

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP 242

In the Matter of)	
)	
PACIFICORP, dba PACIFIC POWER)	ORDER
)	
Application for Approval of the Sale of)	
Transmission Line and Removal of)	
Switching Station.)	

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On August 20, 2007, PacifiCorp, dba Pacific Power (Pacific Power), filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.480 and OAR 860-027-0025, requesting authority to sell the Goose Creek-Decker radial transmission line and to remove the Goose Creek switching station, subject to the conditions set forth in the Staff Report, which is attached as Appendix A and is incorporated by reference.

OPINION

Under ORS 757.480, a public utility doing business in Oregon shall first obtain Commission approval for any transaction to sell, lease, assign or otherwise dispose of property. Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its Public Meeting on November 8, 2008, the Commission adopted Staff's recommendation to approve the sale of the transmission line and removal of the switching station.

ORDER

IT IS ORDERED that the requested sale of the Goose Creek-Decker radial transmission line and removal of the Goose Creek switching station are approved, subject to the five conditions stated in Staff's recommendations in the Staff Report, attached as Appendix A.

Made, entered, and effective NOV 13 2007.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. CA3

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 8, 2007

REGULAR _____ CONSENT X EFFECTIVE DATE _____

DATE: October 18, 2007

TO: Public Utility Commission

FROM: Dustin Ball *DB*

THROUGH: *APR 17* Lee Sparling, *MS* Marc Hellman, and Michael Dougherty *M*

SUBJECT: PACIFICORP: (Docket No. UP 242) Application of PacifiCorp for the Sale of a Transmission Line and Removal of a Switching Station.

STAFF RECOMMENDATION:

The Commission should approve PacifiCorp's (PacifiCorp or Company) application to sell the Goose Creek-Decker radial transmission line and to remove of the Goose Creek switching station, subject to the following conditions:

1. PacifiCorp shall provide the Commission access to all books of account, as well as, all documents, data, and records that pertain to the transfer of properties.
2. The Commission reserves the right to review for reasonableness all financial aspects of this transaction in any rate proceeding or earnings review under an alternative form of regulation.
3. PacifiCorp shall notify the Commission in advance of any substantive changes to the transfer of properties, including any material changes in price. Any changes to the agreement terms that alter the intent and extent of activities under the agreement from those approved herein, shall be submitted for approval in an application for a supplemental order (or other appropriate form) in this docket.
4. PacifiCorp will record the gain on the sale of the Property Sale Balancing Account for subsequent refund to customers with accrued interest calculated using the applicable Commission approved rate of return from the date of sale.
5. The final journal entry recording the transaction will be submitted to the Commission with the appropriate semiannual report.

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DISCUSSION:

This application was filed on August 20, 2007, pursuant to ORS 757.480 and OAR 860-027-0025.

On June 18, 2007, PacifiCorp and Basin Electric Power (Basin) entered into an agreement in which Basin agreed to purchase the Goose Creek-Decker radial transmission line (Goose Creek Line) for a price of \$2,849,152. This consists of 13.85 miles of 230 kV transmission lines that extend from PacifiCorp's Goose Creek switching station to the Decker substation, which is owned by Flathead Electric Cooperative. The proposed sale includes the radial transmission line, approximately 180 H-frame structures, miscellaneous support equipment, easements, and right-of-way for the line. As part of the agreement, Basin will reimburse PacifiCorp for all transfer and legal costs up to \$50,000, which are incurred in connection with the transaction.

Currently, PacifiCorp only uses the Goose Creek Line for making transfers of Basin Network Resources, delivered at Yellowtail, to the Decker substation. PacifiCorp does not anticipate serving any additional customers on this line and no longer needs the line to serve its current customers. Selling the Goose Creek Line will simply move the point of delivery, to Basin, from the Decker substation to the Goose Creek switchyard and will not reduce service charges to Basin or forego revenues from other potential customers.

The Goose Creek Line and its revenues are included in PacifiCorp's rate base for purposes of determining their FERC wholesale wheeling rates. The line; however, is a very small percentage of the Company's transmission asset base and the revenue's produced from the line are not significant. PacifiCorp anticipates that the sale of the line will have little or no effect on their wholesale wheeling rates. Because the Goose Creek Line is radially constructed and operated, only local loads are served and there are no specific and unique transmission rates for wheeling over the line.

Basin has considered constructing its own transmission line to serve anticipated load growth; however, the cost of construction would be approximately twice that of the purchase price of the Goose Creek Line. Additionally, if Basin were to construct a new line, it would render the Goose Creek Line obsolete.

The sale of the Goose Creek line will result in the existing Goose Creek switching station no longer being used or useful by PacifiCorp. The Goose Creek switching station is situated on leased land, with a scheduled lease expiration date of June 30, 2016. However, the lease agreement contains a clause that allows for early termination with six months written notice.

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Upon sale of the Goose Creek Line, PacifiCorp will remove the switching station, level the site to a uniform surface, terminate their lease, and will make their Sheridan to Yellowtail 230kV transmission line continuous by rebuilding a short segment of line to fill the gap caused by the switching station removal. PacifiCorp estimates that the total cost of this project will be approximately \$181,912.

Issues

Staff investigated the following issues:

1. Scope and Terms of the Asset Purchase Agreement
2. Allocation of Gain
3. Public Interest Compliance
4. Records Availability, Audit Provisions, and Reporting Requirements

Scope and Terms of the Asset Purchase Agreement

There does not appear to be any unusual or restrictive terms to the agreement. The value of the property was based on PacifiCorp's policy to sell assets for depreciated replacement cost less consideration for Basin's activities related to perfecting title to the property.

PacifiCorp has estimated that the reconstruction cost (new) of the Goose Creek Line would be \$5,449,975, and that the depreciated reconstruction cost (new) would be \$2,909,152, as calculated below:

Construction cost per mile	\$375,000
Right-of-way cost per mile	\$11,500
Environmental cost per mile	\$7,000
Total Cost per mile	\$393,500
Total number of miles	13.85
Total reconstruction cost (new)	\$5,449,975
Depreciation (46.62%)	-\$2,540,823
Depreciated reconstruction cost (new)	\$2,909,152

A survey conducted by Basin revealed gap's in PacifiCorp's title to the Goose Creek Line. Basin estimates that it will cost approximately \$60,000 to acquire suitable access easements, based on 3,000 rods (16.5 feet per rod) at \$20 each. As a result of this survey, PacifiCorp agreed to reduce the sales price to \$2,849,152 (\$2,909,152 - \$60,000), and in exchange Basin agreed to accept the risk and responsibility for all curative action on the title.

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Allocation of Gain

The property's book value and proceeds are \$334,479 and \$2,849,152, respectively. PacifiCorp will incur an expense of approximately \$181,912 to remove the Goose Creek switching station, and \$598,725 of taxes (\$823,707 accrued - \$224,982 deferred) as a result of the sale.

While the application requests that the net proceeds from this transaction be treated as an offset to ratebase, Staff proposes that the Oregon Allocated (28.5984%) net proceeds of approximately \$495,906, as calculated below, be credited to the Property Sales Balancing Account (Account 254) – Deferred Gain on Property Sales, for later refund to customers. This recommendation by Staff is based Order No. 01-787 (UE 116)¹, and reaffirmed in UE 170², in which PacifiCorp has agreed that gains from property sales be placed in balancing account for later refund to consumers.

Gross Proceeds	\$2,849,152
Book Value	-\$334,479
Cost of Removing Switching Station	-\$181,912
Taxes Accrued	-\$823,707
Accumulated Deferred Taxes	\$224,982
Net Proceeds	\$1,734,036
Oregon Allocation Percentage	28.5984%
Net Proceeds Allocated to Oregon	\$495,906

Public Interest Compliance

The sale conforms to the no harm standard used by the Commission because the Goose Creek Line is surplus to the Company's needs and is not necessary to serve its customers. In addition, the sale will have little or no effect on wholesale wheeling rates, will not reduce service charges to Basin, and the gain from the sale will be returned to customers.

¹ In the Matter of PacifiCorp's Proposal to Restructure and Reprice its Services in Accordance with the Provisions of SB 1149.

² In the Matter of the Application of PACIFICORP, dba PACIFIC POWER & LIGHT COMPANY, for a General Rate Increase in the Company's Oregon Annual Revenues.

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Records Availability, Audit Provisions, and Reporting Requirements

Order Conditions Numbers 1 and 5, listed above in the staff recommendations, afford the necessary Commission examination of PacifiCorp's books and records concerning the sale.

PROPOSED COMMISSION MOTION:

The requested sale of a transmission line and removal of a switching station be approved subject to the five conditions stated in Staff's recommendations in this memorandum.

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