

October 21, 2014

VIA ELECTRONIC FILING AND OVERNIGHT DELIVERY

Oregon Public Utility Commission 3930 Fairview Industrial Dr. S.E. Salem, OR 97302-1166

Attn: Filing Center

RE: UM 1670—PacifiCorp's Opposition to Columbia Basin Electric Cooperative Inc.'s Motion for Summary Judgment

PacifiCorp d/b/a Pacific Power submits for filing an original and five copies of the response in the above-referenced proceeding.

It is respectfully requested that all formal data requests to the Company regarding this filing be addressed to the following:

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 any informal inquiries to Natasha Siores, Director of Regulatory Affairs & Revenue Requirement, at (503) 813-6583.

Sincerely,

R Bryer Dalley INES

R. Bryce Dalley Vice President, Regulation

Enclosures

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1670

In the Matter of

COLUMBIA BASIN ELECTRIC COOPERATIVE, INC.,

Complainant;

v.

PACIFICORP d/b/a PACIFIC POWER, NORTH HURLBURT WIND, LLC., SOUTH HURLBURT WIND, LLC., HORSESHOE BEND WIND, LLC., and CAITHNESS SHEPHERDS FLAT, LLC.

Defendants.

PACIFICORP'S OPPOSITION TO COLUMBIA BASIN ELECTRIC COOPERATIVE INC.'S MOTION FOR SUMMARY JUDGMENT

Defendant PacifiCorp d/b/a/ Pacific Power (PacifiCorp) respectfully moves for an order denying the Columbia Basin Electric Cooperative Inc.'s (the Cooperative) Motion for Summary Judgment (Motion). To prevail on its motion, the Cooperative must demonstrate not only that there are no genuine issues of material, but also that it is entitled to judgment as a matter of law. The Cooperative failed to meet this burden.

The Cooperative attempts to frame this dispute as involving "a complex series of transactions" whereby PacifiCorp provides retail station power for the three wind generating resources that make up the Caithness Shepherds Flat project.¹ But in fact, there is nothing "complex" about this proceeding as it applies to PacifiCorp. PacifiCorp provides "utility service" as defined in the Territorial Allocation Law within its own service territory. It is undisputed that PacifiCorp sells high voltage station power to Caithness Shepherds Flat, LLC

¹ Cooperative's Motion at 2.

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(Caithness) at a single point of delivery—Slatt Substation—that is located within PacifiCorp's exclusive retail service territory. While some of the turbines at issue are located in the Cooperative's service territory, the consumptive use of power begins in PacifiCorp's service territory when power is delivered at Slatt Substation. These undisputed facts alone demonstrate that the Cooperative is not entitled to judgment as a matter of law.

Furthermore, the Cooperative has failed to address the fact that it cannot provide the Shepherds Flat project with 230-kV station power. Because the Cooperative cannot provide a "similar utility service" (i.e., service at 230-kV), PacifiCorp's provision of station power to the portions of the project located in the Cooperative's service territory is exempt from the definition of "utility service."²

There is nothing conspiratorial about the station power arrangement. Caithness has not simply "[strung] conductors to a neighboring utility" to "avoid the [Cooperative's] allocated territory."³ The three wind resources do not interconnect with the Cooperative's facilities or at a point within the Cooperative's service territory. Instead, the three resources interconnect within PacifiCorp's service territory at Slatt Substation consistent with regulatory approvals issued by the Federal Energy Regulatory Commission (FERC), the Bonneville Power Administration (BPA), and the Oregon Energy Facility Siting Council (EFSC).

The Commission is presented with a straightforward legal issue of first impression: at what geographic point does PacifiCorp provide utility service? There is only one answer that is supported by the facts and the relevant statutory language—Slatt Substation. The Cooperative's theory of the case, that service territory should be determined on a turbine-by-

² ORS 758.400(3).

³ Cooperative's Motion at 3.

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turbine basis, conflicts with the definition of "utility service," which focuses on the point at which power is delivered to the consumer (and not the point at which each energy-consuming machine is located).

Accepting the Cooperative's theory would compel one of two untenable results. First, massively duplicated facilities would need to be constructed to allow the Cooperative to deliver power to the Shepherds Flat project at a point within the Cooperative's service territory. Such a result would squarely conflict with the purposes underlying the Territorial Allocation Law. Second, the Cooperative could deliver power to the project at Slatt Substation. But that result would violate the Territorial Allocation Law because the Cooperative would be providing "utility service" within PacifiCorp's service territory.⁴ Ironically, this is precisely the remedy the Cooperative seems to want.⁵

PacifiCorp and Caithness have presented the only legally-sustainable and commonsense resolution to this dispute. For purposes of widely disbursed renewable generating resources like the Shepherds Flat Project, the point of delivery should be the point at which territorial allocation is decided.

I. SUMMARY JUDGMENT STANDARD

Summary judgment may be granted only when the moving party (in this case, the Cooperative) has demonstrated that there are no genuine issues of material fact and that it is

⁴ While the Commission is authorized to approve inter-utility contracts allocating service territory or customers, it is not authorized to endorse or order the unilateral invasion of an allocated territory by another utility. ORS 758.425. If the Cooperative attempts to serve load out of Slatt Substation (within PacifiCorp's service territory), PacifiCorp would take the same action the Cooperative has taken—the filing of a complaint with the Commission.

⁵ And if the Cooperative were permitted to provide utility service to a portion of the Shepherds Flat Project via deliveries at Slatt Substation, one could safely assume the Cooperative would not then claim (as it is here) that Caithness is also providing utility service to that same portion of the project.

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entitled to judgment as a matter of law.⁶ The summary judgment record is viewed in the light most favorable to the non-moving party (in this case, PacifiCorp).⁷ While the material facts concerning the Cooperative's claims against PacifiCorp are undisputed, the Cooperative has misapplied those facts to the relevant law and has failed to demonstrate that it is entitled to judgment as a matter of law. Accordingly, the Cooperative's motion should be denied.

II. STATEMENT OF MATERIAL FACTS

Despite the Cooperative's lengthy factual recitation, the material facts needed to dispose of the Cooperative's claims against PacifiCorp are straightforward and undisputed. PacifiCorp detailed the relevant material facts in Section II of its October 6, 2014 summary judgment motion, and incorporates that discussion by reference. PacifiCorp summarizes the key material facts below, but does not restate them in their entirety to avoid burdening the record.

The Shepherds Flat project is composed of three wind resources: Shepherds Flat North, Shepherds Flat Central, and Shepherds Flat South.⁸ The Shepherds Flat North 230-kV collector substation and turbines are located in PacifiCorp's exclusive retail service territory.⁹ The Shepherds Flat central 230-kV collector substation and the majority of the turbines are located in PacifiCorp's exclusive retail service territory.¹⁰ The Shepherds Flat South 230-kV

⁹ Delgado Dec. at ¶ 36.

⁶ Oregon Rule of Civil Procedure (ORCP) 47C; *Seeborg v. General Motors Corp.*, 284 Or. 695, 699 (1978) (en banc) ("The moving party has the burden of showing that there are no genuine issues of material fact and that he or she is entitled to judgment as a matter of law.")

⁷ Seeborg, 284 Or. at 699 ("The record on summary judgment is viewed in the light most favorable to the party opposing the motion.")

⁸ Shepherds Flat North, Shepherds Flat Central, and Shepherds Flat South are respectively owned by North Hurlburt Wind, LLC, South Hurlburt Wind, LLC, and Horseshoe Bend Wind, LLC. Declaration of Jeffery Delgado (Oct. 6, 2014) (Delgado Dec.) at ¶¶ 30, 37, and 44. Each of those entities is a wholly owned subsidiary of Caithness Shepherds Flat, LLC. *Id.* at ¶ 7.

¹⁰ Delgado Dec. at ¶ 43.

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collector substation and turbines are located in the Cooperative's service territory, but are electrically isolated from the Cooperative's transmission lines.¹¹

Each of these resources interconnects at BPA's Slat Substation via a series of individually and jointly owned 230-kV facilities; the majority of those facilities (including the 230-kV ring bus and connector lines) are located within PacifiCorp's service territory.¹² The Slatt Substation point of interconnection is mandated by regulatory requirements imposed by FERC, BPA, and EFSC.¹³ The turbines, collector substations, generator tie lines, and connector lines are all electrically isolated from the Cooperative's system.¹⁴

Each 230-kV collector substation has two revenue quality meters that are used to measure project output.¹⁵ The meters are owned by BPA, and output readings are adjusted for line losses to derive values for deliveries at Slatt Substation.¹⁶ This metering arrangement is common place in the industry.¹⁷

While the Shepherds Flat project normally self-supplies its station power requirements, PacifiCorp provides intermittent 230-kV station power when wind conditions prevent self-supply.¹⁸ Under its Electric Service Agreement (the Agreement) with Caithness, the point of delivery for PacifiCorp's utility service is Slatt Substation—a point undisputedly within PacifiCorp's exclusive service territory.¹⁹

¹¹ Delgado Dec. at \P 50.

¹² Delgado Dec. at \P 25.

¹³ Delgado Dec. at ¶¶ 19-20; 27; and 51-57.

¹⁴ Delgado Dec. at ¶ 34, 41, 43, 48, and 50.

¹⁵ Declaration of Chuck Phinney (Oct. 6, 2014) (Phinney Dec.) at ¶ 13; Delgado Dec. at ¶ 18.

¹⁶ Id.

¹⁷ Phinney Dec. at \P 13.

¹⁸ Phinney Dec. at \P 4; Delgado Dec. at \P 60.

¹⁹ Phinney Dec. at ¶ 12 and Ex. B, Article I (Definition of "Point of Delivery"); Delgado Dec. at ¶¶ 63-65.

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PacifiCorp requested, but BPA refused, access to Slatt Substation to meter retail deliveries.²⁰ Therefore, retail deliveries are measured using the same six BPA collector substation meters that are used to measure project output.²¹ Consistent with the Agreement, the meter readings are adjusted for line losses to determine a single value for the total load delivered at Slatt Substation.²² There are no other revenue quality meters available for measuring retail station power deliveries to Caithness.²³

III. ARGUMENT

A. PacifiCorp Provides Utility Service in its Own Service Territory

The Cooperative has failed to demonstrate that PacifiCorp is providing utility service within the Cooperative's service territory. Accordingly, the Cooperative has failed to meet its burden of demonstrating that it is entitled to judgment as a matter of law.

The undisputed facts of this case unequivocally demonstrate that PacifiCorp provides "utility service" in its own exclusive service territory. PacifiCorp delivers high-voltage station power to Caithness at Slatt Substation—a point within its service territory.²⁴ Put another way, PacifiCorp's "utility service" occurs at Slatt Substation. From Slatt Substation, the power is moved over customer-owned facilities, and PacifiCorp has no right to access or use those customer-owned facilities.²⁵ The consumption of power begins upon delivery at Slatt Substation.²⁶

The fact that PacifiCorp has a contractual relationship with Caithness, rather than the three resources, is irrelevant. The Cooperative contends that Caithness "solely manages and

²⁰ Phinney Dec. at ¶ 14 and Ex. C.

²¹ Phinney Dec. at ¶ 13; Delgado Dec. at ¶ 18.

²² Phinney Dec. at ¶ 13, and Ex. B Sections 6.01 and 6.03; Delgado Dec. at ¶ 18.

²³ Delgado Dec. at ¶ 18; Phinney Dec. at ¶ 13.

²⁴ Phinney Dec. at ¶ 7; Delgado Dec. at ¶ 17.

²⁵ Delgado Dec. at ¶ 54.

²⁶ Delgado Dec. at ¶ 65.

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controls the Three Wind Projects including the jointly-owned facilities."²⁷ And while Caithness does not itself own electrical facilities, the three wind resources (Shepherds Flat North, Central, and South) each interconnect and begin their consumptive use of power within PacifiCorp's exclusive service territory at Slatt Substation.²⁸ By delivering power at Slatt Substation, PacifiCorp is providing service "for the distribution of electricity to users" consistent with the statutory definition of "utility service."²⁹

The legislature's definition of "utility service" focuses on the point at which the "distribution of electricity to users" occurs.³⁰ In this case, PacifiCorp delivers power (i.e., distributes electricity to users) within its territory at Slatt Substation.³¹ The Cooperative, however, would have service territory determined on a turbine-by-turbine basis. This approach conflicts with the definition of "utility service" and is technically unworkable. As the Cooperative correctly notes in its Motion, the definition of "utility service" focuses on the distribution of electricity to the users.³² However, the definition of "utility service" does not focus on the point at which individual power-consuming machines are located. Here, power is distributed to the users at their point of interconnection at Slatt Substation.³³

Furthermore, the Shepherds Flat turbines do not have individual revenue quality meters from which station power deliveries could be calculated. Instead, the station power consumption is collectively metered using BPA's revenue quality meters at each collector substation. So for Shepherds Flat Central (the only project with turbines on both sides of the service territory boundary), there is no way to accurately allocate retail deliveries based on

²⁷ Cooperative's Motion at 13.

²⁸ Delgado Dec. at \P 65.

²⁹ ORS 758.400(3).

³⁰ ORS 758.400(3).

³¹ Phinney Dec. at ¶¶ 7 and 12.

³² *E.g.*, Cooperative's Motion at 27.

³³ Phinney Dec. at ¶ 12; Delgado Dec. at ¶ 67.

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turbine location. And any attempt to create "rough justice" by allocating the Shepherds Flat Central load based on percentage of turbines on each side of the boundary would conflict with the Territorial Allocation Law because actual consumption (based on variable local wind patterns) would never match the artificial allocation construct.

B. PacifiCorp Does Not Provide Utility Service in the Cooperative's Service Territory

As detailed in section III(D) of PacifiCorp's summary judgment motion, if PacifiCorp delivered power to points within the Cooperative's service territory, that delivery would not qualify as "utility service" under the Territorial Allocation Law. "Utility service" only occurs when the utility purportedly encroaching on an allocated territory provides *similar* service as the allocated utility. Put another way, if a utility purportedly encroaching on an allocated territory provides a different type of service, that service does not qualify as "utility service" for purposes of the protections in ORS 758.450(2).

Here, the Cooperative has no ability to deliver 230-kV station power to any portion of the Shepherds Flat project.³⁴ Because the Cooperative is unable to provide 230-kV station power service in its allocated territory, PacifiCorp's provision of this power is expressly exempted from "utility service" for purposes of the Territorial Allocation Law.³⁵

 ³⁴ Delgado Dec. at ¶¶ 72-84. Indeed, Order No. 38089, which sets out the Cooperative's service territory, mentions transmission and distribution lines at 69 kV, 22 kV, and down to 7.2/12/5 kV. Given the rural, lightly populated service territory, the order does not contemplate that the Cooperative would own high-voltage transmission facilities like those that would be needed to serve the Shepherds Flat project.
 ³⁵ ORS 758.400(3). The only pathway available for delivery of 230-kV station power is through Slatt Substation. Delgado Dec. at ¶ 64. The Cooperative cannot deliver power to any portion of the Shepherds Flat project without itself violating the Territorial Allocation Law (since it would be providing utility service in PacifiCorp's exclusive service territory). As the Cooperative notes, the parties previously attempted to negotiate an agreement that would allow the Cooperative to provide utility service at Slatt Substation, but that agreement was never finalized. Without a Commission-approved agreement allocating customers, the Cooperative cannot deliver power to the Shepherds Flat project at Slatt Substation. *See* ORS 758.410.
 PacifiCorp notes that summary judgment must be based on admissible evidence, and that evidence of settlement discussions is generally inadmissible. *Wilson v. Wilson*, 224 Or. App. 360, 364 (2008); OEC 408(1)(a); ORS 183.450(1).

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C. The Cooperative's Reliance on Northwest Natural is Misplaced

The Cooperative places great weight on the Oregon Court of Appeals decision in NW Natural Gas Co. v. Oregon Public Utility Commission.³⁶ But that case has limited precedential value and is readily distinguished. In NW Natural, the Court of Appeals was asked to determine whether a series of industrial natural gas consumers had violated NW Natural Gas Company's exclusive service territory by constructing and operating a series of distribution lines that delivered natural gas via the Williams Grant Pass Lateral pipeline (GPL). A number of former NW Natural large industrial customers received gas directly from the Williams bypass pipelines that interconnected with the GPL. Those customers were located within NW Natural's exclusive service territory, as were the points at which the bypass pipelines interconnected with GPL. NW Natural did not object to these customers taking service directly from Williams via the bypass pipelines, even though the points of interconnection and metering were within its service territory.³⁷

Instead, NW Natural objected to another group of former industrial customers who were taking service via jointly owned lateral pipelines that were connected to the bypass pipelines (which, in turn, were connected to the GPL). These former customers were taking service from points located within NW Natural's exclusive service territory. NW Natural argued that this arrangement, where multiple customers took service via jointly-owned lateral pipelines, constituted a "condominium bypass distribution system" that violated ORS 758.450(2).

³⁶ 195 Or. App. 547 (2004).
³⁷ NW Natural Gas Co., Order No. 00-306, Docket No. DR 23 (June 9, 2000) ("The parties agree that bypass of a simpline is not a a utility's service by a sole industrial consumer through construction and operation of a pipeline is not a violation of ORS 758.405(2).")

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The Commission disagreed with NW Natural on grounds that the condominium bypass distribution system did not constitute a wasteful duplication of utility facilities that violated ORS 758.450(2).³⁸ The Court of Appeals, however, took odds with the Commission's conclusion. According to the court, the Commission incorrectly concluded that the joint owners of the condominium bypass distribution system did not qualify as a "person" for purposes of the Territorial Allocation Law.³⁹ The court faulted the Commission for relying on Territorial Allocation Law's purpose, rather than the statutory definition of "person."⁴⁰ The court similarly faulted the Commission for not analyzing the statutory definition of "utility service."⁴¹

NW Natural has limited precedential value. The court did not decide whether the bypass pipeline owners qualified as "persons," or whether "utility service" was being provided.⁴² Instead, the court reversed the Commission's decision and remanded the matter back to the Commission for resolution.⁴³ NW Natural eventually settled its claims and dismissed its petition, so the Commission never considered the issues on remand.⁴⁴ Ultimately, NW Natural stands for the unremarkable proposition that the Commission must rely on the Territorial Allocation Law's statutory language in addition to the statute's policy objectives.

Furthermore, *NW Natural* is readily distinguished on the facts. In that case, the bypass pipelines, lateral pipelines, and points of delivery were all located entirely within NW

³⁸ Id.

³⁹ 185 Or. App. at 556-57.

⁴⁰ Id.

⁴¹ Id. at 558. See also id. at 559 ("In sum, the fundamental problem with the PUC's analysis is that it fails to apply correctly the statutory definitions that establish the contours of who is a person subject to the act and what services are subject to it.")

 $^{^{42}}$ Id. at 559 ("It is not a court's task to create a basis for the PUC's ultimate conclusion that is different from the basis that the PUC itself expressed.") ⁴³ *Id.* at 559-60 ("[I]t is for the PUC on remand to reconsider the issues involved.")

⁴⁴ Docket No. DR 23, Order No. 06-038 (Jan. 30, 2006).

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Natural's exclusive service territory. In contrast, PacifiCorp's "utility service" does not occur within the Cooperative's service territory. Instead, the unrebutted factual record demonstrates that PacifiCorp's "utility service" occurs within its own service territory at Slatt Substation.⁴⁵ It is undisputed that the consumptive use of power begins at Slatt Substation.⁴⁶ The only alternative point at which the three wind resources could be deemed to take delivery of station power is the 230-kV ring bus, which is the point where the individually owned generator tie lines connect with the jointly owned facilities. And like Slatt Substation, the 230-kV ring bus is located within PacifiCorp's exclusive service territory.⁴⁷ Furthermore, the "persons" providing the alleged "utility service" in *NW Natural* were Northwest Natural's own customers, not another utility.

D. PacifiCorp's Station Power Sales to Caithness are Consistent with Schedule 47 and the Company's Policies

The purpose of PacifiCorp's sales to Caithness is to supply intermittent high-voltage station power to Shepherds Flat North, South, and Central wind resources (each of which interconnect within PacifiCorp's service territory at Slatt Substation). There is no dispute about this fact. The Cooperative dislikes this arrangement and argues that PacifiCorp should have contracted with the three wind resources rather than Caithness since Caithness itself owns no generating resources.⁴⁸

The fact that PacifiCorp contracts with Caithness has no bearing on whether the Territorial Allocation Law has been violated. As an initial matter, the Commission's rules

⁴⁵ The issue of whether or not the 230-kV facilities that are individually and jointly owned by North Hurlburt Wind, South Hurlburt Wind, and Horseshoe Bend Wind constitute a "connected and interrelated distribution system[.]"

⁴⁶ Delgado Dec. at \P 20 and 65.

⁴⁷ Delgado Dec. at ¶ 25.

⁴⁸ Cooperative's Motion at 31.

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allow customers to designate a party who is responsible for payment of invoices.⁴⁹ Furthermore, the Cooperative's arguments are contradictory. On one hand, the Cooperative argues that PacifiCorp should not contract with Caithness. On the other hand, the Cooperative emphasizes the fact that Caithness "retains ultimate control and management authority over each of the Projects" and "solely manages and controls the Three Wind Projects including the jointly-owned facilities."⁵⁰ The Cooperative cannot have it both ways. If Caithness does indeed "solely manage" Shepherds Flat North, South, and Central, there is nothing wrong with Caithness contracting with PacifiCorp for retail station power service.

The fact that PacifiCorp is not providing utility service in the Cooperative's service territory would not change even if the Commission were to determine that PacifiCorp should have contracted with each of the three wind resources (rather than with Caithness). Consistent with FERC, BPA, and EFSC requirements, the three wind resources each interconnect, and begin their consumptive use of power, at Slatt Substation—a point within PacifiCorp's service territory. ⁵¹ Therefore, the three resources would take delivery at the same point Caithness does—Slatt Substation. In the alternative, three resources could be deemed to take delivery at the 230-kV ring bus, where their separately owned facilities (i.e., 230-kV generator tie lines) begin. Like Slatt Substation, the 230-kV ring bus is located entirely within PacifiCorp's exclusive service territory.⁵²

Finally, PacifiCorp's sales to Caithness are consistent with its Generation Service Policy. Under this policy, PacifiCorp prefers to have one metering point for each customer.⁵³ But BPA prevented the parties from using a single metering point at the point of delivery

⁴⁹ OAR 860-021-0009(3)(a).

⁵⁰ Cooperative's Motion at 13.

⁵¹ Delgado Dec. at \P 65.

⁵² Delgado Dec. at \P 25.

⁵³ Phinney Dec., Ex. A.

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(Slatt Substation). PacifiCorp requested, and BPA denied, access to Slatt Substation to install meters to calculate retail deliveries.⁵⁴ Thus, the only meters available to measure retail sales to (and net output from) the Shepherds Flat project are the six BPA-owned meters located at the three collector substations.⁵⁵ This metering arrangement is mandated by EFSC and BPA.⁵⁶ Station power deliveries are measured at these meters and adjusted for line losses to derive a single value for deliveries at Slatt Substation.⁵⁷ The use of the collector substation meters does not change the fact that retail power is delivered within PacifiCorp's exclusive service territory at Slatt Substation.

IV. CONCLUSION

The Cooperative has failed to meet its burden of demonstrating that it is entitled to judgment as a matter of law. PacifiCorp provides "utility service" within its service territory at Slatt Substation, which is the point at which the consumptive use of power begins. Since the Cooperative lacks the ability to provide 230-kV deliveries at points within its service territory, it does not provide a "similar utility service," so PacifiCorp's provision of 230-kV station power to turbines located in the Cooperative's service territory is exempt from the definition of "utility service." The Cooperative's overarching argument, that service territory allocation should be determined on a turbine-by-turbine basis, is legally indefensible and technically unworkable. For these reasons, the Commission should deny the Cooperative's Motion for Summary Judgment.

⁵⁴ Phinney Dec. at ¶ 14 and Ex. C.
⁵⁵ Delgado Dec. at ¶ 18; Phinney Dec. at ¶ 13.

⁵⁶ Delgado Dec. at ¶¶ 18 and 59.

⁵⁷ Phinney Dec. at ¶ 13 and Ex. C, Sections 6.01 and 6.03.

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Respectfully submitted this 21st day of October, 2014.

By: Dustin Till

Senior Counsel PacifiCorp d/b/a Pacific Power

CERTIFICATE OF SERVICE

I certify that I served a true and correct copy of PacifiCorp's Summary Judgment Response on the parties listed below via electronic mail and/or US mail in compliance with OAR 860-001-0180.

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Charles N. Fadeley (W) Attorney at Law PO Box 1408 Sisters, OR 97759 fade@bendbroadband.com

Tommy A. Brooks (W) (C) Cable Huston Benedict Haagensen & Lloyd 1001 SW Fifth Ave., Suite 2000 Portland, OR 97204-1136 tbrooks@cablehuston.com

John A. Cameron (W) (C) Davis Wright Tremaine LLP 1300 SW Fifth Ave., Suite 2300 Portland, OR 97201 johncameron@dwt.com

Ted Case (W) Oregon Rural Electric Cooperative Assn 698 12th Street SE, Suite 210 Salem, OR 97301 tcase@oreca.org

Dustin Till (W) Senior Counsel, Pacific Power 825 NE Multnomah, Suite 1800 Portland, OR 97232 dustin.till@pacificorp.com

Steve Eldrige (W) Umatilla Electric Cooperative Assn PO Box 1148 Hermiston, OR 97838 Steve.eldrige@umatillaelectric.com

Dated this 21st of October 2014.

Thomas M. Grim (W) (C) Cable Huston Benedict et al 1001 SW Fifth Ave., Suite 2000 Portland, OR 97204-1136 tgrim@cablehuston.com

Thomas F. Wolff (W) Columbia Basin Electric PO Box 398 Hepner, OR 97836 tommy@columbiabasin.com

Derek D. Green (W) (C) Davis Wright Tremaine LLP 1300 SW Fifth Ave., Suite 2400 Portland, OR 97201 derekgreen@dwt.com

Raymond S. Kindley (W) (C) Kindley Law PC PO Box 569 West Linn, OR 97068 <u>kindleylaw@comcast.net</u>

Oregon Dockets (W) PacifiCorp, dba Pacific Power 825 NE Multnomah, Suite 2000 Portland, OR 97232 oregondockets@pacificorp.com

Carrie Meyer Supervisor, Regulatory Operations