

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) **CASE NO. IPC-E-06-27**
APPROVAL OF AN EXECUTORY SALE)
AND TRANSFER OF UTILITY PROPERTY) **NOTICE OF APPLICATION**
PURSUANT TO A TRANSFORMER)
SHARING AGREEMENT) **NOTICE OF**
) **MODIFIED PROCEDURE**
)
) **ORDER NO. 30190**

On November 14, 2006, Idaho Power Company filed an Application requesting that the Commission approve a Spare Transformer Sharing Agreement (“Transformer Agreement”) with nearly 50 of the nation’s other electric utilities. The Transformer Agreement provides that in the event of a deliberate act of terrorism disabling one or more utility substations, the participating utilities may be called upon to provide/sell spare electric transformers to the affected utility. Application at 1-2. In essence, the Transformer Agreement creates an industry-wide pool of spare electric transformers that can be transferred from one utility to another utility in the event of a coordinated terrorist attack upon the nation’s electric infrastructure. The Company requests that this Application be processed under Modified Procedure.

BACKGROUND

On July 18, 2006, the Edison Electric Institute (EEI) on behalf of more than 40 participating utilities filed an application with the Federal Energy Regulatory Commission (FERC) seeking authorization for jurisdictional public utilities to engage in the future transfers of transformers. *Order on Application for Blanket Authority for Transfers of Jurisdictional Facilities and Petition for Declaratory Order*, 116 F.E.R.C. R. 61,280 at ¶ 3 (September 22, 2006), *hereinafter* the “*Declaratory Order*.” In its FERC application, EEI indicated that 43 entities have executed the Transformer Agreement. EEI stated these participating utilities own more than 60% of the interstate bulk-power transmission system. *Id.* EEI asserted that the Transformer Agreement is “a prudent approach to making efficient use of the industry’s existing spare transformers and fairly allocating the responsibility to acquire a limited number of

additional spares, while minimizing duplicative purchases of these costly assets.” *Id.* at ¶ 4 *citing* Application at 8-9.

EI submitted its FERC application under Section 203 of the Federal Power Act. 16 U.S.C. § 824b. This section requires that FERC approve the disposition of jurisdictional transmission facilities when the value of such facilities exceeds \$10 million. Although the cost of many transformers is less than \$10 million, EI expressed concern that the jurisdictional threshold may be met when a public utility disposes of a large transformer or when several smaller transformers collectively cost more than \$10 million. *Declaratory Order* at ¶ 18.

On September 22, 2006, FERC approved the request for blanket authorization of the Transformer Agreement. The FERC applauded the efforts of EI and the participating utilities to pool and share spare transformers. FERC noted that:

Without the [Transformer] Agreement, utilities would have to purchase substantially more transformers to achieve the same recovery capability, incurring substantially higher costs, or experience the inherent time delay associated with finding, negotiating for, ordering, transporting, and testing a replacement transformer. Furthermore, the Agreement establishes the obligation to share spare transformers with Participating Utilities if there is a Triggering Event. Accordingly, we find that the sharing arrangement in the Agreement is prudent.

Declaratory Order at ¶ 39.¹

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that under the Transformer Agreement, each participating utility is required to maintain, and if necessary, acquire a specific number of transformers in each voltage class in which it participates. The Agreement requires participating utilities to sell their spare transformers to another participating utility in its voltage class if there is a triggering event. Idaho Power anticipates that it will commit 400 megavolt-amperes (MVA) of spare transformers to the sharing pool in its 230 kV-138 kV equipment class. Application at ¶ 7.

YOU ARE FURTHER NOTIFIED that Idaho Power asserts that it will lower its overall future costs to maintain spare transformers in its inventory, thereby benefiting ratepayers. By participating in the Transformer Agreement, Idaho Power receives the benefit of access to

¹ A “triggering event” is defined as an act of terrorism that destroys or disables one or more substations and results in a declaration of a state of emergency by the President. Agreement at § 1.1.

transformers in a national emergency without the added costs and risks of buying and carrying large surpluses of spare transformers in its inventory. *Id.* at ¶ 6.

YOU ARE FURTHER NOTIFIED that although Idaho Power believes the risk of having to sell a spare transformer under the Agreement to be very low, the possibility of such a sale would require this Commission's approval under *Idaho Code* § 61-328. This section provides in pertinent part that no electric utility may sell or transfer "any property located in this state which is used in the generation, transmission, distribution or supply of electric power and energy to the public or any portion thereof . . . except when authorized to do so by order of the public utilities commission." Before authorizing such a transaction, the Commission must find that: (1) the transaction is consistent with the public interest; (2) the costs of and rates for supply and service will not be increased by reason of such transaction; and (3) the transaction will not adversely effect the financial ability of Idaho Power to operate and maintain its facilities. *Idaho Code* § 61-328(3). The Commission may condition its authorization with such terms and conditions as in its judgment the public convenience and necessity may require. *Idaho Code* § 61-328(4).

YOU ARE FURTHER NOTIFIED that Idaho Power states that because the possible transfer and sale of transformers is executory, "appropriate bookkeeping entries will be made at the time of any future transfer and sale" of transformers. Application at ¶ 9. At this time the Company does not seek approval of any ratemaking treatment for the Transformer Agreement fees and any new inventory required by the terms of the Agreement. *Id.*

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission within twenty-one (21) days from the service date of this Notice. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically

request a hearing in their written comments. Written comments concerning this Application shall be mailed to the Commission and the Applicant at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5983

Lisa D. Nordstrom
Barton L. Kline
Idaho Power Company
PO Box 70
Boise, ID 83707-0070
E-Mail: lnordstrom@idahopower.com
bkline@idahopower.com

Ric Gale
Vice President Regulatory Affairs
Idaho Power Company
PO Box 70
Boise, ID 83707-0070
E-mail: rgale@idahopower.com

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to Idaho Power at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that the Application and supporting exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and exhibits are also available on the Commission's Website at www.puc.idaho.gov under the "File Room" icon and then "Electric Cases."

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* § 61-328. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

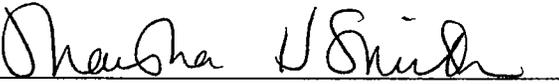
ORDER

IT IS HEREBY ORDERED that this matter be processed under Modified Procedure pursuant to the Commission's Rules 201 through 204, IDAPA 31.01.01.201-204. Persons interested in submitting written comments in this case must do so no later than twenty-one (21) days from the service date of this Order.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28th day of November 2006.



PAUL KJELLANDER, PRESIDENT

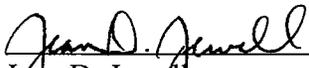


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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