

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of PacifiCorp for an)
Order Approving the Sale of its Interest in the)
Skookumchuck Hydroelectric Plant and for EWG)
Determinations)

DOCKET NO. 04-035-05

ORDER

ISSUED: June 7, 2004

SYNOPSIS

By this order, the Commission finds that PacifiCorp's proposed sale of the Skookumchuck dam, hydroelectric facility, and related assets ("Skookumchuck Project" or "Project") as an eligible facility under Section 32(c) of the Public Utility Holding Company Act of 1935 ("PUHCA") (1) will benefit consumers, (2) is in the public interest, and (3) does not violate Utah law.

By The Commission:

1. On February 12, 2004, PacifiCorp filed an application requesting that the Commission make certain public interest findings pursuant to 15 U.S.C. §79z-5a(c), referred to as PUHCA Section 32(c), necessary to permit designation of the Skookumchuck Project as an eligible facility.

2. The Skookumchuck Project includes an earth-fill dam and a hydroelectric plant located in the vicinity of Centralia, Washington, on property adjacent to the Centralia Power Plant. The dam was constructed in 1973 as a water storage and cooling facility for the Centralia Power Plant. In 1991, a small hydroelectric generating plant, with a capacity of approximately one megawatt, was constructed at the dam. Owners of the Project are PacifiCorp (47.5% ownership interest); the Public Utility District No. 1 of Snohomish County, Washington; Puget Sound Energy, Inc.; the City of Tacoma, Washington, Avista Corporation; the City of Seattle, Washington; and Distric No. 1 of Grays Harbor County, Washington (the "Owners").

3. The Owners intend to sell the Skookumchuck Project to Washington LLC (“Washington”), a Washington limited liability company and a direct wholly-owned subsidiary of TransAlta. In 2000, the Owners sold the Centralia Power Plant to TECWA Power Inc., a direct wholly-owned subsidiary of TransAlta, and PacifiCorp sold its Centralia Coal Mine to TECWA Fuel Inc., another direct wholly-owned subsidiary of TransAlta. The Centralia Power Plant is owned and operated as an exempt wholesale generator (EWG) by TransAlta Centralia Generation LLC, a direct wholly-owned subsidiary of TECWA Power Inc. Washington intends to operate the Skookumchuck Project either as an EWG under PUHCA Section 32 or as a qualifying facility under the Public Utility Regulatory Policies Act of 1978.

DISCUSSION AND FINDINGS

4. In its memorandum of April 6, 2004, the Division of Public Utilities (“Division”) recommends granting the application. We agree and find accordingly. No other comments on the application have been filed.

5. Both PacifiCorp and the Division conclude that the expected impact of the sale of the Skookumchuck Project will be to lower PacifiCorp’s future revenue requirement by approximately \$4.8 million (present value based on 30 years) by removing the Project from PacifiCorp’s rate base. They further conclude that this transaction would eliminate the risk that PacifiCorp will be required to fund its share of expenditures to ensure the structural integrity of the dam. PacifiCorp estimates its share of this expenditure to be \$4 million. Accordingly, the Division believes that the sale of the Skookumchuck Project will benefit Utah consumers by lowering future revenue requirements and by eliminating the risk associated with future expenditures that may be necessary to ensure the dam’s structural integrity. We concur.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. The proposed sale of the Skookumchuck Project and its designation as an eligible facility under

Section 32 of PUHCA (1) will benefit consumers, (2) is in the public interest, and (3) does not violate Utah law.

2. Nothing contained in this Order is intended to, or shall, require any change to Commission rules or regulations regarding reporting requirements for the sale, transfer or other disposition of PacifiCorp assets.

3. Any person aggrieved by this Order may petition the Commission for review/rehearing pursuant to the *Utah Administrative Procedures Act, Utah Code Ann. §63-46b-1 et seq.* Failure so to do will preclude judicial review of the grounds not identified for review. *Utah Code Ann. §54-7-15.*

DATED at Salt Lake City, Utah, this 7th day of June, 2004.

/s/ Ric Campbell, Chairman

/s/ Constance B. White, Commissioner

/s/ Ted Boyer, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary

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