



Idaho Public Utilities Commission

P.O. Box 83720, Boise, ID 83720-0074

C.L. Butch Otter, Governor

Paul Kjellander, Commissioner
Mack A. Redford, Commissioner
Kristine Raper, Commissioner

Case No. IPC-E-14-41, Case No. PAC-E-14-11, Order No. 33313

Contact: Gene Fadness (208) 334-0339, 890-2712

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PUC approves swap of transmission assets between Idaho Power, PacifiCorp

BOISE (June 10, 2015) – State regulators are approving a \$43 million transmission asset swap between Idaho Power Company and PacifiCorp, which does business in eastern Idaho as Rocky Mountain Power.

In its order approving the transaction, the Idaho Public Utilities Commission said the swap, which will replace outdated sharing agreements between the utilities, will better serve the utilities and their transmission and retail customers.

Under the swap, Idaho Power and PacifiCorp will re-allocate ownership in each of three 345-kilovolt transmission lines that transmit generation from Wyoming's Jim Bridger coal-fired power plant to Idaho Power customers across southern Idaho and to PacifiCorp customers in Oregon, Washington and California. The swap would allocate to PacifiCorp two-thirds ownership in each line and Idaho Power one-third ownership. Currently, PacifiCorp owns two of the three 345-kV lines and Idaho Power owns one. In addition, PacifiCorp would obtain full ownership of two 230-kV lines and substation that connect the Bridger plant to Point of Rocks and Rock Springs, Wyoming.

Because the transaction involves interstate transmission, it must also be approved by the Federal Energy Regulatory Commission (FERC).

Idaho state statute requires that whenever a regulated utility buys or sells major generation or transmission assets, the commission must find that the transaction is in the public interest, that costs and rates of existing service are not increased as a result of the transaction and that new owners have the bona fide intent and financial ability to operate and maintain the transferred assets.

The commission determined the asset swap meets all those conditions. Further, the commission said, the increased operational flexibility resulting from the transaction will ensure more efficient management of transmission system upgrades, facilitate expected load growth, and, ultimately, improve reliability for customers.

Under the swap, PacifiCorp would be provided about 1,600 megawatts across Idaho Power's system to move energy from the Bridger plant to its Western service territory in Washington, Oregon and California. About 510 MW of that 1,600 MW would be firm transmission service that PacifiCorp will

purchase under Idaho Power's Open Access Transmission Tariff. *(The OATT is a tariff or rate that a utility or any transmission provider can charge those seeking available capacity. To encourage a competitive wholesale electric market, the OATT must be approved by FERC as cost-based and non-discriminatory to those who seeking access.)*

Because the transaction is expected to result in greater transmission revenue to Idaho Power from PacifiCorp and other transmission customers, the commission directed Idaho Power to establish a deferred account for those revenues and annually report the amounts for possible later sharing with customers. PacifiCorp is also expected to pay reduced transmission wheeling expense, which will also be tracked and reported for possible later benefit to customers.

The Industrial Customers of Idaho Power urged the commission to wait until after the FERC proceeding resolved. The commission said the conditions of the Idaho statute are met regardless of what FERC may decide. ICIP also said transmission upgrades by Idaho Power resulting from the transaction may increase Idaho Power's retail rates. The commission said transmission upgrades are reviewed for prudence in future rate cases.

Up until this agreement, Idaho Power and PacifiCorp operated under a series of "Legacy Agreements" -- dating to as far back as 1969 -- regarding the construction, ownership and operation of the Bridger coal plant and its associated transmission lines. The agreements were drafted before the advent of FERC's open-access policies, which allow access to the transmission grid for more transmission providers on a non-discriminatory basis. The Legacy Agreements are outdated, inefficient and don't recognize the changing load characteristics of each utility, Idaho Power and PacifiCorp said.

Currently, 1400 MW of PacifiCorp's east-to-west transfer rights are tied only to generation from the Bridger plant. Under the new agreement, PacifiCorp would be able to make east-to-west transfers without restriction on the source of energy, using a combination of transmission service rights over Idaho Power's system and its own newly owned assets. Further, Idaho Power's ownership of the Three Mile Knoll to Goshen line south of Idaho Falls limits PacifiCorp's ability to reliably and cost-effectively respond to Goshen area customer load requirements during certain outage scenarios.

PacifiCorp would also have access to 400 MW of "dynamic service," a 200 MW increase. Dynamic transfers are firm energy transfers that can be scheduled using a shortened time frame (within the hour) and for intervals as briefly as four seconds. Dynamic transfers produce benefits for participants by more effectively stabilizing electric load within the hour, increasing the pool of available energy services and reducing the cost of integrating renewable energy into energy delivery.

Idaho Power would be provided capacity on various portions of PacifiCorp's transmission system.

Further, Idaho Power claims the OATT paid it by PacifiCorp would more accurately reflect Idaho Power's cost of service, benefitting Idaho Power's retail customers. Idaho Power claims that the transaction will reduce its revenue requirement by \$56 million over the next 10 years, due primarily to higher transmission revenues it will get from transmission customers. Those revenues serve as a credit to retail customer rates.

The commission's order and other documents related to this case are available on the commission's Website. Click on "Open Cases" under the "Electric" heading and scroll down to Case Number IPC-E-14-41 or PAC-E-14-11.

Interested parties may petition the commission for reconsideration by no later than June 26. Petitions for reconsideration must set forth specifically why the petitioner contends that the order is unreasonable, unlawful or erroneous. Petitions should include a statement of the nature and quantity of evidence the petitioner will offer if reconsideration is granted.

Petitions can be delivered to the commission at 472 W. Washington St. in Boise, mailed to P.O. Box 83720, Boise, ID, 83720-0074, or faxed to 208-334-3762.

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