



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

November 10, 2014

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

Public Utility Commission of Oregon
3930 Fairview Industrial Dr SE
Salem, Oregon 97302-1166

Attn: Filing Center

RE: UP ___—Application for an Order Approving Sale of Fountain Green Hydroelectric
Generation Facility Located near Fountain Green, Utah

Enclosed for filing by PacifiCorp d/b/a Pacific Power is an Application for an Order Approving
Sale of Fountain Green Hydroelectric Generation Facility Located near Fountain Green, Utah.
An original and five (5) copies will be provided via overnight delivery. Confidential information
is provided in accordance with 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, Suite 2000
Portland, OR 97232

Please direct informal questions with respect to this filing to Natasha Siores, Director of
Regulatory Affairs and Revenue Requirement, at (503) 813-6583.

Very truly yours,

R. Bryce Dalley
Vice President, Regulation

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP _____

In the Matter of the Application of
PACIFICORP d/b/a/ PACIFIC POWER
for an Order Approving Sale of Fountain
Green Hydroelectric Generation Facility
Located near Fountain Green, Utah

APPLICATION OF PACIFICORP

1 In accordance with ORS 757.480(1) and OAR 860-027-0025, PacifiCorp d/b/a
2 Pacific Power (PacifiCorp or Company), seeks approval from the Public Utility Commission
3 of Oregon (Commission) to dispose of the Fountain Green hydroelectric generation facility
4 (Project) located near Fountain Green, Utah. In support of this Application, PacifiCorp states
5 the following:

6 **I. Background**

7 The Project consists of a one-unit generator rated at 160 kilowatts (kW). The power
8 house is located near the city limits of Fountain Green, Utah. In 2011, a partial collapse of
9 the powerhouse roof occurred.

10 Water is diverted from Big Springs (tributary to the Sevier River) to the Project,
11 which is comprised of: (i) a 25-foot high, 160-foot, long earth fill diversion dam with
12 concrete retaining walls, containing an 18-inch steel drain pipe intake and a 16-inch steel
13 overflow pipe; (ii) an approximately three-acre-foot pond; (iii) an approximately 6,064-foot
14 22-inch to 20-inch welded steel pipeline with approximately 70 feet of 20-inch to 12-inch
15 penstock to the power house; (iv) a concrete and brick 40-foot by 27-foot power house
16 containing a generating unit rated at 160 kW; (v) a tail race that discharges to now unused
17 hatchery raceways and then into an irrigation canal; (vi) 8-kilovolt (kV) shielded generator

1 leads; (vii) a battery and circuit breaker building located approximately 10 feet from the
2 power house; and (viii) appurtenant facilities.

3 There are two water rights for Fountain Green, referenced as 65-2289 and 65-25
4 (Utah water right numbers). The first water right, 65-2289, is for 13 cubic feet per second
5 (cfs) of the flow of Big Springs, for non-consumptive use for hydro power generation. The
6 priority of the water right is January 24, 1902 (and memorialized by decree dated November
7 30, 1936). The second water right, 65-25, is for the storage of 330 acre-feet. The priority of
8 this water right is January 31, 1921.

9 The Company prepared a request for proposal (RFP) sales package and directly
10 distributed it to 23 parties that expressed interest in acquiring the Project. Of the 23 parties
11 that requested and received the initial RFP sales package, 17 completed the non-disclosure
12 agreement and were given access to detailed sales information. Seven parties participated in
13 site inspections, and six parties provided letters of interest (one party provided two separate
14 offers for a total of seven offers from six bidders). Please refer to Confidential Attachment A
15 for a summary of RFP responses. Attachment A contains commercially-sensitive
16 information, which if disclosed could expose PacifiCorp to competitive harm. PacifiCorp
17 submits Attachment A as confidential in accordance with OAR 860-001-0070.

18 Through subsequent negotiations, a transaction to exchange the Project for an
19 easement required for a portion of the Terminal-Oquirrh 345kV transmission line planned for
20 construction in Salt Lake County, Utah, resulted in the execution of an Agreement of
21 Purchase and Sale that represents the best cost/risk balance for customers. See Confidential
22 Attachment B for an analysis comparing the transaction alternative to the restoration
23 alternative and the decommissioning alternative. Confidential Attachment C is a copy of the

1 Agreement of Purchase and Sale. Both Attachments B and C contain commercially-sensitive
2 information, which if disclosed could expose PacifiCorp to competitive harm and legal risk.
3 PacifiCorp submits Attachments B and C as confidential in accordance with OAR 860-001-
4 0070.

5 PacifiCorp's analysis of the alternatives indicates it is in the best interest of the
6 Company's customers to sell the Project, which is the least cost and least risk option. Absent
7 selling the Project the Company would review the cost/risk balance of pursuing the more
8 costly decommissioning alternative. Because this transaction involves an exchange for
9 similar value, it is not anticipated that there will be any proceeds from this transaction.
10 However, to the extent there are any proceeds, the portion of such proceeds allocated to
11 Oregon will flow to customers through Schedule 96, the property sales balancing account.

12 As more fully explained below, this transaction will not affect PacifiCorp's ability to
13 perform its public duties.

14 **II. Compliance with OAR 860-027-0025(1) Filing Requirements**

15 **A. Address**

16 The Company's exact name and address of its principal business office are:

17 PacifiCorp
18 825 NE Multnomah Street
19 Portland, OR 97232

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

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

1 **C. Communications and notices**

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

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

Michelle Mishoe
Senior Counsel
PacifiCorp
825 NE Multnomah, Ste 1800
Portland, OR 97232
Telephone: 503.813.5977
Facsimile: 503.813.7252
Email: michelle.mishoe@pacificorp.com

4 In addition, PacifiCorp respectfully requests that all data requests regarding this
5 matter be addressed to:

6 By e-mail (**preferred**): datarequest@pacificorp.com

7 By regular mail: Data Request Response Center
8 PacifiCorp
9 825 NE Multnomah, Suite 2000
10 Portland, OR 97232

11 Informal inquires may also be directed to Natasha Siores, Director of Regulatory
12 Affairs and Revenue Requirement at (503) 813-6583.

13 **D. Principal officers**

<u>Name</u>	<u>Title</u>
Gregory E. Abel	Chairman of Board & Chief Executive Officer
Micheal G. Dunn	President, PacifiCorp Energy
Cindy Crane	President, Rocky Mountain Power
R. Patrick Reiten	President, Pacific Power
Douglas K. Stuver	Senior Vice President & Chief Financial Officer

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

15 The Company engages in the generation, purchase, transmission, distribution and sale
16 of electric energy in Benton, Clackamas, Clatsop, Coos, Crook, Deschutes, Douglas, Gilliam,
17 Hood River, Jackson, Jefferson, Josephine, Klamath, Lake, Lane, Lincoln, Linn, Marion,
18 Morrow, Multnomah, Polk, Sherman, Tillamook, Umatilla, Wallowa, Wasco, and

1 Washington Counties in Oregon. PacifiCorp also engages in the generation, purchase,
2 transmission, distribution and sale of electric energy in the states of Washington, California,
3 Idaho, Wyoming, and Utah.

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

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

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

14 Not applicable. This transaction does not involve the sale of financial instruments.

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

17 PacifiCorp files this Application to seek approval of the sale of the Fountain Green
18 hydroelectric generation plant, certain associated real property and water rights, and payment
19 of certain administrative fees in exchange for an easement needed for the Oquirrh-Sigurd
20 transmission line currently under construction and retaining two easements for existing
21 facilities on Project lands. The Company sought offers for purchase of the Project after a
22 partial roof collapse of the powerhouse. PacifiCorp received seven offers to purchase the
23 Project and selected the party willing to provide the most cost effective option. The
24 transaction is valued at \$343,858 as determined by the Company's analysis of the RFP,
25 shown in confidential Attachment B.

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

1 As stated in Section 1 above the PacifiCorp will exchange a dam and related
2 hydroelectric generation components for an easement needed by PacifiCorp for the Terminal-
3 Oquirrh transmission corridor in Utah. PacifiCorp operated the hydroelectric generation
4 facility until a partial roof collapse of the powerhouse resulted in operations ceasing in 2011.
5 The Project has been non-operational since then.

6 The other party to this transaction owns a fish hatchery adjacent to the Project
7 property. This party will include the newly acquired Project lands in its fish hatchery
8 operations, but is undecided on what it will do with the power generation assets.

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

11 Please refer to Attachment D for the proposed journal entries for this transaction.
12 Further, the following is additional information regarding the primary accounts and costs of
13 facilities: \$213,453.84¹ (Land-Hydro, \$1,064.25; Struc/Improv Hydro., \$18,128.02; Reserv,-
14 Dams & Wway, -\$219.71; Resvors, Dams, Wway P, -\$5,594.80; Water Wheels- Turb &
15 \$75,268.37; Access. Electr. Equi, \$61,038.28; Roads- Railroads & B, -\$23.00; Stat Eqp-Non
16 INDEGO, \$63,768.60). These numbers represent the undepreciated value of each component
17 of the plant.

18 **K. Required filings with other state or federal regulatory bodies**

19 PacifiCorp filed an application for approval of the transaction with the Wyoming
20 Public Service Commission. PacifiCorp also provided notice to the Utah Public Service
21 Commission and the Idaho Public Utilities Commission.

22 **L. Facts relied upon by applicant to show transaction is within the public**
23 **interest**

¹ Other Improvements: Substation land (loc 017056, a portion of UTSP-0005) to be conveyed to UT DWR: \$23.83; Total land book value = \$1088.08 (included in total above).

1 ORS 757.480(1) requires Commission approval for disposal of utility property
2 necessary or useful in the performance of a utility’s public duties having a value in excess of
3 \$100,000. OAR 860-027-0025(1)(l) requires that the utility show that such a proposed
4 disposal is “consistent with the public interest.” The Commission has previously held that
5 this standard requires only a “no harm” showing.²

6 The proposed transaction will not harm customers. Selling the Project provides the
7 best balance between cost and risk for customers instead of the more costly and higher risk
8 alternatives to decommission or restore Project operations. Additionally, there will be a net
9 zero book loss. The Company will receive an easement required for the new Terminal-
10 Oquirrh 345kV transmission line and two easements for facilities that will remain on Project
11 lands. Further, PacifiCorp will no longer be responsible for future maintenance
12 responsibilities and future liability of the Project.

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

15 Please refer to sections I. and L., and the Background Section, above.

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

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

21 //

² See, e.g., *In the Matter of a Legal Standard for Approval of Mergers*, Docket 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 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 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 UP 165/UP 170, Order No. 99-730, at 7(Nov. 29, 1999) (regarding the sale of the Centralia generating plant).

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

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

3 **III. Compliance with OAR 860-027-0025(2) Filing Requirements**

4 **A. Exhibit A. Articles of Incorporation**

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

9 **B. Exhibit B. Bylaws**

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

13 **C. Exhibit C. Resolution of directors authorizing transaction**

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

15 **D. Exhibit D. Mortgages, trust, deeds or indentures securing obligation of**
16 **each party**

17 The majority of the Company's real property is subject to a lien under the Mortgage
18 and Deed of Trust, dated as of January 9, 1989, from PacifiCorp to The Bank of New York
19 Mellon Trust Company, N.A. (as successor to The Bank of New York Mellon) as Trustee, as
20 amended and supplemented. The Company will request for a partial release of mortgage
21 instrument for the real property associated with this transaction to record at closing.

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

1 Not applicable. This transaction will not materially affect the Company's balance
2 sheet.

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

4 There are no known contingent liabilities.

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

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

10 **H. Exhibit H. Analysis of surplus for the period covered by income**
11 **statements 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 confidential Attachment C is a copy of the Purchase
16 and Sale Agreement. Attachment C is submitted as confidential in accordance with OAR
17 860-001-0070.

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

20 Please refer to Attachment D for the proposed journal entries to be used to record this
21 transaction.

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

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

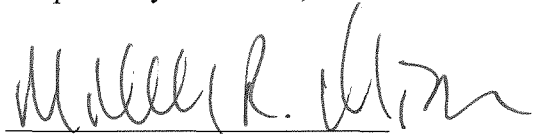
1 **V. Prayer for Relief**

2 PacifiCorp respectfully requests a Commission order:

- 3 (a) finding that PacifiCorp's sale of the Fountain Green hydroelectric generation
4 plant will not harm the Company's customers and is consistent with the public
5 interest;
- 6 (b) granting other such relief as the Commission deems necessary and proper.

DATED: November 10, 2014.

Respectfully submitted,



Michelle R. Mishoe, # 07242
Senior Counsel
Pacific Power

CONFIDENTIAL

ATTACHMENT A

Cost-Benefit Calculations

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ATTACHMENT B
RFP Analysis

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ATTACHMENT C

Purchase and Sale Agreement

ATTACHMENT D
Proposed Journal Entries

PacifiCorp Proposed Entry
to Record the Retirement and Transfer of Fountain Green Hydro Facility Amounts to CWIP for Transmission Easement Received

1 Retire Fountain Green Hydro Facility Assets to Accumulated Depreciation

FERC Account	Description	Debit	Credit
108	Accumulated Depreciation	449,957	
108	Accumulated Depreciation - Net Book Value	212,366	
101	Plant in Service		662,322

2 Transfer Fountain Green Hydro Facility & Substation Land to FERC Account 102

FERC Account	Description	Debit	Credit
102	Electric Plant Purchased or Sold	1,088	
101	Plant in Service		1,088

3 Transfer Fountain Green Hydro Facility Net Book Value Retired to FERC Account 102

FERC Account	Description	Debit	Credit
102	Electric Plant Purchased or Sold	212,366	
108	Accumulated Depreciation - Net Book Value		212,366

4 Transfer Fountain Green Hydro Facility Sales Costs to FERC Account 102

FERC Account	Description	Debit	Credit
102	Electric Plant Purchased or Sold	111,404	
186.1	Sales Costs of Electric Utility Facilities Sold		111,404

5 Record Cash Paid to Utah Division of Wildlife Resources to FERC Account 102

FERC Account	Description	Debit	Credit
102	Electric Plant Purchased or Sold	24,000	
131	Cash		24,000

6 Transfer Fountain Green Hydro Facility Amounts in FERC Account 102 to CWIP for Transmission Easement Received

FERC Account	Description	Debit	Credit
107	Construction Work In Process - Easement Received	348,858	
102	Electric Plant Purchased or Sold		348,858

7 Record current and deferred tax on the sale of Fountain Green assets

FERC Account	Description	Debit	Credit
165	Prepaid Taxes	22,513	
409.1	Income Taxes, Utility Operating Income		22,513
410.1	Provision for Deferred Income Taxes-Credit, Utility Operating Income	22,513	
282	Accumulated Deferred Taxes - Other Property		22,513