocate asset ownership with load service needs;
- Replace transmission service provided under the Legacy Agreements with (a) asset ownership, and (b) purchases of transmission service under the more transparent OATT; and
- Consolidate and modernize the ownership and operational provisions of the Legacy Agreements into a single agreement, the JOOA.

14. 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 both Parties more operational flexibility to meet customers' needs. All transmission service to be provided between the Parties under their respective OATT's 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 regulatory approvals are received in other PacifiCorp jurisdictions, the reallocation of ownership interests will enable the Parties to more

efficiently operate the transmission system consistent with current regulatory requirements and provide the Parties with the ability to more effectively manage required system upgrades and serve expected load growth.

15. 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, each party will have capacity and ownership on each of the three transmission lines making up the Jim Bridger transmission system. During certain outage scenarios (e.g., a Goshen to Kinport line outage), PacifiCorp will be allowed to use other transmission facilities to serve affected load, notably improving reliability. With the JOOA, the Parties have created a strong foundation for future business by enhancing relationships and accommodating future business between the Parties 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.

16. The Parties determined the value of the transaction to be approximately \$43 million to each Party based on the net book value of the assets as of December 31, 2014. The following chart summarizes the cost of the assets and applicable depreciation reserve:

	<u>PacifiCorp</u>	<u>Idaho Power</u>
Electric Plant in Service	\$74,148,876	\$63,787,598
Accumulated Depreciation	<u>(\$30,530,978)</u>	<u>(\$20,522,563)</u>
Net Plant	\$43,617,898	\$43,265,036

The net book values are subject to a true-up adjustment following the closing date of the proposed exchange for certain upgrades placed into service and certain equipment removed from service. With nearly equal asset values being exchanged, ongoing expenses

following the closing of the transaction will be similar to expenses being incurred today. The asset exchange will either be neutral for the Parties' customers or it may provide a modest retail rate benefit for customers. The asset exchange benefits both Parties and is in the best interest of both Parties' customers.

17. The specific assets included were determined between the Parties as those required to provide the Parties with owned paths across the transmission systems and through each substation associated with the various transmission lines. Ownership share is commensurate with the capacity needs of each Party and is detailed in Exhibit C of the JOOA. 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 make compensation for O&M activities. Article V and Exhibit D of the JOOA describe the compensation between the Parties for these O&M activities.

18. PacifiCorp is required to file for regulatory approval of the asset exchange according to the provisions of the JPSA with FERC, the Washington Utilities and Transportation Commission, the Public Utility Commission of Oregon, the California Public Utilities Commission and the Idaho Public Utilities Commission, in addition to this Report. Idaho Power is also required to file applications for approval with FERC, the Idaho Public Utilities Commission, and the Public Utility Commission of Oregon. Applications for these approvals have been previously submitted or will be submitted soon after this filing. The transaction will be finalized only after regulatory approvals have been received from each of these agencies.

19. Rocky Mountain Power is unaware of any adverse impact to another utility or customers that would result from the transaction.

WHEREFORE, based upon the foregoing, Rocky Mountain Power respectfully requests that Public Service Commission of Utah accept this Report pursuant to Utah Admin. Code R746-401-3.

Dated this 19th day of December, 2014.

ROCKY MOUNTAIN POWER



R. Jeff Richards
Daniel E. Solander

Attorneys for Rocky Mountain Power