



Idaho Public Utilities Commission

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Case No. IPC-E-14-41, Case No. PAC-E-14-11, Order No. 33231

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Idaho Power, PacifiCorp propose \$43 million swap of transmission assets

BOISE (April 8, 2015) – Two utilities that serve Idaho are proposing a \$43 million transmission asset swap they say will replace outdated agreements and better serve both their transmission and retail customers.

Under the proposed swap, Idaho Power Company and PacifiCorp (the parent company of Rocky Mountain Power in eastern Idaho), would re-allocate ownership in each of three 345-kilovolt transmission lines that bring the output of the Jim Bridger coal-fired power plant in southwest Wyoming 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.

Beginning in 1969 and continuing through the next several years, the two utilities entered into a series of agreements regarding the construction, ownership and operation of the Bridger coal plant and its associated transmission lines. The agreements, called “Legacy Agreements,” were crafted before the advent of the Federal Energy Regulatory Commission’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 The Legacy Agreements are outdated, inefficient and don’t recognize the changing load characteristics of each utility, Idaho Power and PacifiCorp claim.

Benefits to PacifiCorp

Under the proposed swap, which must be approved by FERC as well as state commissions in six states, 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.*)

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.

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.

Benefits to Idaho Power

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.

Both utilities claim they would have more operational flexibility, improving reliability.

Objecting parties

A number of parties have expressed concerns about the proposed swap in the federal docket before FERC.

Powerex, a power marketing subsidiary of the British Columbia Hydro and Power Authority, is concerned that should the swap create a greater amount of available transfer capability, the additional capacity will not be made available on a nondiscriminatory basis to third parties. However, the utilities claim no new transmission capacity is created on either party's system.

The City of Seattle municipal utility has had a contract to purchase the output of Lucky Peak Reservoir east of Boise. It is interconnected with Idaho Power's transmission system, holding 101 MW of firm service under Idaho Power's OATT. The Seattle utility is concerned third-party OATT customers could bear significantly higher transmission rights while Idaho Power's retail native load customers "enjoy an unduly preferential reduction in the costs of their network service."

The Northwest Independent Power Producers, a coalition of independent power producers (with more than 4000 MW of generation), power marketers and independent transmission companies in the Pacific Northwest and Intermountain West, says the transaction may not comply with FERC's open access transmission policy. NIPPC claims the utilities are proposing a significant reallocation of transmission capacity on certain paths that are not necessarily tied to the ownership of the facilities or the termination of the Legacy Agreements. Calling it an "off the books" transmission capacity trade, NIPPC says it would give the utilities "significant market power" to use their transmission ownership to favor their merchant functions to the detriment of other market participants. Further, NIIPC alleges Idaho Power does not yet have FERC authority to provide 510 MW of transmission service to PacifiCorp because FERC has not acted on its Oct. 24, 2014 request.

In response, the utilities say NIPPC has confused the transfer of ownership in transmission facilities with transmission service rights. The transaction allocates transmission capacity of only jointly owned assets and their respective transmission functions and is separate from any transmission service rights to use such facilities. Both utilities say they are still obligated to manage their transmission capacity according to their respective OATTs.

Like Powerex, NIPPC also claims the swap shifts financial burden from retail customers to users of the grid. NIPPC says the swap will result in a 47.6 percent increase in Idaho Power's OATT and decrease costs to PacifiCorp's customers by \$4 million and to Idaho Power's customers by \$9 million.

The utilities contend that FERC is encouraging replacement of legacy transmission agreements with OATT service, and that the positive impact of a more effectively integrated transmission system should not be overlooked or discounted.

The Idaho commission is taking comments on the application through April 22. Comments are accepted via e-mail by accessing the commission's Website at www.puc.idaho.gov and clicking on "Case Comment Form," under the "Consumers" heading. Fill in the case number (IPC-E-14-41 or PAC-E-14-11) and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.

The commission's orders, along with testimony from the applicants, are available on the commission's Website. Click on "Open Cases" under the "Electric" heading and scroll down to the above case numbers.