**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1824

In the Matter of the Public Utility Commission of Oregon Investigation into PacifiCorp, d/b/a Pacific Power's Oregon-Specific Cost Allocation Issues.	**IMPERIAL IRRIGATION DISTRICT'S REPLY TO PACIFICORP'S OBJECTION TO PETITION TO INTERVENE**

Comes now Imperial Irrigation District (IID) with its reply to PacifiCorp's Objection to Imperial Irrigation District's Petition to Intervene by June 15, 2017. Chief Regulatory Counsel for PacifiCorp, Matthew McVee, agreed that this reply could be filed by this date.

INTRODUCTION

PacifiCorp's affiliate, Berkshire Hathaway Energy (BHE), has a large presence within IID's balancing authority. It operates over ten geothermal plants. PacifiCorp is attempting to integrate its operations in California and Oregon into a singular, regional market as part of the California Independent System Operator (CALISO or ISO). Interjurisdictional costs have an interdependent relationship with regionalization.

The California Public Utilities Commission (CPUC) recently initiated an Investigation into PacifiCorp's inter-jurisdictional cost methods. As part of its proceedings, CPUC Commissioner Randolph and CPUC President Picker made it clear inter-jurisdictional costs were related to corporate restructuring and separation with specific reference to PacifiCorp's coal inventory. The IID has a profound and sustained interest in regionalization and the issue of inter-jurisdictional costs as they relate to regionalization.

IID has been a vigorous opponent of regionalization because it believes it will result in higher rates in jurisdictions such as California and Oregon. IID would note that the Oregon

Commission Order 17-024 indicates that these proceedings will start off as non-contested matters, and therefore, urges the Commission to not prematurely exclude IID from the proceedings. Rather, IID expects to show it will be an instructive and helpful participant in the Oregon Commission proceedings.

OREGON'S RATES AND CALIFORNIA'S RATES ARE RELATED WHEN IT COMES TO PACIFICORP OPERATIONS

The California Independent System Operator (CALISO) manages about 80 percent of the energy flow in California. In April 2015, PacifiCorp and CALISO announced their mutual commitment to PacifiCorp joining CALISO to create a six-state regional market. A decision by PacifiCorp, which operates in six Western states, to join the ISO would allow for fully coordinated planning and operation of the two largest electrical transmission grids in the region, and provide approximately 32 million customers served by both entities access to a broader array of power generation at lower costs. PacifiCorp would continue to serve retail customers as Pacific Power and Rocky Mountain Power the same as it does today.

On 11 July 2016, Oregon Governor Kate filed a letter in the California proceedings considering the regionalization plan stating:

> Oregon has been an active participant in the regional dialogue on the potential of transitioning to a Western RSO.** It is important that governance of the RSO be independent and represent all the states whose jurisdictions are impacted by the operation of the RSO.

On 31 October 2016, the Industrial Customers of Northwest Utilities representing more than 160 facilities, employing more than 170,000 employees in Oregon and Washington filed comments in the proceedings supporting the expanded CALISO if:

> [J]oining the market will result in no harm to large customers of PacifiCorp or any other potential new PTOs; and 2) any incremental benefits associated with the market are shared equitably between market participants.

Also on 31 October 2016, the Portland General Electric Company ("PGE") filed comments stating, "PGE applauds the CAISO, the CEC, and the stakeholders involved in this initiative for their diligence in working toward an end state for these Proposals that will balance competing interests and give the initiative the greatest chance for success should the parties decide to move forward."

On 27 April 2017, the California Public Utilities Commission (CPUC) launched its own investigation related to the Oregon proceedings. At the CPUC's 27 April 2017 voting meeting, Commissioners Randolph and Picker made it clear that the Oregon proceedings, as well as those of the Washington utilities commission, were caught up in the question of separation and corporate restricting:

> Commissioner Randolph: This is the PacifiCorp order and I just wanted to note the four main reasons why this investigation is important. 1) Basic rate making obligations as an agency, 2) Equity between California customers and other customers in PacifiCorp's territory, 3) GHG emissions 4) some important actions Oregon and Washington are working on right now.
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> First of all, the rate issue in the last decade and not since PacifiCorp's merger with Utah Power & Light has the Commission taken a deep look at the appropriate method for PacifiCorp to assign costs through its six-state territory to California customers.
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> And in addition, PacifiCorp has not had a GRC since 2009. So, we wanted to undertake an examination of their operations and evaluate the reasonableness of how they assign their inter-jurisdictional costs so that we're well informed before their next GRC.
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> The other thing I would note is that California customers pay rates based on an assumption that PacifiCorp operates as an integrated system, but we have never examined this assumption to assess its reasonableness. Out Sister agency in Washington has already concluded that Washington electric customers should only pay for assets in PacifiCorp's Eastern control area that are used by Washington customers.
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> Oregon has opened a similar investigation to understand how their costs affect Oregon customers so we need to do the same thing here in California. As we know, PacifiCorp has a significant quantity of coal generation in its Eastern

> control area and we need to understand how those assets affect California customers and our GHG goals.
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> A recent Oregon law required PacifiCorp to accelerate depreciation of its coal assets and to eliminate coal generation from Oregon rates. So, Oregon's PUC has asked PacifiCorp to explore some alternate corporate structures. So, we want to be participating in that process and give them the opportunity to provide information to us. So, this investigation will help us gather facts and take stock of the regional dynamics of how they are serving their customers and allocating costs to their customers.
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> Commissioner Picker: I'm just going to quickly break in and concur with Commissioner's Randolph's comments. I think that particularly because we are being asked to reflect on the separation discussions with PacifiCorp it is important for us to have this information handy.

PacifiCorp owns 10 geothermal facilities in California's Imperial Valley that have the capacity to produce up to 338 megawatts. The project consists of 10 generating plants in the Salton Sea Known Geothermal Resource Area in Southern California's Imperial Valley. The plants produce electricity solely from naturally occurring geothermal steam. Geothermal production wells tap into superheated water reservoirs thousands of feet beneath the Earth's surface to release tremendous pressure, caused by the hot water, which rushes to the surface. There, steam is separated and us ed to drive turbines to generate electricity. Eight of the Imperial Valley facilities – Vulcan, Hoch, Elmore, Leathers and Salton Sea 1, 2, 3 and 4 – are under contract to sell power to Southern California Edison Company under 30-year power purchase agreements. Salton Sea 5 and the CE Turbo plant sell virtually all of their power to third parties. The combined capacity at Imperial Valley is approximately 327 net megawatts (nominal).

Berkshire Hathaway Energy boasts one of the largest renewable energy portfolios in the U.S., saying, "Our commitment to the environment begins with the manner in which we generate electricity. A growing portion of our electricity generation mix now comes from environmentally cleaner sources such as wind, water, the sun and the earth's natural heat."

As part of Berkshire Hathaway Energy's expansion into the unregulated renewables market, a primary subsidiary – BHE Renewables – was developed to oversee unregulated solar, wind, hydro and geothermal projects. Based in Des Moines, Iowa, BHE Renewables encompasses BHE Solar, BHE Wind, BHE Geothermal and BHE Hydro.

The existing Imperial Valley power generation facilities are owned by CE Generation, LLC and are operated by CalEnergy Operating Corporation, an indirect subsidiary of CE Generation.

PacifiCorp uses a multi-state process (MSP) to develop an allocation protocol that divides total system costs among the states.

Oregon noted that Oregon retains significant differences of opinion with the other three states as to several key allocation issues. The OPUC considered the inter-jurisdictional allocation and considerations arising from the mandate in SB 1547 that PacifiCorp remove coal costs from Oregon rates by January 1, 2030.

In the workshop attended by IID in Salem, a question was posed to PacifiCorp as to what is the effect if coal is removed from Oregon rates. PacifiCorp responded, in essence, that the costs of coal would need to be imposed somewhere else. Therefore, IID has an interest in the Oregon Commission Order 17-024 indicates that these proceedings will start off as non-contested matters, IID respectfully requests that the Commission not prematurely exclude IID from the proceedings. Rather, IID requests that it be permitted to participate as a party. At the June 1 workshop, IID did nothing to obstruct the free flow of dialogue as to the issues discussed.

IID can be instructive to discuss separation issues and how it may affect Oregon vis a vis PacifiCorp's other states.

Respectfully submitted this 15th day of June, 2017.

By: */s/Maria C. Severson*

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