

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	
COMPANY'S APPLICATION FOR APPROVAL)	CASE NO. IPC-E-15-17
OF LONG-TERM MAINTENANCE PROGRAM)	
CONTRACT WITH SIEMENS ENERGY, SALE)	
OF SPARE PARTS INVENTORY TO SIEMENS)	ORDER NO. 33420
ENERGY, AND DEFERRAL OF ASSOCIATED)	
COSTS)	

On October 26, 2015, Idaho Power Company petitioned the Commission to reconsider a portion of Final Order No. 33391, issued on October 5, 2015. In that Order, the Commission approved the Company's long-term program contract (the "Contract") with Siemens Energy under which Siemens agrees to maintain the Company's three gas plants, along with the Company's proposal to sell and transfer to Siemens \$21.9 million in spare parts. However, the Commission did not approve the Company's proposed deferred accounting treatment for the transaction; rather, the Commission approved a different deferred accounting treatment by directing the Company:

to establish at least two regulatory assets: (1) one to initially cover the initial spare parts currently in rate base with a subaccount with "Rate Based" in the title; and (2) the other to include the initiation fees, and the \$2.9 million in initial spare parts that currently are not in the Company's authorized rate base and do not earn a return and the associated net tax expense. Both regulatory assets will be amortized over the life of the plant as discussed above. The first regulatory asset will continue to be in rate base and earn a return like the current treatment. This treatment will be consistent with current recovery, and will not shift costs to customers prematurely. The second regulatory asset will not earn a return. Instead, the Company will move the unamortized amount to the first regulatory asset in equal installments over ten years, with the first transfer made at the end of 2016. Once transferred to the first regulatory asset, the unamortized portion will be included in rate base in the next general rate case.

Order No. 33391 at 8-9.

In its Petition, the Company notes that it does not contest the first "Rate Based" regulatory asset. However, the Company does ask the Commission to reconsider "the accounting treatment of the second regulatory asset that includes the initiation fees, the \$2.9 million in initial spare parts, and the \$1.85 million associated net tax expense." Petition at 5.

The Company's Petition explains in detail that this accounting treatment, if maintained, will have a large negative financial impact on the Company and its customers. *See* Petition at 9-11. The Company thus asks the Commission to reconsider the previously-approved accounting treatment and authorize the Company to: (1) include the unamortized balance in the second regulatory asset in rate base during the Company's next general rate proceeding; (2) begin amortizing the second regulatory asset immediately, and include the amortization expense for recovery in the Company's next general rate proceeding; and (3) move equal installments of the unamortized portion of the second regulatory asset to the first regulatory asset to bring the account to zero over ten years. *Id.* at 6, 12.

STANDARD ON RECONSIDERATION

Reconsideration provides an opportunity for a party to bring to the Commission's attention, any question previously determined and thereby affords the Commission with an opportunity to rectify any mistake or omission. *Washington Water Power Co. v. Kootenai Environmental Alliance*, 99 Idaho 875, 879, 591 P.2d 122, 126 (1979). In furtherance of these purposes, the petition for reconsideration must specify why "the order or any issue decided in the order is unreasonable, unlawful, erroneous or not in conformity with the law." *See* Rule 331.01. The Commission may grant reconsideration by reviewing the existing record by written briefs, or by evidentiary hearing. *See* IDAPA 31.01.01.331.03 and .332.

Here, the Company's Petition does not request a hearing or leave to file additional written comments in support of reconsideration. In addition, we note that no one filed an answer to the Petition, or a cross-petition for reconsideration. *See Idaho Code* § 61-626(1); Rules 331.01, .03, and .05 (affording interested persons seven days to file answers and cross-petitions). Having reviewed the record, we find it is sufficient to enable us to reconsider this matter as requested by the Company, and issue a decision on reconsideration and clarification without any additional briefing or hearings.

FINDINGS AND DISCUSSION

Based on what we have been provided, it appears that the accounting treatment approved in Order No. 33391 would have a greater than expected adverse financial effect on the Company and its customers. We thus find it reasonable to review the Company's Petition and reconsider or clarify that accounting treatment.

In its Petition, the Company asks the Commission to reconsider the accounting treatment for the second regulatory asset to address the Company's arguments about rate base treatment, amortization, and transfers of the asset's unamortized balance. Each argument is set forth below and is followed by our associated findings.

A. Rate Base Treatment

The Company's Petition first asks the Commission to find that the entire second regulatory asset—including the initiation fees, \$2.9 million in initial spare parts, and the \$1.85 million associated tax expense—is eligible for rate base treatment when the Company files its next general rate case. The Company explains that the initiation fees should be eligible for rate base treatment because they achieve at least \$37 million in cost savings for the Company and its customers over the life of the Contract. The Company notes that these future cost savings offset the initiation fee, and including them in rate base would be consistent with the regulatory treatment the Company currently receives when it makes prudent investments to serve customers. Further, the \$2.9 million in initial spare parts should be eligible for rate base treatment because they are an equivalent investment to the \$19.1 million in initial spare parts approved for rate base treatment in the first regulatory asset account. The only difference is that the Company has not yet filed a general rate case to include them in rate base.

Commission Findings: As expressed in our prior Order, the ultimate accounting treatment must not let the Company prematurely shift costs to customers above what would ordinarily occur through a general rate case. The Petition's attachments show that during the Contract's first two years it does not benefit customers more than the current, self-management option, primarily due to the initiation fee. Because the Contract benefits customers starting in year three, we find it fair, just, and reasonable to allow the Company to include the unamortized portion of the second regulatory asset in rate base when the Company files its next general rate case, *but no sooner than two years from the effective date of the Contract*. This ratemaking treatment will enable the Company and its customers to properly share the benefits from the Contract while avoiding additional costs from potential maintenance occurring outside of the Contract.

B. Amortization

The Company's Petition also asks the Commission to reconsider that the Company can immediately amortize the second regulatory asset over the associated plant's remaining life,

and that the asset's then-current annual amortization expense will be eligible for recovery in the next general rate case. The Company explains this need for reconsideration by noting that the Order No. 33391 directs the Company to amortize both the first and second regulatory assets over the remaining life of the associated plant. However, while the Order indicates that the first asset will be amortized upon execution of the Contract to ensure the amortization simply replaces depreciation expense and does not prematurely shift costs to customers, the Order does not specify when amortization of the second asset is to commence.

Commission Findings: The Company's request is well-taken. We find it reasonable to clarify the timing of the amortization. Amortization of the second regulatory asset shall begin immediately and will occur over the remaining life of the plant. The amortization expense will be eligible for recovery in the next general rate proceeding. We find that immediate amortization is a benefit to customers because only the unamortized amount will be included for recovery and rate base treatment.

C. Unamortized Balance Transfers

The Company's Petition asks the Commission to authorize the Company to transfer the second regulatory asset's unamortized amounts to the first regulatory asset to bring the balance to zero over ten years. The Company explains that Order No. 33391 requires the Company to move unamortized amounts of the second regulatory asset to the first regulatory asset in equal installments over ten years. The Company notes that this approach will result in a negative regulatory asset balance by year ten because it ignores that the Company will also be amortizing the second regulatory asset over the life of the plant, which further reduces the regulatory asset's balance over time.

Commission Findings: Given the current accounting treatment approved in this reconsideration Order above, transferring the second regulatory asset's unamortized amounts to the first regulatory asset is no longer required. We find it reasonable that the first regulatory asset will consist of the initial spare parts that are currently in rate base, and the second regulatory asset will consist of the initiation fee, additional spare parts, and associated net tax expense not currently included in rates.

ORDER

IT IS HEREBY ORDERED that the Company's Petition for Reconsideration is granted; the accounting treatment for the second regulatory asset approved in Order No. 33391 is modified, as discussed above.

THIS IS A FINAL ORDER ON RECONSIDERATION. Any party aggrieved by this Order or other final or interlocutory Orders previously issued in this case may appeal to the Supreme Court of Idaho pursuant to the Public Utilities Law and the Idaho Appellate Rules. *See Idaho Code* § 61-627.

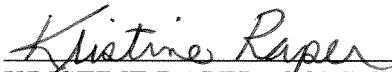
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 18th day of November 2015.



PAUL KJELLANDER, PRESIDENT

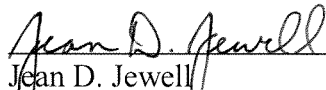


MARSHA H. SMITH, COMMISSIONER



KRISTINE RAPER, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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