



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

January 14, 2016

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301-1166

Attn: Filing Center

RE: UP ____ — Application for an Order Approving the Purchase and Transfer Agreement
between PacifiCorp and the Navajo Tribal Utility Authority.

Enclosed for filing by PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) is an application seeking approval for the proposed purchase and transfer agreement. Also enclosed is a hard copy and a compact disk containing confidential Attachment A to the application. The confidential information is provided under the provisions of OAR 860-001-0070.

PacifiCorp respectfully requests that all data requests regarding this matter be addressed to:

By E-mail (preferred): datarequest@pacificorp.com.

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah St., Suite 2000
Portland, OR 97232

Informal questions concerning this filing may be directed to Erin Apperson, Manager,
Regulatory Affairs, at (503) 813-6642.

Sincerely,

R. Bryce Dalley
Vice President, Regulation

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP _____

In the Matter of

PACIFICORP d/b/a PACIFIC POWER

Application for an Order Approving Purchase
and Transfer Agreement between PacifiCorp and
the Navajo Tribal Utility Authority.

APPLICATION OF PACIFICORP

1 Under ORS 757.480(1)(a) and in accordance with OAR 860-027-0025, PacifiCorp
2 d/b/a Pacific Power (“PacifiCorp” or “Company”) seeks approval from the Public Utility
3 Commission of Oregon (“Commission”) of the asset sale transaction described in that certain
4 Purchase and Transfer Agreement, dated December 4, 2013, as amended (the “PTA”),
5 between PacifiCorp and the Navajo Tribal Utility Authority, a non-affiliate (“NTUA”).
6 Under the PTA, PacifiCorp proposes to sell to NTUA a portion of PacifiCorp’s Utah
7 distribution and transmission assets for an approximate total sale price of \$4.8 million. The
8 majority of assets proposed to be sold to NTUA under the PTA are situs-assigned to the
9 Company’s Utah jurisdiction. Only the transmission assets, for which the Company will
10 receive approximately \$145,864, are system allocated (\$37,242 on an Oregon-allocated
11 basis).¹ A copy of the PTA, including the First and Second Amendments to the PTA, is
12 attached hereto as Attachment A. Attachment A contains commercially-sensitive
13 information including financial terms, which if disclosed, could expose PacifiCorp and its
14 customers to harm. PacifiCorp submits Attachment A as confidential in accordance with
15 OAR 860-001-0070.

¹ Amounts represent current values as shown in Exhibit J in Attachment B and are subject to be updated at closing.

1 In 1959, the Nation created NTUA and authorized it to provide utility services
2 throughout the Nation. Since that time, NTUA has developed and acquired utility assets to
3 provide electric, communication, natural gas, renewable energy, water and wastewater utility
4 services within the Nation.

5 NTUA currently serves approximately 39,600 electric customers who are spread out
6 over a 27,000 square mile service territory. It employs approximately 720 individuals, 97
7 percent of whom are of Navajo descent. NTUA is the largest multi-utility owned and
8 operated by an American Indian Tribe. NTUA is eligible for loans from the Rural Utility
9 Service of the United States Department of Agriculture (“RUS”). Thus, NTUA has access to
10 available capital at reasonable costs and has secured financing for the proposed acquisition.

11 In 1959, in order to obtain easements from the Nation for the Company to provide
12 service within the Nation, PacifiCorp agreed that the Nation would have an option to
13 purchase certain facilities serving customers within the Nation and negotiate to purchase
14 other facilities. This agreement is memorialized in three letters exchanged between
15 PacifiCorp and the Nation’s Council in 1959 (“1959 Letter Agreement”). A copy of the 1959
16 Letter Agreement is Exhibit D to the PTA.

17 In 1973, 1981 and 1989, NTUA approached the Company regarding the possible
18 exercise of such option to acquire facilities of the Company used to provide service to
19 customers within the Nation pursuant to the terms of the 1959 Letter Agreement. None of
20 these approaches resulted in NTUA’s acquisition of any Company facilities, in part due to
21 disagreements between the Company and NTUA regarding interpretation and application of
22 the 1959 Letter Agreement.

1 PacifiCorp has continued to provide electric service to customers within the Nation in
2 accordance with the terms and conditions of its tariffs, schedules and regulations on file with
3 and approved by the Public Service Commission of Utah and with the consent of the Nation.

4 In 2009, NTUA again commenced discussions with the Company regarding
5 acquisition of the Company's facilities within the Nation. The parties pursued discussions
6 and negotiations in good faith, addressing and ultimately resolving a number of difficult
7 issues. On December 4, 2013, the parties entered into the PTA, with closing of the
8 transaction subject to approval of the transaction by the Nation's Council, the Public Service
9 Commission of Utah and other necessary approvals, including approval by the Commission.
10 Approval and closing of the agreement was subsequently delayed for a number of reasons,
11 and the agreement was later amended. Some of the original dates and timelines
12 contemplated in the agreements have passed, but the parties now intend to proceed to closing
13 and implementation of the agreements upon Company receipt of Commission approval and
14 other required approvals.

15 **Purchase and Transfer Agreement**

16 The PTA requires PacifiCorp to sell, and NTUA to purchase, all of the Company's
17 facilities within the Nation used to provide electric service to customers within the Nation.
18 NTUA has agreed to accept PacifiCorp's facilities and their associated easements in their
19 current condition, without any warranties of any kind. Per the PTA, the facilities are to be
20 sold and purchased for their depreciated book value. As of July 1, 2015, the depreciated
21 book value was approximately \$4.4 million. The Company will conduct an updated
22 inventory of the facilities in connection with the transfers of facilities contemplated by the
23 PTA.

1 As provided in the PTA, the Nation has agreed to grant certain waivers to the
2 Company and NTUA has agreed to bear certain costs associated with the transaction in
3 consideration of the transaction. Among other things, NTUA has agreed to reimburse the
4 Company for its expenses incurred in undertaking the transaction, including its costs of
5 inventorying the facilities and easements and performing studies related to the transition of
6 service, its transaction costs, costs incurred in separating the Company’s facilities from
7 NTUA’s facilities, and costs, if any, required to upgrade the Company’s facilities to meet the
8 standards of the RUS. NTUA has also agreed to include in the purchase price a pro-rated
9 share of property taxes to be paid by the Company, to reimburse the Company for any tax
10 effects of the transaction and to pay any transfer fees associated with the transaction.

11 To accommodate continued service to Resolute by the Company through the
12 expiration of its Master Electric Service Agreements (“MESAs”) on June 29, 2017, the sale
13 of facilities and transfer of customers is planned to take place in up to three steps depending
14 on when the first closing occurs in relation to Resolute’s completion of a transmission line
15 and related facilities enabling it to receive retail power from the Company at Resolute’s
16 Aneth, McElmo and Ratherford Substations and the expiration of the Company’s MESAs
17 with Resolute.

18 a. In the first step referred to in the PTA as the Closing, which will occur
19 prior to or at the expiration of the Company’s MESAs with Resolute, the Company
20 will transfer facilities and related easements and rights of way to NTUA that are not
21 used in providing service to Resolute as well as the customers served from the
22 transferred facilities.

1 b. In the second step referred to in the PTA as the Interim Changeover,
2 which will also occur prior to or at the expiration of the Company’s MESAs with
3 Resolute, the Company will transfer the facilities and related easements and rights of
4 way currently used to serve Resolute (known in the PTA as the “Resolute Facilities”)
5 as well as the customers served from those facilities (known in the PTA as the
6 “Resolute Facilities Customers”) to NTUA if Resolute completes its transmission line
7 and related facilities enabling it to receive power from the Company at Resolute’s
8 McElmo and Ratherford Substations prior to expiration of the Company’s MESAs
9 with Resolute. If Resolute does not complete its transmission line and related
10 facilities prior to expiration of the MESAs, the Interim Changeover will take place at
11 the same time as the Resolute Changeover.

12 c. In the third step referred to in the PTA as the Resolute Changeover, the
13 Company will transfer any remaining facilities used to serve Resolute and other
14 customers served off of Resolute’s transmission line and the customers served from
15 those facilities (known in the PTA as the “Resolute Customers”) to NTUA at the
16 expiration of the Company’s MESAs with Resolute.

17 Fourteen customers located on lands *adjacent* to the Nation are served through
18 facilities on the Nation that will be transferred to NTUA as part of the transaction. It is
19 impractical at this time for the Company to install completely separate facilities to serve
20 these adjacent customers and installation of limited facilities by the Company to serve them
21 would require continued coordination with NTUA and the potential for confusion as to the
22 responsible provider in the event of outages. Therefore, subject to approval of the Public
23 Service Commission of Utah, these customers will be transferred to NTUA. NTUA agrees in

1 the PTA that it will charge these customers the same rates, including refunds or rebates, and
2 provide service to these customers on the same terms and conditions as it provides service to
3 similarly situated customers within the Nation. NTUA also agrees in the Second
4 Amendment to the PTA (as defined below) that in the event the Company is able to provide
5 service directly to these customers in the future, NTUA will transfer the customers back to
6 the Company.

7 PacifiCorp has a 345 kV transmission line from the Pinto Substation in Monticello,
8 Utah to the Four Corners Substation in New Mexico near the point at which the borders of
9 Arizona, Colorado, New Mexico and Utah intersect. A portion of this line and a related
10 easement are located within the Nation. This line does not directly provide service to
11 customers within the Nation. The PTA provides that PacifiCorp will retain this line and the
12 associated easement.

13 The First Amendment to the PTA was executed, dated March 4, 2015 (the “First
14 Amendment”), providing a substitute proposed NTUA Management Board resolution in
15 place of the proposed resolution attached as Exhibit K to the PTA and also making
16 conforming amendments to provisions of the PTA referring to the approval of the Council
17 through the Resolution. The Second Amendment to the PTA was executed, dated December
18 2, 2015 (the “Second Amendment”), modifying the dates by which the parties must take
19 certain actions, clarifying how service will be structured to customers outside the Nation that
20 the parties agree would currently be better served by NTUA, and clarifying an option in the
21 PTA consistent with the understanding of the parties. The First Amendment and Second
22 Amendment are included with the copy of the PTA in Attachment A.

1 Informal inquiries should also be directed to Erin Apperson, State Regulatory Affairs
2 Manager at (503) 813-6642.

3 **D. Principal officers**

NAME	TITLE
Gregory E. Abel	Chairman of the Board & Chief Executive Officer
Cindy A. Crane	President & Chief Executive Officer, Rocky Mountain Power
Stefan Bird	President & Chief Executive Officer, Pacific Power
R. Patrick Reiten	President & Chief Executive Officer, PacifiCorp Transmission
Nikki L. Kobliha	Vice President & Chief Financial Officer

4 **E. Description of business; designation of territories served**

5 The Company engages in the generation, purchase, transmission, distribution, and
6 sale of electric energy in Benton, Clackamas, Clatsop, Coos, Crook, Deschutes, Douglas,
7 Gilliam, Hood River, Jackson, Jefferson, Josephine, Klamath, Lake, Lane, Lincoln, Linn,
8 Marion, Morrow, Multnomah, Polk, Sherman, Tillamook, Umatilla, Wallowa, Wasco, and
9 Washington Counties in Oregon. PacifiCorp also engages in the generation, purchase,
10 transmission, distribution, and sale of electric energy in the states of California, Idaho, Utah,
11 Washington, and Wyoming.

12 **F. Statement showing for each class and series of capital stock: brief description;
13 amount authorized; amount outstanding; amount held as required securities;
14 amount pledged; amount owned by affiliated interests; amount held in any fund**

15 Not applicable. This transaction does not involve the sale of financial instruments or
16 PacifiCorp capital stock.

17 **G. Statement showing for each class and series of long-term debt and notes: brief
18 description of amount authorized; amount outstanding; amount held as required
19 securities; amount pledged; amount held by affiliated interests; amount in
20 sinking and other funds**

21 Not applicable. This transaction does not involve the sale of long-term debt or notes.

22 **H. Purpose of application; description of consideration and method of arriving at
23 amount thereof**

1 The purpose of this application is to satisfy ORS 757.480 and OAR 860-027-0025.
2 The PTA assures that the options and terms granted by PacifiCorp and described in the 1959
3 Letter Agreement will be satisfied without the necessity of litigation regarding its
4 interpretation and application. Consideration is as provided in Exhibit A-2 of the PTA and
5 the method used to determine the value is net book value as provided and negotiated pursuant
6 to the 1959 Letter Agreement. The sale of the above-noted PacifiCorp utility assets to
7 NTUA will result in proceeds to PacifiCorp in excess of \$100,000 on a total-company basis.

8 This transaction allows NTUA to provide service to customers within the Nation in
9 accordance with the sovereignty, policies and wishes of the Nation. Because NTUA is an
10 enterprise of the Nation, it is anticipated that it will be able to provide service to more
11 residents of the Nation more promptly and economically than the Company could in light of
12 the lengthy and expensive process required to obtain easements, permits and grants from the
13 Nation.

14 All of the substation and distribution assets proposed to be sold to NTUA under the
15 PTA are situs-assigned to PacifiCorp's Utah jurisdiction. Only the transmission assets are
16 system allocated. PacifiCorp will receive value for the transmission assets that will be
17 transferred to NTUA during the Interim Changeover under the PTA, in accordance with the
18 pricing described in Exhibit A-2 of the PTA. The method used to determine the value of the
19 transmission assets was based on the net book value as of December 31, 2010, to be updated
20 sixty (60) days prior to the Closing Date, as provided in Exhibit A-2 of the PTA.²

² As noted above in footnote 1 and shown in Exhibit J in Attachment B, the current estimate of transmission assets to be sold to NTUA is \$145,864 on a system-basis, or \$37,242 Oregon-allocated.

1 transaction will allow NTUA to provide service to customers within the Nation in accordance
2 with the sovereignty, policies and wishes of the Nation. Because NTUA is an enterprise of
3 the Nation, it is anticipated that it will be able to provide service to more residents of the
4 Nation more promptly and economically than the Company could, in light of the lengthy and
5 expensive process required to obtain easements, permits and grants from the Nation, as well
6 as the requirement that the Company comply with regulations of both the Nation and the
7 Public Service Commission of Utah, including line extension policies in the Company's Utah
8 tariff, which have prevented or delayed service to many customers within the Utah portion of
9 the Nation. The sale will be made at net book value under the PTA, which will not cause
10 harm to the Company's customers.

11 **M. Reasons relied upon for entering into the proposed transaction; benefits to**
12 **customers**

13 Please refer to sections H. and L. above, as well as the Background section.

14 **N. Amount of stock, bonds, or other securities, now owned, held or controlled by**
15 **applicant, of the utility from which stock or bonds are proposed to be acquired**

16 Not applicable. This transaction does not involve the sale of stock or other financial
17 instruments.

18 **O. Statement of franchises held; date of expiration; facilities of transferees**

19 The transaction will not affect PacifiCorp's Oregon service territory in any way.

20 The Navajo Nation is located within San Juan County, Utah. On October 18, 2004, San Juan
21 County granted PacifiCorp the Electric Utility Franchise and General Utility Easement,

interest transactions, and contracts, either expresses no standard (for instance, ORS 757.480, .485) *and has been read to require a no harm standard*, or contains a 'not contrary to the public interest' standard (ORS 757.490, .495.)" (emphasis added); *In the Matter of the Application of PacifiCorp*, Docket No. UP 168, Order No. 00-112, at 6 (Feb. 29, 2000) (regarding the sale of the Centralia generating plant); *In the Matter of Portland General Electric*, Docket No. UP 158, Order No. 00-111, at 2 (Feb. 29, 2000) (regarding the sale of the Colstrip generating units); *In the Matter of the Application of Portland General Electric*, Docket Nos. UP 165/UP 170, Order No. 99-730, at 7 (Nov. 29, 1999) (regarding the sale of the Centralia generating plant).

1 which is valid for 20 years, or until 2024. The Utah franchise may require amendment once
2 the transaction is fully approved and completed. PacifiCorp does not have, nor is it required
3 to have, a separate franchise for the Nation itself. Finally, the Company understands that the
4 Navajo Nation is not required to have an electric utility franchise to serve within the Nation,
5 as it is a sovereign nation in and of itself. NTUA sets forth relevant representations and
6 warranties in Section 5 of the PTA, specifically Section 5.2.

7 **III. COMPLIANCE WITH OAR 860-027-0025(2)**
8 **FILING REQUIREMENTS**

9 **A. Exhibit A—Articles of Incorporation**

10 Not applicable. Review of the Articles of Incorporation would not advance the
11 Commission’s analysis of this Application because the subject transaction involves the
12 conveyance of utility property and does not affect the Company’s corporate structure or
13 governance.

14 **B. Exhibit B—Bylaws**

15 Not applicable. Review of PacifiCorp’s bylaws would not advance the Commission’s
16 analysis of this Application because the subject transaction involves the conveyance of utility
17 property and does not affect the Company’s corporate structure or governance.

18 **C. Exhibit C—Resolution of directors authorizing transaction**

19 This transaction did not require approval from the Company’s board of directors.

20 **D. Exhibit D—Mortgages, trust, deeds or indentures securing obligation of each**
21 **party**

22 Not applicable.

23 **E. Exhibit E—Balance sheet showing booked amounts, adjustments to record the**
24 **proposed transaction and pro forma, with supporting fixed capital or plant**
25 **schedules in conformity with the forms in the annual report**

1 Not applicable. The proposed sale of assets will not materially affect the Company's
2 balance sheet.

3 **F. Exhibit F—Known contingent liabilities**

4 There are no known contingent liabilities associated with this transaction.

5 **G. Exhibit G—Comparative income statements showing recorded results of**
6 **operations, adjustments to record the proposed transaction and pro forma, in**
7 **conformity with the form in the annual report**

8 Not applicable. With a total sale price of approximately \$4.8 million, the transaction
9 will not materially affect the Company's income statement.

10 **H. Exhibit H—Analysis of surplus for the period covered by income statements**
11 **referred to in G**

12 Not applicable. The transaction will not materially affect the Company's income
13 statement.

14 **I. Exhibit I—Copy of contract for transaction and other written instruments**

15 Included with this Application as Attachment A is a copy of the Purchase and
16 Transfer Agreement, by and between PacifiCorp and Navajo Tribal Utility Authority, as
17 amended by the First Amendment and Second Amendment.

18 **J. Exhibit J. Copy of each proposed journal entry to be used to record the**
19 **transaction**

20 Please see the proposed journal entries attached hereto as Attachment B.

21 **K. Exhibit K. Copy of each supporting schedule showing the benefits, if any, which**
22 **each applicant relies upon to support the facts required by (1)(l) of this rule and**
23 **reasons as required by (1)(m)**

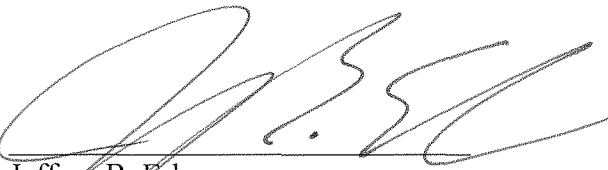
24 This Application and attachment contain the necessary information to demonstrate the
25 benefits of this transaction and for the Commission to base its decision. However, the
26 Company is prepared to provide additional information as requested by the Commission.

1 **IV. PRAYER FOR RELIEF**

2 PacifiCorp respectfully requests a Commission order (1) finding that the sale of the
3 assets, as described herein, will not harm the Company's customers and is consistent with the
4 public interest; and (2) granting other such relief as the Commission deems necessary and
5 proper.

Respectfully submitted this 14th day of January 2016,

By:



Jeffery B. Erb
Assistant General Counsel
Pacific Power

CONFIDENTIAL ATTACHMENT A
Purchase and Transfer Agreement
with First Amendment and Second Amendment

ATTACHMENT B
Proposed Journal Entries

PacifiCorp
Proposed entries to record the sale of Distribution Lines & Subs and Transmission Lines to Navajo Nation
Acquisition Values as of 7/31/2015
Iowa Curve Accumulated Depreciation Reserve Assumption - Mid Year 2016
(Values to be updated at closing)

FERC Sale Entries

1. Record proceeds from the sale of assets to the Navajo Nation

FERC Account	Description	Debit	Credit
131	Cash	\$ 5,055,808	
102	Electric Plant Purchased or Sold		\$ 5,055,808

2. Record sales costs for the sale of assets to the Navajo Nation

FERC Account	Description	Debit	Credit
102	Electric Plant Purchased or Sold	\$ 618,335	
186.1	Sales Costs of Electric Utility Facilities Sold		\$ 618,335

3. Record the retirement of Distribution lines assets

FERC Account	Description	Debit	Credit
108	Accumulated Depreciation	\$ 1,072,778	
102	Electric Plant Purchased or Sold	\$ 2,868,988	
101	Electric Plant in Service		\$ 3,941,766

4. Record the retirement of Distribution substation assets

FERC Account	Description	Debit	Credit
108	Accumulated Depreciation	\$ 615,690	
102	Electric Plant Purchased or Sold	\$ 1,422,621	
101	Electric Plant in Service		\$ 2,038,312

5. Record the retirement of Transmission lines assets

FERC Account	Description	Debit	Credit
108	Accumulated Depreciation	\$ 198,035	
102	Electric Plant Purchased or Sold	\$ 145,864	
101	Electric Plant in Service		\$ 343,898

OR Allocation @ 25.5317%

Debit	Credit
\$ 50,562	
\$ 37,242	
	\$ 87,803

6. Record the retirement of Meter assets

FERC Account	Description	Debit	Credit
108	Accumulated Depreciation	\$ 50,811	
101	Electric Plant in Service		\$ 50,811