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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
IDAHO POWER COMPANY FOR AUTHORITY) CASE NO. IPC-E-09-32
TO SELL TO PACIFICORP THE GOSHEN)
SERIES CAPACITOR BANK.) COMMENTS OF THE
) COMMISSION STAFF
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COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Kristine A. Sasser, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 30975 on January 5, 2010, in Case No. IPC-E-09-32, submits the following comments.

BACKGROUND

On November 13, 2009, Idaho Power Company (“Idaho Power; Company”) filed an Application requesting authority to sell to PacifiCorp the Goshen Series Capacitor Bank. The Goshen Series Capacitor Bank is a 345 kV, 3-phase, 60 Hz, 2 equal segment, outdoor series capacitor bank.¹ The Goshen Series Capacitor Bank is part of the larger Jim Bridger transmission system that is owned

¹ It includes the control cabinets in a control building, a battery bank, three platforms that house the Series Capacitors, metal oxide varistors, optical current transducers, and reactors. It also includes two independent pole bypass circuit breakers, two combination air brake/grounding switches and one bypass switch.

jointly by Idaho Power and PacifiCorp. The Company requests that its Application be processed by Modified Procedure.

On July 31, 2009, Idaho Power and PacifiCorp entered into an Asset Purchase Agreement for the sale of the Goshen Series Capacitor Bank from Idaho Power to PacifiCorp. Idaho Power requests Commission approval of the sale pursuant to the requirements of *Idaho Code* § 61-328.

Idaho Power asserts that the requested transaction meets the requirements of *Idaho Code* § 61-328. Idaho Power further maintains that the sale is in the public interest because it allows the Company to receive value for an asset that is no longer required by the Company and facilitates an upgrade to PacifiCorp's transmission system which is interconnected with Idaho Power's transmission system. Idaho Power further asserts that customers' rates will not increase as a result of this transaction. The sales price for the Goshen Series Capacitor Bank is \$6,698,610. Idaho Power states that the purchase price is equal to the net book value of the asset, resulting in no after-tax gain or loss to either Idaho Power or PacifiCorp.

STAFF ANALYSIS

The Goshen Series Capacitor Bank is part of the larger Jim Bridger transmission system that is owned jointly by Idaho Power and PacifiCorp. Idaho Power and PacifiCorp built the Jim Bridger transmission system to deliver electricity produced by the jointly owned Jim Bridger generating plant ("Jim Bridger Plant") to customers located in their respective service territories. Generally, this transmission system consists of several 345 kV transmission lines and substations with series capacitor banks located at the Goshen, Kinport and Borah Substations in Idaho; the series capacitor banks were designed and manufactured by Westinghouse and installed in the mid-1970s. Although jointly built, Idaho Power retained ownership of all three capacitor banks.

As part of a general upgrade to the system, Idaho Power and PacifiCorp entered into an agreement to replace the series capacitor bank at the Goshen Substation in 2002. This provided for spare parts needed to extend the life of the Kinport and Borah series capacitor banks.

In 2006, PacifiCorp began construction of the Three Mile Knoll Substation that included a new series capacitor bank in the Jim Bridger transmission system. Because construction of this substation would make the capacitor bank at the Goshen Substation unnecessary, Idaho Power and PacifiCorp entered into an agreement to use the Goshen Series Capacitor Bank to replace one of the capacitor banks at either the Kinport or Borah Substation. Upon completion of the Three Mile Knoll Substation,

the Goshen Series Capacitor Bank was de-energized until it could replace either the Kinport or Borah capacitor bank.

However, when PacifiCorp launched its Energy Gateway Transmission project, a joint project with Idaho Power's Gateway West Transmission Project, a new 345 kV substation at Populus needed to be constructed. Construction of the Populus Substation requires installation of a series capacitor bank at the Borah Substation for the Borah-Ben Lomond 345 kV line. The Borah-Ben Lomond line is part of PacifiCorp's transmission system, and it is not jointly owned by Idaho Power as part of the Jim Bridger transmission system. Rather than purchase a new capacitor bank, PacifiCorp entered into an Asset Purchase Agreement with Idaho Power to buy the Goshen Series Capacitor Bank from Idaho Power so it could be installed as part of the Borah-Ben Lomond 345 kV line.

Pursuant to *Idaho Code* § 61-328, the Idaho Public Utilities Commission is charged with the responsibility to review the sale of electric public utility property to ensure that (1) the transaction is consistent with the public interest, (2) the cost of electricity and service rates will not be increased because of the transaction, and (3) the buyer of the electric utility's property has both the intent and the financial ability to operate the property in the public service.

The Goshen Series Capacitor Bank that Idaho Power proposes to sell to PacifiCorp has an estimated book value of \$6,698,610. Staff reviewed the valuation information provided by the Company and found the valuation to be reasonable. Staff will review and verify the final sales price once the transaction is complete and closing documents are available.

Staff believes that the current proposed sale of the Goshen Series Capacitor Bank is consistent with the public interest for two primary reasons. First, the sale allows Idaho Power to receive revenues equal to the book value for an asset that is no longer used in Idaho Power's system. It removes the asset from Idaho Power's rate base without a write off or loss. Second, the Goshen Series Capacitor Bank will be used as part of an upgrade to PacifiCorp's transmission system that will purportedly improve regional transmission as a whole, extend the life of the existing transmission network and improve grid power flow. Idaho Power is interconnected to the PacifiCorp transmission network. Staff believes use of these facilities as part of the upgrade is more economical than what otherwise would have occurred and will benefit both Idaho Power and PacifiCorp customers.

The Company states in its Application that customers' rates will not increase as a result of this transaction. Staff agrees that there will be no major direct impact to customer rates that occurs as a result of this transaction; the purchase price is equal to the net book value of the asset, resulting in no after-tax gain or loss to either Idaho Power or PacifiCorp. However, Staff believes that the small

reduction in rate base and reduction in the overall cost of maintenance and repair that results from the transfer of this asset to PacifiCorp may result in a minor reduction in Idaho Power customer rates.

Lastly, PacifiCorp is a regulated utility under the jurisdiction of six state commissions, including Idaho. As part of this regulatory oversight, Staff affirms that PacifiCorp has the bona fide intent and financial ability to operate and maintain the property in the public service.

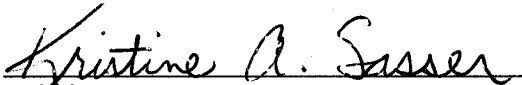
Therefore, after review of the information provided in this Application and in conjunction with Staff's audit and investigation, Staff believes it is reasonable for Idaho Power Company to sell the Goshen Series Capacitor Bank to PacifiCorp.

RECOMMENDATIONS

Upon review of the Company's Application and following Staff's investigation, Staff recommends that the Commission approve Idaho Power Company's Application to sell the Goshen Series Capacitor Bank to PacifiCorp as proposed.

Staff also recommends that Idaho Power file the following documents with the Commission: (1) the anticipated related accounting entries no later than seven days prior to the closing date of the transaction and (2) the actual closing documents and related accounting entries no later than seven days after the closing date.

Respectfully submitted this 21ST day of January 2010.


Kristine A. Sasser
Deputy Attorney General

Technical Staff: Cecily Vaughn
T.J. Golo
Terri Carlock

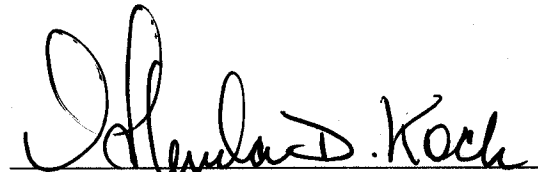
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 21ST DAY OF JANUARY 2010, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-09-32, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY

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