

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: NEIL PRICE
DEPUTY ATTORNEY GENERAL

DATE: JUNE 20, 2014

SUBJECT: IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER
FOR ADVANCE AUTHORIZATION TO TRANSFER SPARE
TRANSFORMERS PURSUANT TO A SHARING AGREEMENT, CASE NO.
PAC-E-14-02

On May 23, 2014, PacifiCorp dba Rocky Mountain Power (“Rocky Mountain” or “Company”) filed an Application with the Idaho Public Utilities Commission (“Commission”) requesting advance authorization to transfer spare transformers to other participating utility companies, if required, pursuant to a sharing agreement.

APPLICATION

In its Application, Rocky Mountain outlined the history behind the FERC-approved Spare Transformer Equipment (“STEP”) Program. The Company says that STEP is a coordinated approach to increase the electric power industry’s inventory of spare transformers and streamline the process of transferring those transformers to affected utilities in the event of a transmission outage caused by a terrorist attack. STEP requires each participating utility to sell its spare transformers if requested to any other participating utility that suffers a “triggering event.” A “triggering event” is defined as “an act or coordinated acts of deliberate, documented terrorism, as defined in the Homeland Security Act of 2002 . . .”

According to the Company, the STEP sharing agreement was negotiated among more than 50 utilities and provides each participating utility with legally enforceable rights to access readily available spare transformers that have been committed to STEP. Rocky Mountain believes that if a triggering event occurs; participating STEP utilities possess self-executing and legally enforceable rights to acquire spare transformers from participating STEP utilities.

Rocky Mountain entered into its STEP agreement on December 6, 2013, with other participating utility companies across the United States. However, the Company's status as a full participating member of STEP is contingent upon relevant state regulatory approvals.

Based on preliminary information provided by the Edison Electric Institute (EEI), the Company believes that its obligation under the sharing agreement will be two spare transformers. The first transformer is rated as a 500-230 kV and 193 MVA, the second transformer is rated at 345-138 kV and 141 MVA. This obligation is subject to adjustment as determined by a commitment formula found in the sharing agreement. The commitment of the two transformers does not prohibit the Company from utilizing the equipment for its own needs so long as the spare transformers are replaced within 18 months.

The Company has evaluated the risk of having to sell a spare transformer to another STEP participating utility and believes that the combination of committing existing spare transformers and the low probability of a triggering event result in an acceptable risk. The Company claims that it takes steps to maintain the safety and security of its substations and it does not believe it is reasonable or economically feasible to amass a spare transformer inventory large enough to allow full system restoration following a worst case scenario terrorist attack. The Company alleges that its customers will benefit from the increased access to available spare transformers in the event that the Company experiences a triggering event without the added costs of significant increases in its spare transformer inventory.

The purchase price for transformer(s) transferred to a utility experiencing a triggering event is defined in the sharing agreement. STEP utilities must pay an annual fee of approximately \$5,000 to participate in the transformer exchange program. The Company does not request any ratemaking treatment for fees or any new inventory required by the terms of the agreement.

COMMISSION DECISION

Does the Commission wish to process Rocky Mountain's Application through Modified Procedure with a 21-day comment period?



Neil Price
Deputy Attorney General

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