

July 22, 2016

*Via Electronic Mail*

Christine Kirsten  
PacifiCorp (the “Company”)  
[Christine.Kirsten@pacificorp.com](mailto:Christine.Kirsten@pacificorp.com)

**Re: Discussion Paper on PacifiCorp Contract Review**

Dear Ms. Kirsten:

The Industrial Customers of Northwest Utilities (“ICNU”) welcomes the opportunity to submit comments on the Company’s June 24, 2016 Discussion Paper on PacifiCorp’s Contract Review (“Discussion Paper”). ICNU appreciates the Company’s willingness to dialogue with customers on the initial approach being taken by PacifiCorp and the California Independent System Operator Corporation (“ISO”) concerning the impact of regional ISO integration on the Company’s agreements providing transmission services to its customers. Pursuant to the Company’s request to provide specific references alongside comments, ICNU includes footnotes below.

With membership comprising several of PacifiCorp’s largest customers in Oregon and Washington, ICNU has a keen interest in all effects of the Company’s potential integration into a regional ISO as a participating transmission owner (“PTO”). Moreover, the Company’s approach may also affect many other ICNU members who take power from public utility customers of the Bonneville Power Administration (“BPA”), since the Company has transmission agreements with both BPA and individual public utilities.

As a general matter, PacifiCorp’s ultimate approach should be guided by the same two principles which ICNU has conveyed to the ISO regarding potential integration: 1) joining a regional ISO should result in no harm to customers of PacifiCorp; and 2) any incremental benefits associated with integration should be shared equitably. In the present context, this means that the Company must take steps to ensure that no PacifiCorp customers will be negatively impacted by how the Company or the ISO treat PacifiCorp’s transmission agreements. Given its diverse membership interests, ICNU would also be unlikely to support any approach which negatively impacts BPA or its public power customers.

More specifically, ICNU has serious concerns with the Company’s proposal to simply rescind the majority of its transmission contracts, i.e., all its Open Access Transmission Tariff (“OATT”) agreements, and “supersede” or “translate” the current PacifiCorp OATT terms into “instructions” consistent with terms and conditions contained in the ISO tariff.<sup>1/</sup> The legality of this unilateral approach appears quite suspect, such that both ratepayers of PacifiCorp and BPA customers

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<sup>1/</sup> E.g., Discussion Paper at 4; Presentation, PacifiCorp Stakeholder Meeting on Regional ISO Integration, June 24, 2016 (“June 24th Presentation”) at 13.

will likely be faced with the prospect of funding significant litigation. Thus, ICNU strongly encourages PacifiCorp to consider a more cooperative approach that could not only save enormously on litigation time and expense, but would also have a far greater likelihood of being upheld against legal challenge.

For instance, ICNU does not believe that either BPA or its customers will accept the translation of current transmission rights into mere instructions to the ISO. This includes physical rights to transmission that are a critical component of current contracts, but also the right to continued service without incurring the additional costs that seem likely if current transmission customers are forced to coordinate with the ISO—e.g., grid management charges, congestion charges. Further, since the Company has proposed a policy of terminating existing or legacy contracts at the first available opportunity,<sup>2/</sup> and honoring legacy agreements only “for the duration of the initial term of those contracts,”<sup>3/</sup> ICNU’s concerns over the loss of transmission rights and additional costs are applicable to customers like BPA, with a transmission agreement that predates the Company’s OATT. Likewise, the understanding that “PacifiCorp will be required by the ISO to attempt to negotiate changes to the existing contracts”<sup>4/</sup> signals additional and unnecessary expenditures of time and resources that may ultimately translate to increased costs for PacifiCorp and BPA customers alike.

In both the Discussion Paper and the June meeting presentation, PacifiCorp often explained its initial approach by reference to the ISO tariff. The Company will have considerable opportunity to request—and, if need be, require—revisions to a regional ISO tariff, as a condition of PacifiCorp’s integration as a new PTO. The Company should not simply accept current ISO tariff provisions as the baseline on which to fashion an approach to transmission service agreements. Instead, ICNU hopes that PacifiCorp will be proactive in working through mutually acceptable options with its current transmission customers, and use such process to then direct future collaboration with the ISO.

Please feel free to contact Jesse Cowell (503) 241-7242 or Brad Mullins (503) 954-2852 if the Company would like to follow up on any of ICNU’s comments. Again, ICNU appreciates that PacifiCorp is attempting to engage with its customers and the entire region on this important matter.

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<sup>2/</sup> June 24th Presentation at 17.

<sup>3/</sup> Discussion Paper at 10.

<sup>4/</sup> Id.; accord June 24th Presentation at 16.