

DECISION MEMORANDUM

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

**FROM: DAPHNE HUANG
DEPUTY ATTORNEY GENERAL**

DATE: JANUARY 7, 2015

**SUBJECT: THE APPLICATION OF PACIFICORP DBA ROCKY MOUNTAIN
POWER AND IDAHO POWER FOR AUTHORITY TO EXCHANGE
CERTAIN TRANSMISSION ASSETS, CASE NOS. IPC-E-14-41 AND PAC-
E-14-11**

On December 19, 2014, PacifiCorp dba Rocky Mountain Power and Pacific Power (collectively “PacifiCorp”), and Idaho Power Company, filed a joint Application asking the Commission to approve the exchange of certain transmission assets. Over the past 40 years, the parties have entered into a number of agreements (generally referred to as “Legacy Agreements”) through which they jointly own and operate the Jim Bridger power plant and associated transmission assets. On October 24, 2014, the parties entered into a Joint Purchase and Sale Agreement (JPSA) and Joint Ownership and Operating Agreement (JOOA) to largely replace or amend three prior Legacy Transmission Agreements. In the three Legacy Transmission Agreements, PacifiCorp owns two of the three 345 kilovolt (kV) transmission lines, and Idaho Power owns one.¹ The purpose of the new agreements is to address inefficiencies caused by changes in “the regulatory landscape, the parties’ respective load growth, and investments in system upgrades.” Application at 2-3. The new agreements would exchange the parties’ assets, and re-allocate ownership interests and operational responsibilities. *Id.* In particular, the parties will re-allocate ownership in the three transmission lines so that each utility owns a portion of each line. *Id.* at 4.

¹ The Jim Bridger Plant is connected to Idaho Power and PacifiCorp’s transmission system by three 345 kV transmission lines: (1) the Jim Bridger – Three Mile Knoll – Goshen line; (2) the Jim Bridger – Populus – Borah line; and (3) the Jim Bridger – Populus – Kinport line. Application at 3.

The parties ask the Commission for an Order approving these new agreements, and finding that the asset transfer is consistent with the public interest. *Id.* at 11. The parties assert that the Commission has authority over this matter pursuant to *Idaho Code* § 61-328 (transfer of utility assets). *Id.* at 1.

BACKGROUND

In 1969, the parties entered into “a series of agreements for the construction, ownership, and operation of the Jim Bridger power plant.” *Grow Direct* at 4. These Legacy Agreements include the Restated Transmission Service Agreement (RTSA), the Restated and Amended Transmission Facilities Agreement (RATFA), and the Interconnection and Transmission Service Agreement (ITSA). *Application* at 2-3. Among other purposes, these three Legacy Transmission Agreements were intended to move energy from the Jim Bridger plant in Wyoming to PacifiCorp’s “West Balancing Area” in Oregon, Washington, and California. *Id.* Since those agreements were signed, the allocation of the parties’ ownership and operational responsibilities has been rendered inefficient “with regard to each Party’s modern day load-service and regulatory obligations.” *Id.* at 2. To address this inefficiency, the parties entered into the JPSA and JOOA, dated October 24, 2014, which will – if the Commission approves the parties’ *Application* – eliminate or amend all prior Legacy Agreements. *Id.* at 3.

THE APPLICATION

The parties ask that the Commission approve their asset exchange according to the provisions of the JPSA and JOOA, which they say will simplify and modernize their relationship and be more consistent with current regulatory requirements. *Application* at 4. According to the parties, the new agreements will improve their relationship by better allocating asset ownership with load service needs. *Id.* at 7. Under the three Legacy Transmission Agreements, PacifiCorp owns two of the three transmission lines connecting the parties’ transmission system to the Jim Bridger Plant; Idaho Power owns one. *Id.* at 3-4. The parties’ new agreements would allocate ownership in each of the three transmission lines to both Idaho Power and PacifiCorp. *Id.* at 4. This re-allocation would better align the parties’ ownership interests with their current operational requirements. *Id.* at 4-5.

Under the JPSA, PacifiCorp would receive ownership in the following substations and transmission lines to meet capacity needs:

<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

Id. at 6.

Under the Legacy Agreements, PacifiCorp owns two-thirds of the transmission lines’ total capacity; Idaho Power owns one-third of the total capacity. *Id.* at 3-4. Under the new agreements, PacifiCorp would be provided about 1,600 megawatts (MW) of capacity across Idaho Power’s transmission system, “consistent with the capacity PacifiCorp is provided under the Legacy Agreements and existing Open Access Transmission Tariff (OATT) service.” *Id.* Idaho Power would be provided with capacity “on various portions of the existing PacifiCorp transmission system.” *Id.* The new agreements would “not create any new available transmission capacity.” *Id.* at 5.

Under the JPSA, Idaho Power would receive ownership in the following PacifiCorp substations and transmission lines to facilitate its service obligations:

<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	Walla Walla – Hurricane
Hurricane	Jim Bridger – Populus – Borah
Antelope	Jim Bridger – Populus – Kinport

Id.

The parties assert the two new agreements will be more consistent with current regulatory requirements than the Legacy Agreements which use antiquated language and practices regarding transmission service. *Id.* at 4-5. Under the new agreements, purchases of transmission service will be OATT-based, using current reliability standards and industry practices, and providing more transparency. *Id.* at 5, 8.

Finally, the parties state the two new agreements will “[c]onsolidate and modernize the ownership and operational provisions of the Legacy Agreements into a single agreement, the

JOOA.” *Id.* at 8. If approved, “the new arrangement will replace approximately fourteen Legacy Agreements and amend and consolidate three other Legacy Agreements with current OATT service and ownership.” *Id.* Under the JOOA, the parties (1) would have more operational flexibility, thus improving reliability; (2) could “more efficiently operate the transmission system consistent with current regulatory requirements”; and (3) could “more effectively manage required system upgrades and serve expected load growth.” *Id.*

According to the parties, the transaction would be worth about \$43 million to each party “based on the net book value of the assets as of December 31, 2014.” *Id.* at 9. The parties summarized the cost of the assets and the applicable depreciation reserve in the following chart:

	<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

Id. at 9. The parties believe the asset exchange “benefits both Parties and is in the best interest of both Parties’ customers.” *Id.* The parties request a finding by the Commission that “the costs of and rates of existing electric service in the state of Idaho will not be increased by reason of” the asset exchange. *Id.* at 11.

In support of their Application, the parties submitted prefiled testimony, the JPSA, the JOOA, and exhibits. The parties request that their Application be processed under Modified Procedure. *Id.* at 10. The Industrial Customers of Idaho Power (ICIP) filed a Petition to Intervene on January 6.

STAFF RECOMMENDATION

Staff recommends that the Commission issue a Notice of Application. Staff also recommends setting a 14-day deadline for intervention, followed by an informal scheduling conference once interested parties have been identified.

COMMISSION DECISION

1. Does the Commission wish to issue a Notice of Application and set a 14-day deadline for intervention?
2. After the Commission Secretary issues the Notice of Parties, does the Commission wish for Staff counsel to convene an informal conference for the parties to discuss the appropriate scheduling of this case and other scheduling matters?

3. Does the Commission wish to grant intervention to ICIP?
4. Anything else?

/s/ Daphne Huang
Daphne Huang
Deputy Attorney General

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