



January 4, 2006

***VIA ELECTRONIC FILING***

Oregon Public Utility Commission  
550 Capitol Street NE, Ste 215  
Salem, OR 97301-2551

Attention: Vikie Bailey-Goggins, Administrator  
Regulatory and Technical Support

RE: Application of PacifiCorp For an Order Authorizing the Sale of Its Interest In The  
Centralia Transmission Line

PacifiCorp (dba Pacific Power & Light Company) submits for filing an original and five conformed copies of the Application of PacifiCorp For an Order Authorizing the Sale of Its Interest In The Centralia Transmission Line

It is respectfully requested that all formal correspondence and Staff requests regarding this matter be addressed to:

By E-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com).

By Fax: (503) 813-6060

By regular mail: Data Request Response Center  
PacifiCorp  
825 NE Multnomah, Suite 800  
Portland, OR 97232

Informal inquiries may be directed to Laura Beane, OR State Manager at (503) 813-5542.

Sincerely,

D. Douglas Larson  
Vice President, Regulation

Enclosures

**BEFORE THE PUBLIC UTILITIES COMMISSION OF OREGON  
DOCKET \_\_\_\_\_**

In the Matter of the Application of  
  
PACIFICORP d/b/a PACIFIC POWER &  
LIGHT COMPANY  
  
For an Order Authorizing the Sale of Its Interest In  
The Centralia Transmission Line

---

**APPLICATION**

PacifiCorp, doing business in Oregon as Pacific Power and Light Company (“PacifiCorp” or “Company”) files this Application pursuant to ORS 757.480, OAR 860-13-010 and OAR 860-27-025, for an Order approving the proposed sale and transfer of PacifiCorp’s interest in the Centralia 230 kV transmission line and related facilities, associated easements and rights-of-way located near Centralia, Washington to TransAlta Centralia Generation, LLC, a Washington limited liability company.

The provisions of ORS 757.480 require the approval of the Oregon Public Utility Commission (“Commission”) before a public utility can sell or otherwise dispose of property or facilities necessary or useful in the performance of its duties to the public.

**I. BACKGROUND**

**A. The Parties**

**1. Description of the Applicant**

PacifiCorp was incorporated in the State of Oregon on August 11, 1987. The Company is a public utility within the meaning of ORS 757.005 and serves approximately 1.6 million retail customers in six western states: California, Idaho, Oregon, Utah, Washington, and Wyoming. In Oregon, the Company provides retail electric service to approximately 527,000 customers.

PacifiCorp also engages in wholesale electricity sales throughout the Western United States. The exact name and address of the utility's principal business office are as follows:

PacifiCorp  
825 NE Multnomah Boulevard  
Portland, OR 97232

Data requests to the Company regarding this matter should be addressed in the following manner with copies to the representatives listed below:

By e-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com).

By fax: (503) 813-6060

By regular mail: Data Request response Center  
PacifiCorp  
825 NE Multnomah, Suite 800  
Portland, OR 97232

PacifiCorp requests that all notices, correspondence and pleadings with respect to this Application be sent to:

For PacifiCorp:  
Laura Beane  
Oregon State Manager  
PacifiCorp  
825 NE Multnomah Blvd., Suite 800  
Portland, OR 97232  
Telephone: (503) 813-5542  
Facsimile: (503) 813-6060  
[laura.beane@pacificorp.com](mailto:laura.beane@pacificorp.com)

With a copy to:  
Daniel C. Peterson  
PacifiCorp  
201 South Main  
Salt Lake City, UT 84111  
Telephone: (801) 220-4014  
Facsimile: (801) 220-2798  
[Dan.Peterson@pacificorp.com](mailto:Dan.Peterson@pacificorp.com)

## **2. Description of the Purchaser**

TransAlta Centralia Generation, LLC ("TransAlta Generation") is a Washington limited liability company and a direct wholly-owned subsidiary of TECWA Power, Inc. ("TECWA

Power"), which, in turn, is a direct wholly-owned subsidiary of TransAlta USA Inc.

("TransAlta"). TransAlta is the indirect owner of the Centralia Power Plant and the Centralia

Coal Mine. In 2000, TransAlta subsidiaries acquired the Centralia coal-fired generating facilities

and the coal mine. In 2004, a TransAlta subsidiary acquired the Skookumchuck dam and hydroelectric generating facilities located in the vicinity of Centralia, Washington on property adjacent to the Centralia Power Plant.

### **3. Description of the Facilities to be sold**

The Centralia 230 kV transmission line (the “Centralia Transmission Line”), which is the subject of this transaction, consists of approximately three miles of 230 kV line, a switching station and associated easements and rights-of-way, all as more fully described in Schedule 2.1 of the governing sales agreement, the Centralia 230 kV Transmission Facilities Purchase and Sale Agreement between PacifiCorp and TransAlta Centralia Generation LLC, submitted herein as Exhibit 1.<sup>1</sup> A map of the Centralia Transmission Line facilities is also attached as Exhibit No. 12.

Exhibit No. 2 is a list of the assets which are the subject of this transaction, including PacifiCorp’s original costs, accumulated depreciation, and net book value of the Centralia Transmission Line.

## **II. THE PROPOSED TRANSACTION**

PacifiCorp proposes to sell and transfer to TransAlta Generation the Centralia 230 kV transmission line consisting of approximately three miles of 230 kV line, a switching station and associated easements and rights-of-way. The sale and transfer of these assets is governed by the Centralia 230 kV Transmission Facilities Purchase and Sale Agreement between PacifiCorp and TransAlta Centralia Generation LLC.

As was noted previously, TransAlta and PacifiCorp have participated in a number of transactions involving assets and real property associated with the Centralia Generating Plant, the Centralia Coal Mine and the Skookumchuck dam and related facilities.

---

<sup>1</sup> The option to purchase the line was transferred from TransAlta Centralia Mining, LLC to TransAlta Centralia Generation, LLC on October 18, 2004.

Approval of the sale of the Centralia Generating Plant and the Centralia Mine was granted by the OPUC on Feb. 29, 2000. *Order No. 00-112 in Docket No. UP 168*. The actual commercial closing date of that transaction was accomplished on May 4, 2000. Approval of the sale of the Skookumchuck dam and related facilities was granted by the Commission on Aug. 6, 2004. *Order No. 04-438 in Docket No. UP 211*. The actual commercial closing date of that transaction was accomplished on October 5, 2004.

Prior to the scheduled closing of the Centralia Generating Plant and Centralia Coal Mine transaction, TransAlta expressed an interest in acquiring the Centralia Transmission Line, if the Federal Energy Regulatory Commission (the "FERC") would allow TransAlta, as an exempt wholesale generator ("EWG"), to own the transmission facilities. As a result, on May 4, 2000, the closing date referenced above, PacifiCorp executed an Option Agreement with TransAlta Centralia Mining LLC ("TransAlta Mining") under which TransAlta Mining was granted an option to purchase the Centralia Transmission Line for the lesser of book value or \$120,000 (attached hereto as Exhibit No. 3). The deadline for exercising the option was extended by the Option Amending Agreement of April 31, 2001 for an additional option exercise period through December 31, 2002 (attached hereto as Exhibit No. 4). In an agreement executed on November 26, 2002 (attached hereto as Exhibit No. 5), the term for exercising the option was extended again, through and until the date of termination of the Retail Mine Power Services Agreement dated May 4, 2000 between TransAlta Centralia Mining LLC and PacifiCorp, so that TransAlta could seek necessary clarifications from FERC about the impact such a transaction would have on its EWG status. On October 18, 2004, TransAlta Mining transferred the option rights to TransAlta Generation (Exhibit No. 6), and shortly thereafter, TransAlta Generation filed its clarifying application with FERC (attached as Exhibit No. 7). The FERC recently made the determination that TransAlta Generation would be allowed to acquire the Centralia Transmission Line without jeopardizing its EWG status. (Exhibit No. 8). Subsequently, TransAlta Generation exercised its option to purchase the Centralia Transmission Line on May 5, 2005 (Exhibit No. 9).

The aggregate sale price of this transaction is \$120,000--the stated price in the Option Agreement. TransAlta is financially able and willing to take over these assets, and payment will be made by wire at closing. The original cost less depreciation value of the Centralia Transmission Line is approximately \$128,755.83. Currently, PacifiCorp transmits power over the Centralia Transmission Line to serve its retail customer, the Centralia Coal Mine, and to provide retail station service to the Centralia Power Plant. The effect of the transaction will be to give TransAlta the option to obtain these retail services from a retail utility other than PacifiCorp. TransAlta has indicated that it intends to find an alternate retail provider for the Centralia Power Plant station service load, but intends to continue taking retail service from PacifiCorp at the Centralia Coal Mine.

### III. JURSDICTION AND AUTHORITY

A public utility must receive Commission approval for any transaction to sell property that is necessary or useful in the company's performance of its duties to the public. Specifically, ORS 757.480(1)(a) provides:

A public utility doing business in Oregon shall not, without first obtaining the Public Utility Commission's approval of such transaction: (a) . . . sell, lease, assign or otherwise dispose of the whole of the property of such public utility necessary or useful in the performance of its duties to the public or any part thereof of a value in excess of \$100,000 . . .

The standard for approval of a sale is whether the proposed transaction is consistent with the public interest (See OAR 860-27-025(1)(1)). The Commission has previously held that this standard requires only a "no harm" showing<sup>2</sup>. As explained in Section IV of this Application,

---

<sup>2</sup> 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 interests 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 its interest in 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 facts and circumstances of the proposed transaction demonstrate that customers will not be harmed by the proposed transaction. Based on this analysis, the Company urges the Commission to find that the proposed transfer will not harm PacifiCorp's customers and is not contrary to the public interest.

#### **IV. BENEFITS OF THE TRANSACTION**

##### **A. Compliance with State Law**

The requirements of Oregon law regarding the transfer of the Centralia Transmission Line to TransAlta Generation are set forth in Section III above. If the Commission approves this Application, the transfer to TransAlta Generation will not violate Oregon State law.

##### **B. Benefit to Consumers**

PacifiCorp and TransAlta consider the contemplated sale of the Centralia Transmission Line to be consistent with, and a part of, the several Centralia area asset dispositions discussed in Section II, above. Transfer to TransAlta Generation will eliminate the need for PacifiCorp to operate the line and to incur operation and maintenance costs for a three-mile stretch of transmission line that is isolated from the rest of PacifiCorp's operations.

##### **C. Proposed Ratemaking Treatment**

Given the historical context and the de minimus amount of the anticipated loss, PacifiCorp proposes to absorb the loss in Account 421.2, and forego the opportunity to recover the loss from its retail customers. Exhibit No. 10 describes the pro forma accounting entries reflecting the transaction.

---

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 its interest in the Centralia generating plant).

**D. Public Interest Standard**

PacifiCorp submits that this transaction is in the public interest because it will reduce PacifiCorp's costs of providing service, for the reasons stated in Section IV. B., above, PacifiCorp will absorb this loss, and it will cause no harm to the Company's ratepayers.

**V. OTHER MATTERS**

**A. Additional regulatory approvals**

This proposed transaction also requires the approval of the Federal Energy Regulatory Commission ("FERC"), the California Public Utilities Commission ("CPUC"), the Washington Utilities and Transportation Commission ("WUTC"), and the Wyoming Public Service Commission ("WPSC"). A copy of the regulatory filings required by these agencies will be provided to the Commission, if requested.

**B. Exhibits in Connection with Centralia Transmission Line Sale**

The exhibits that accompany this Application with respect to the Centralia Transmission Line sale are:

1. Exhibit No. 1: the Centralia 230 kV Transmission Facilities Purchase and Sale Agreement.
2. Exhibit No. 2: List of Assets reflecting the original costs, accumulated depreciation, and net book value of each asset
3. Exhibit No. 3: Initial Option Agreement
4. Exhibit No. 4: Option Agreement Extension No. 1
5. Exhibit No. 5: Option Agreement Extension No. 2
6. Exhibit No. 6: Assignment of the Option Agreement
7. Exhibit No. 7: TransAlta's FERC Application
8. Exhibit No. 8: FERC's determination of TransAlta's EWG status
9. Exhibit No. 9: Notice of TransAlta's exercise of the Option



10. Exhibit No. 10: PacifiCorp's pro forma accounting entries
11. Exhibit No. 11: Map of the relevant transmission line

**C. Administrative rules provisions**

OAR 860-027-0025(1) and (2) require that certain information and exhibits accompany an application for authority to transfer utility property. Pursuant to OAR 860-027-0025(3), the Company requests that the filing requirements of OAR 860-027-0025(1) and (2) be waived and PacifiCorp be authorized to submit this Application pursuant to the filing requirements set forth in OAR 860-027-0025(3). The Company submits that the information required in OAR 860-027-0025(3) is provided in this Application, *supra*, except to the extent submission of certain financial information regarding TransAlta Centralia Generation LLC, as purchaser, is required. PacifiCorp respectfully requests waiver of this requirement on the following grounds: First, the financial obligations of TransAlta Centralia Generation LLC to PacifiCorp with respect to the subject transaction are to be satisfied at Closing. Thus, there will be no ongoing financial commitment to PacifiCorp after the closing date. The Centralia Transmission Line will not be used for purposes of providing jurisdictional electric services after the proposed transfer. In light of these facts, the requirement to provide certain financial information regarding TransAlta Centralia Generation LLC is not applicable to the subject transaction.

In addition, to the extent information required by OAR 860-027-0025(3) is not provided in the form prescribed by the Commission's regulations, PacifiCorp respectfully requests waiver of this formal requirement. Waiver of the requirement will not impede the Commission's analysis of the issues presented in this matter.

**III. REQUESTS FOR RELIEF**

PacifiCorp respectfully requests a Commission order:

- (a) Approving the proposed sale of the Company's interests in the Centralia Transmission Line as described in Section II. of the Application above;
- (b) Approving the proposed treatment of the contemplated net loss associated with the Centralia Transmission line sale;
- (c) Granting such other relief as the Commission deems necessary and proper.

DATED: January 4, 2006.

Respectfully submitted,

  
D. Douglas Larson  
Vice President, Regulation