



## **DISCUSSION:**

### Issue

Whether the Commission should approve PacifiCorp's affiliated interest transaction with Bridger Coal Company, which involves a purchase of two substation transformers from Bridger.

### Applicable Law

PacifiCorp filed this application with the Commission on January 20, 2023, pursuant to ORS 757.495(1) and OAR 860-027-0040. An "affiliated interest," as defined in ORS 757.015(3), includes every corporation five percent or more of whose voting securities are owned by a corporation or person that also owns, or is part of a successive chain of ownership, five percent or more of the voting securities of a public utility.

PacifiCorp, an Oregon corporation, wholly owns Pacific Minerals, Inc. Pacific Minerals holds a 67 percent ownership interest in Bridger Coal Company. PacifiCorp's indirect ownership interest in Bridger through Pacific Minerals qualifies this as an affiliated interest transaction.

Application requirements for affiliated interest transactions are set forth in OAR 860-027-0040. OAR 860-027-0040(2)(g) requires that the application include the cost incurred and market value of the goods or services being provided.

The Commission reviews affiliated interest transactions to ensure they are fair and reasonable and not contrary to the public interest. ORS 757.495(3). When services or supplies (except for generation) are sold to an energy utility by an affiliate, sales shall be recorded in the energy utility's accounts at the affiliate's cost or the market rate, whichever is lower, unless there is an applicable rate on file with the Commission or with FERC. OAR 860-027-0048(4)(e).

The Commission may waive any Division 27 rule for good cause shown. OAR 860-027-000(2).

### Analysis

#### *Background*

In its filing the Company states it wishes to enter into a purchase and sale agreement with Bridger to acquire one MagneTek Viking Power 3-Phase 60 hertz (Hz) transformer

and one General Electric 3-Phase 60 Hz transformer. According to the agreement, PacifiCorp will pay Bridger approximately \$355,950 in total for both transformers.

#### *Analysis*

Staff's review included examination of the Company's current application, including copies of the purchase agreement, bill of sale, and invoice. Staff analyzed the proposed transaction considering the following issues:

1. Terms and Conditions of the Agreement;
2. Transfer Pricing;
3. Public Interest Compliance; and
4. Records Availability, Audit Provisions, and Reporting Requirements.

#### *Terms and Conditions of the Agreement*

The purchase agreement between PacifiCorp and Bridger provides the terms and conditions for PacifiCorp's purchase of two 360Hz substation transformers, dated October 24, 2022.

Staff reviewed the agreement and did not identify any unexpected or unusual terms or conditions.

#### *Transfer Pricing*

The filing states Bridger originally purchased the transformers for \$556,193. The sale price of the equipment is \$339,000 plus five percent Wyoming sales tax of \$16,950. PacifiCorp states that the pricing is at the best cost and terms in comparison to other options available on the market.

#### *Public Interest*

The Commission customarily applies a "no-harm" standard in determining what is "not contrary to the public interest" in matters involving affiliated interest transactions. See, e.g., *In the Matter of a Legal Standard for Approval of Mergers*, Commission Order No. 01-778 at 10 (Sept. 4, 2001). Staff does not find any provisions in the Agreement that could be contrary to the public interest.

#### *Records Availability, Audit Provisions, and Reporting Requirements*

Staff notes that the Commission retains the ability to review all affiliated-interest transactions of the Company through both its annual affiliated-interest report, in general rate case filings, and its auditing capability. Staff's recommended conditions provide for all necessary Commission examination of PacifiCorp's records concerning the agreement.

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Conclusion

Based on Staff's review of this application, Staff concludes that the public interest is not harmed by this transaction, provided the recommended Conditions are adopted.

The Company has reviewed this memo and agrees with its content.

**PROPOSED COMMISSION MOTION:**

Approve PacifiCorp's application for approval of an affiliated-interest Agreement with Bridger, subject to Staff's three recommended Conditions.

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