



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

September 20, 2017

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301-3398

Attn: Filing Center

RE: UP ___ —PacifiCorp's Application for a Mining Equipment Exchange Agreement

PacifiCorp d/b/a Pacific Power encloses for filing its Application for a Mining Equipment Exchange Agreement.

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 Street, Suite 2000
Portland, Oregon, 97232

Please direct informal inquiries with respect to this filing to Natasha Siores at (503) 813-6583.

Sincerely,

A handwritten signature in black ink, appearing to read "Etta Lockey".

Etta Lockey
Vice President, Regulation

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP _____

In the Matter of

PACIFICORP d/b/a PACIFIC POWER

Application for an Order Authorizing the
Exchange of Mining Equipment

APPLICATION OF PACIFICORP

Under ORS 757.480(1)(a) and in accordance with OAR 860-027-0025, PacifiCorp d/b/a Pacific Power (PacifiCorp) seeks approval from the Public Utility Commission of Oregon (Commission) of the proposed ownership transfer of longwall coal mining shearers between Bridger Coal Company (BCC) and Joy Global Underground Mining LLC (Joy Global), a non-affiliate.

I. BACKGROUND

Pacific Minerals, Inc., is a direct, wholly-owned subsidiary of PacifiCorp that holds a 66.67 percent interest in BCC (a subsidiary of Idaho Power holds the remainder). BCC is the primary coal supplier to the Jim Bridger power plant located in southwest Wyoming. BCC consists of two principal operating units: a surface operation and an underground operation. The coal from both operations is delivered to the Jim Bridger power plant.

The primary method of coal extraction at the BCC underground mine is longwall mining. Longwall mining is a highly efficient and productive mining method using a shearing machine, face conveyor, hydraulic roof supports, along with other ancillary components assembled into a single mining system operating simultaneously to extract coal on a continuous basis. The shearing machine (shearer) is a self-propelled, electrically driven cutting machine, extracting coal as it passes across the coal face. The longwall technique is

one of the most efficient methods of underground coal mining, and yields the highest recovery of the in-place resource.

Typical longwall operations use more than one shearer to support one longwall system: one shearer operates while an alternate shearer undergoes rebuilding; the shearers then alternate between operation and rebuilding allowing for continuous operation of the longwall operation. Due to the large capital investment, acquisition of alternate shearers is generally not economically feasible; however, if just one shearer is used it must be periodically taken out of operation and rebuilt between work on each large coal “panel” resulting in lost operational time. Generally, the original equipment manufacturer (OEM) of the shearer will accommodate this rebuilding between work cycles by “loaning” a rebuilt shearer to the mine while the mine-owned shearer is being rebuilt, allowing the shearers to appropriately alternate between a work phase and a rebuild phase while maintaining continuous mining operation. Under this type of “rebuild and exchange” service provided by the OEM, the mine is not required to purchase alternate shearers, but the mine is responsible for the rebuilding costs for loaned shearers, in addition to the rebuilding costs for any mine-owned shearer.

BCC acquired and began using the Joy longwall system in September 2015, to extract the remaining coal reserves in the western district of the underground mine and the first panel in the eastern district. BCC operated under a rebuild and exchange program with Joy Global, the OEM of the Joy loaner shearer (Joy Loaner Shearer) that serves as the alternate shearer for the Joy longwall system. In late 2015, BCC authorized the rebuild of the Joy Loaner Shearer, which was anticipated to be needed in 2016. Due to unforeseen events and deteriorating geological conditions, the Joy longwall system lost its advancement

capabilities, and BCC stopped using it in October 2016 because the equipment could no longer be safely restored to operation. BCC was able to recover miscellaneous components from the Joy longwall system, including the mine-owned shearer that was in production at the time. Because it had been in use, the mine-owned shearer will require a rebuild before it returns to production, at an estimated cost of \$1.4 million.

BCC is currently using DBT America, Inc. longwall equipment (DBT Longwall) to mine the remainder of the western district of the BCC underground mine. With minor modifications, both the mine-owned shearer and the Joy Loaner Shearer can be used on the DBT Longwall. Accordingly, per its latest forecast, BCC intends to place the rebuilt Joy Loaner Shearer in production in 2019 in the DBT longwall system as an alternate shearer. BCC offered Joy Global an agreement for the ownership transfer of the Joy shearers. Under the terms of the ownership transfer agreement between Joy Global and BCC (Agreement), included as Attachment A, BCC will give the mine-owned Joy shearer to Joy Global in exchange for full ownership of the rebuilt, ready-for-production, Joy Loaner Shearer. As of July 31, 2017, the net book value of PacifiCorp's ownership share of the Joy shearer is \$414,272.77 (net book value \$621,378.08 x 66.67 percent).

The ownership transfer of the mine-owned Joy shearer for ownership of the Joy Loaner Shearer will not adversely affect Pacific Minerals Inc., PacifiCorp or its customers – BCC will continue to own a shearer, just as it did before the proposed ownership transfer. The shearer gained in the ownership transfer is rebuilt and ready to operate. Joy Global's rebuild and exchange service will no longer be necessary following the ownership transfer because BCC will own alternate shearers that can be used on the DBT longwall.

Besides this ownership transfer, the only other BCC option for disposal of the mine-owned Joy shearer would have required an impairment and write-off that, while offset by minimal scrap value, would increase the overall cost of production at the Jim Bridger plant. Ultimately, these increased costs would have flowed through to PacifiCorp's customers in the form of increased coal fuel expenses included in net power costs. Instead, the proposed ownership transfer of the shearers results in the least-cost alternative and provides an alternate shearer that contributes to continuous operation. The proposed ownership transfer will not result in any increased costs to PacifiCorp's customers.

II. COMPLIANCE WITH OAR 860-027-0025(1) FILING REQUIREMENTS

A. Name and Address

PacifiCorp's exact name and address of its principal business office are:

PacifiCorp
825 NE Multnomah Street
Portland, OR 97232

B. State in which incorporated; date of incorporation; other states in which authorized to transact utility business

PacifiCorp is a corporation organized and existing under and by the laws of the State of Oregon. PacifiCorp's date of incorporation is August 11, 1987. PacifiCorp is authorized to provide retail electric service in Oregon, California, Idaho, Utah, Washington, and Wyoming.

C. Communications and notices

All notices and communications with respect to this Application should be addressed to:

Jeffery B. Erb
Chief Corporate Counsel and
Corporate Secretary, PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
Telephone: 503.813.5029
Email: jeff.erb@pacificorp.com

PacifiCorp Oregon Dockets
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
Email: OregonDockets@pacificorp.com

Additionally, 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 inquires may also be directed to Natasha Siores, State Regulatory Affairs Manager at (503) 813-6583.

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
Nikki L. Kobliha	Vice President, Chief Financial Officer, and Treasurer

E. Description of business; designation of territories served

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

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

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

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

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

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

This Application requests approval of the ownership transfer of the mine-owned Joy shearer for the Joy Loaner Shearer by BCC to Joy Global as fully described above. Under the terms of the Agreement, the shearers will be exchanged at the net book value of PacifiCorp's ownership share of the Joy shearer, or \$414,272.77. The ownership transfer does not result in any increased costs to BCC or PacifiCorp's customers.

I. Statement of facilities to be disposed of; description of present use and proposed use; inclusion of all operating facilities of parties to the transaction

The Agreement contains complete descriptions of the assets to be included in the ownership transfer. BCC agrees to give the mine-owned Joy shearer to Joy Global in exchange for ownership of the rebuilt, ready-for-production, Joy Loaner Shearer.

J. Statement by primary account of cost of the facilities and applicable depreciation reserve

The total book value of the mine-owned Joy shearer is \$621,378.08. PacifiCorp's share is \$414,272.77. See Attachment B for the proposed journal entries showing the required information.

K. Required filings with other state or federal regulatory bodies

This transaction does not require approvals from any other state or federal regulatory bodies.

L. Facts relied upon by applicant to show transaction is in the public interest

ORS 757.480 requires Commission pre-approval for sales of property necessary and useful in the performance of a utility's duties to the public with a value in excess of \$100,000.

OAR 860-027-0025(1)(l) requires PacifiCorp to show that such a proposed sale is "consistent with the public interest." The Commission has previously held that this standard requires a "no harm" showing.¹ As described more fully above, this proposed transaction will not harm customers.

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

Please refer to sections I. and L. above, as well as the background section.

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

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

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

Not applicable. This transaction will not affect PacifiCorp's service territory.

¹ See, e.g., *In the Matter of a Legal Standard for Approval of Mergers*, Docket No. UM 1011, Order No. 01-778 (Sept. 4, 2001) ("The remainder of the statutory scheme, those statutes governing transfer, sale, affiliated 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).

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

A. Exhibit A—Articles of Incorporation

Not applicable. Review of the Articles of Incorporation would not advance the Commission's analysis of this Application because the subject transaction involves the conveyance of utility property and does not affect PacifiCorp's corporate structure or governance.

B. Exhibit B—Bylaws

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

C. Exhibit C—Resolution of directors authorizing transaction

This transaction did not require approval from PacifiCorp's board of directors.

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

Not applicable.

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

Not applicable. This transaction will not materially affect PacifiCorp's balance sheet.

F. Exhibit F—Known contingent liabilities

There are no known contingent liabilities associated with this transaction.

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

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

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

Not applicable. The transaction will not materially affect PacifiCorp's income statement.

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

Included with this Application as Attachment A is a copy of the Agreement between BCC and Joy Global, which will be executed by Pacific Minerals Inc. (a wholly owned subsidiary of PacifiCorp) upon Commission approval of the transaction.

J. Exhibit J—Copy of each proposed journal entry to be used to record the transaction

See Attachment B for the proposed journal entries for this transaction.

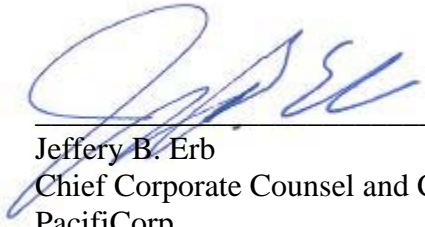
K. Exhibit K—Copy of each supporting schedule showing the benefits, if any, which each applicant relies upon to support the facts required by (1)(l) of this rule and reasons as required by (1)(m)

This Application and attachments contain the necessary information to demonstrate the benefits of this transaction and upon which the Commission may base its decision. However, PacifiCorp is prepared to provide additional information as requested by the Commission.

IV. PRAYER FOR RELIEF

PacifiCorp respectfully requests a Commission order (1) finding that the ownership transfer of longwall shearers as described herein will not harm PacifiCorp's customers and is consistent with the public interest; and (2) granting other such relief as the Commission deems necessary and proper.

Respectfully submitted this 20th day of September, 2017,

By: 

Jeffery B. Erb
Chief Corporate Counsel and Corporate Secretary
PacifiCorp

ATTACHMENT A

Ownership Transfer Agreement

OWNERSHIP TRANSFER

This Ownership Transfer is made and entered into by and between BRIDGER COAL COMPANY (“Company”) and JOY GLOBAL INC. dba JOY GLOBAL UNDERGROUND MINING LLC (“Contractor”), as of this ___ day of December 2016 (the “Effective Date”). Company and Contractor are hereinafter collectively referred to as the “Parties” and either may be individually referred to as a “Party,” all as governed by the context in which such words are used.

RECITALS

WHEREAS, Bridger Coal Company is the current owner of a Joy 7LS longwall shearer, serial number LWS 543K;

WHEREAS, Joy Global Underground Mining LLC is the current owner of a Joy 7LS longwall shearer, serial number LWS 613F; and

WHEREAS, Company and Contractor wish to transfer their respective ownership interests in the above-mentioned Joy 7LS longwall shearers to the other.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the sufficiency of which is hereby acknowledged, effective as of date first written above:

1. Company transfers its ownership interest in Joy 7LS longwall shearer, serial number LWS 543K, to Contractor;
2. Contractor transfers its ownership interest in Joy 7LS longwall shearer, serial number LWS 613F, to Company;
3. Each of the above-mentioned transfers are as-is and the Parties hereby waive and release any and all additional claims or demands for payment associated with this Ownership Transfer;
4. Contract is contingent upon Commission approval where applicable;
5. This Ownership Transfer shall be governed by and construed in accordance with the laws of the State of Wyoming. Any litigation between the Parties arising out of or relating to this Ownership Transfer will be conducted exclusively in federal or state courts in the State of Wyoming, and Parties consent to jurisdiction by such courts. **TO THE FULLEST EXTENT PERMITTED BY LAW, EACH OF THE PARTIES HERETO WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS CONTRACT. EACH PARTY FURTHER WAIVES ANY RIGHT TO CONSOLIDATE ANY**

ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED.

This Ownership Transfer may be executed in two or more counterparts, each of which shall be deemed an original. Both parties represent and warrant the authority of the signatories set forth below. This Ownership Transfer contains the entire agreement of the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the undersigned execute this Ownership Transfer upon the date set forth above.

BRIDGER COAL COMPANY

By: _____

Its: _____

JOY GLOBAL INC. dba JOY GLOBAL UNDERGROUND
MINING LLC

By: _____

Its: _____

ATTACHMENT B

Proposed Journal Entries

Journal Entries Related to Joy Shearer Exchange

		Debit	Credit
03-00-1730-0000-000000	Accumulated Depreciation - Mining Equipment	\$ 246,408.44	
03-00-1630-0000-000000	Property Plant Equipment - Mining Equipment		\$ 867,786.52
03-00-1800-0000-000000	CWIP Additions	\$ 621,378.08	
	To remove purchase price Joy shearer		
03-00-1630-0000-000000	Property Plant Equipment - Mining Equipment	\$ 621,378.08	
03-00-1809-0000-000000	CWIP Transfer to PP&E		\$ 621,378.08
	To put new shearer in service		

Updated through July 31, 2017