

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF IDAHO POWER</b>	)	
<b>COMPANY'S APPLICATION FOR</b>	)	<b>CASE NO. IPC-E-15-17</b>
<b>APPROVAL OF LONG-TERM</b>	)	
<b>MAINTENANCE PROGRAM CONTRACT</b>	)	<b>NOTICE OF APPLICATION</b>
<b>WITH SIEMENS ENERGY, SALE OF SPARE</b>	)	
<b>PARTS INVENTORY TO SIEMENS ENERGY,</b>	)	<b>NOTICE OF</b>
<b>AND DEFERRAL OF ASSOCIATED COSTS</b>	)	<b>MODIFIED PROCEDURE</b>
	)	
	)	<b>NOTICE OF HEARING</b>
	)	
	)	<b>ORDER NO. 33340</b>

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On June 5, 2015, Idaho Power Company (the "Company") applied to the Commission for an Order approving the Company's: (1) long-term program contract with Siemens Energy for maintenance of the Company's gas plants; (2) sale and transfer to Siemens of \$21.9 million in spare parts for the Company's gas plants; and (3) proposed accounting treatment for the transaction. The Company does not seek to change customer rates at this time. The Company requests that the Commission process the case under Modified Procedure.

With this Order, the Commission provides notice of the Application, sets deadlines for interested persons to file written comments about the case, and schedules a technical hearing for the parties' witnesses to testify before the Commission.

**NOTICE OF APPLICATION**

YOU ARE HEREBY NOTIFIED that the Company's Application notes that the Company owns and operates three natural gas plants in Idaho: the Langley Gulch plant near New Plymouth, and the Danskin and Bennett Mountain plants near Mountain Home. The Company presently maintains its plants by contracting with the original equipment manufacturer, Siemens Energy, to service them on a case-by-case basis. The Company's current practice is to buy parts from Siemens before a scheduled maintenance outage. The Company then capitalizes the parts. During the outage, the existing parts are removed and replaced. They are then retired from the Company's books and sent to Siemens' service shop, where they are inspected and repaired. Once repaired, these "initial spare parts" are returned to the Company, capitalized, and ready for

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future use. The Company states that this approach was the most cost-effective way to maintain its gas fleet until the addition of Langley Gulch. Application at 2-3.

YOU ARE FURTHER NOTIFIED that the Company states that its employees do not have the necessary technical skills to maintain the three gas plants to the level offered by Siemens. The Company also learned that no other third-party maintenance providers can provide services equivalent to those that Siemens has agreed to provide under the long-term program contract with the Company. These services include scheduled maintenance on the three plants, including parts and repairs, shipping, service, labor, engineering services, and program management services. Because Siemens is the original equipment manufacturer for the Company's plants and the industry leader in gas plant maintenance, the Company believes its only alternative to the long-term program contract with Siemens would be to continue to contract with Siemens on a case-by-case basis for parts and technical support. The Company states that the long-term program contract will lower overall costs to the Company and its customers by leveraging Siemens' pool of inventory, outage resources, and technical expertise, and will save costs over the life of the agreement when compared to the Company continuing to contract with Siemens under the current case-by-case maintenance approach. *Id.* at 3-4.

YOU ARE FURTHER NOTIFIED that besides seeking approval of its long-term program contract with Siemens, the Company also asks the Commission to approve the Company's transfer of its current "initial spare parts" inventory to Siemens. The Company explains that Siemens would remove the inventory after the Commission approves the long-term program contract, and that the contract price has been reduced to reflect the net book value of the inventory being transferred to Siemens. *Id.*

YOU ARE FURTHER NOTIFIED that *Idaho Code* § 61-328 governs the sale of this property. The section provides, in summary, that an electric utility may not dispose of its property unless authorized to do so by the Commission after a hearing in which the Company establishes: (1) that the transaction is consistent with the public interest; (2) the cost of and rates for supplying service will not be increased by reason of such transaction; and (3) the purchaser has the bona fide intent and financial ability to operate and maintain said property in the public service. The Company states that these standards are satisfied because the transfer will allow the Company to return about \$21.9 million of older spare parts to Siemens that would otherwise

have a limited market, and will result in lower overall costs to the Company and its customers. Further, Siemens has a bona fide intent and financial ability to operate and maintain the parts in the public interest. *Id.* at 5-6.

YOU ARE FURTHER NOTIFIED that the Company also asks the Commission to approve a proposed accounting treatment allowing: (1) the deferral of initiation fees (i.e., a prepayment towards Siemens' services under the life of the long-term program contract) to a regulatory asset to be amortized on a straight-line basis over the length of the contract; (2) the transfer of the parts' net book value (about \$21.9 million subject to true-up at closing) and associated tax expense (about \$1.8 million) to a regulatory asset to be amortized on a straight-line basis over the length of the contract; and (3) a carrying charge on a portion of the regulatory asset balance, consisting of the initiation fees and \$2.9 million of the initial spare parts that are not yet included in the Company's authorized base rate and on which the Company is not yet earning a return. *Id.* at 6-7.

YOU ARE FURTHER NOTIFIED that the Application and its supporting documents and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. These documents are also available on the Commission's web site at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click on the "File Room" tab at the top of the page, scroll down to "Electric Cases" and then click on the case number as shown on the front of this document.

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, including without limitation *Idaho Code* §§ 61-501, -328, and -524. The Commission may enter any final Order consistent with its authority under Title 61.

#### **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 the Application may file a written comment in support or opposition with the Commission **no later than August 27, 2015**. 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 the Application shall be mailed to the Commission and the Company 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 83702-5918

Lisa D. Nordstrom  
Idaho Power Company  
1221 West Idaho Street (83702)  
PO Box 70  
Boise, ID 83707  
Email: [lnordstrom@idahopower.com](mailto:lnordstrom@idahopower.com)  
[dockets@idahopower.com](mailto:dockets@idahopower.com)

Tim Tatum  
Idaho Power Company  
1221 West Idaho Street (83702)  
PO Box 70  
Boise, ID 83707  
E-mail: [ttatum@idahopower.com](mailto:ttatum@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](http://www.puc.idaho.gov). Scroll to the "Consumers" tab, click the "Utility Case Comment or Question Form," and complete the form using the case number as it appears on the front of this document. These comments must also be sent to the Company at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that the Company shall file reply comments, if necessary, **no later than September 3, 2015**.

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.

## NOTICE OF HEARING

YOU ARE FURTHER NOTIFIED that the Commission will hold a technical hearing in this matter on **WEDNESDAY, SEPTEMBER 9, 2015, COMMENCING AT 10:00 A.M. IN THE COMMISSION HEARING ROOM, 472 W. WASHINGTON STREET, BOISE, IDAHO.** The purpose of this technical hearing will be to allow Commissioners to question the parties regarding the Application and the standards set out in *Idaho Code* § 61-328.

YOU ARE FURTHER NOTIFIED that all hearings and prehearing conferences in this matter will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act (ADA). Persons needing the help of a sign language interpreter or other assistance in order to participate in or to understand testimony and argument at a public hearing may ask the Commission to provide a sign language interpreter or other assistance at the hearing. The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, IDAHO 83720-0074  
(208) 334-0338 (Telephone)  
(208) 334-3762 (FAX)  
E-Mail: [secretary@puc.idaho.gov](mailto:secretary@puc.idaho.gov)

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.* A copy of the rules is available for review at the Commission's offices during regular business hours, and on the Commission's website at [www.puc.idaho.gov](http://www.puc.idaho.gov).

## ORDER

IT IS HEREBY ORDERED that this case be processed by Modified Procedure. Interested persons may file written comments no later than August 27, 2015. The Company may file a reply, if necessary, no later than September 3, 2015.

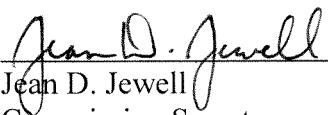
IT IS FURTHER ORDERED that a hearing be convened, pursuant to *Idaho Code* § 61-328, on September 9, 2015, as set out above.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 21<sup>st</sup>  
day of July 2015.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

ATTEST:

  
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Jean D. Jewell  
Commission Secretary

O:IPC-E-15-17\_kk

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