

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
COMMISSION STAFF

FROM: DON HOWELL
DEPUTY ATTORNEY GENERAL

DATE: JANUARY 7, 2016

SUBJECT: IDAHO POWER'S NOTICE OF SELLING A DRAGLINE COAL SHOVEL

On December 17, 2015, Idaho Power Company notified the Commission via letter that it intends to sell a “dragline” coal shovel that was last used in 1998 at the Bridger Coal Mine near Rock Springs, Wyoming. The dragline is a large, earth moving machine consisting of a large bucket that is used in surface mining operations to remove overburden and expose coal seams for extraction. The dragline is owned by the Bridger Coal Company (BCC), which is a joint venture between Idaho Energy Resources and Pacific Minerals. Idaho Power is the parent of Idaho Energy Resources and PacifiCorp is the parent of Pacific Minerals.

In its letter, Idaho Power asserts that *Idaho Code* § 61-328 does not apply to the sale of the dragline located in Wyoming. Generally, Section 61-328 requires that electric utilities obtain the Commission’s approval for the sale or transfer of property “in this state which is used in the generation, transmission, distribution or supply of electric power and energy to the public.”

THE DRAGLINE TRANSACTION

The dragline was originally put into operation in 1974. Idaho Power maintains that over time the size and configuration of the dragline became too small to continue operating economically at the Bridger surface mine. Although the dragline has not been in service since 1998, Idaho ratepayers have not been adversely impacted by its discontinuance. When the dragline was taken out of service in 1998, depreciation ceased to accrue and was not reflected in fuel inventory costs in FERC Account 501 (Fuel Expense Coal).

Since 1998, Bridger Coal Company has attempted to sell the dragline. The Company reports that potential sales were hindered by the need to disassemble, transport and re-assemble the dragline. Recently, Bridger Coal entered into an agreement with Titan Florida to sell the dragline for \$500,000. This sales price is approximately \$190,000 above the current net book value of the dragline. As one-third owner, Idaho Energy Resources will retain \$150,000 of the proceeds. Idaho Power says the sales revenue will flow through Bridger Coal Company's income statement, thereby reducing the cost of coal delivered to the Jim Bridger Power Plant, and ultimately Idaho Power ratepayers.

STAFF ANALYSIS AND RECOMMENDATION

Staff has reviewed the proposed transaction and believes that the sale of the dragline will benefit Idaho Power customers. Staff also agrees with the Company that this transaction is not governed by *Idaho Code* § 61-328 because the dragline is not located in Idaho. Nevertheless, Staff believes that the compensation is reasonable in that the sales price is approximately \$190,000 above the current net book value of the dragline. Consequently, Staff does not object to the sale. Staff further recommends that Idaho Power be required to file a final statement of proceeds and final accounting entries with the Commission Staff when the sales transaction is completed.

COMMISSION DECISION

Does the Commission agree that the sale of the dragline is reasonable?

Does the Commission wish to instruct Staff Counsel to send a letter to the Company advising that the Commission does not object to this sales transaction?

Does the Commission also want to include in Counsel's letter a requirement that the Company must file a final statement of proceeds and final accounting entries with the Commission Staff when the sales transaction has been completed?

/s/ Don Howell
Don Howell
Deputy Attorney General

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