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LISA D. NORDSTROM
Lead Counsel
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September 28, 2016

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-16-18 - Application for Approval of an Agreement for Electric Service Between Idaho Power Company and the United States Department of Energy - Idaho Power Company's Reply Comments

Dear Ms. Jewell:

Enclosed for filing in the above matter please find an original and seven (7) copies of Idaho Power Company's Reply Comments.

Very truly yours,



Lisa D. Nordstrom

LDN:kkt
Enclosures

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION TO APPROVE) CASE NO. IPC-E-16-18
AN AGREEMENT FOR ELECTRIC)
SERVICE WITH THE UNITED STATES) IDAHO POWER COMPANY'S
DEPARTMENT OF ENERGY) REPLY COMMENTS
_____)

Idaho Power Company ("Idaho Power" or "Company") respectfully submits the following Reply Comments in response to comments filed by the Idaho Public Utilities Commission ("Commission") Staff ("Staff") on September 21, 2016. Idaho Power appreciates the comments provided in this case and Staff's recommendation that the Commission approve the Application for a new electric service agreement ("2016 Agreement") with the United States Department of Energy ("DOE").¹ In these Reply Comments, the Company responds to and clarifies an issue raised in Staff's Comments.

¹ Staff's Comments, p. 2.

I. BACKGROUND

On page 2 of its Comments, Staff notes that the terms set forth in the 2016 Agreement remain consistent with the current Agreement approved by the Commission in Order No. 32354 (“2011 Agreement”). Staff observes that previous agreements and the proposed 2016 Agreement require the Company to maintain equipment owned by another entity, in this case the DOE with facilities at the Idaho National Laboratory (“INL”). “Staff believes that any liability that comes as a result of the Company maintaining and operating equipment that the Company does not own should be at the Company’s risk”² In Staff’s recommendation to the Commission, Staff states that it “has no concerns with the proposed agreement, provided that any liability that comes from maintaining and operating non-Company owned equipment is not borne by other ratepayers.”³

II. IDAHO POWER’S RESPONSE

The Company is concerned that Staff’s position overstates the Company’s responsibilities for the DOE-owned equipment. The identified equipment is located in the Antelope Substation which is jointly-owned by Idaho Power and PacifiCorp and operated by PacifiCorp. In the Agreement, the DOE acknowledges that PacifiCorp is the operator of the Antelope Substation, and that Idaho Power has no operational control over any of the DOE-owned equipment and shall not be liable to DOE for any damage to such equipment, or injury to person or property that may result from DOE’s or PacifiCorp’s failure to properly operate such equipment in accordance with Prudent

² *Id.*

³ Staff’s Comments, p. 3.

Utility Practice.⁴ Any liability that may arise due to operation of the equipment is governed by contractual arrangements between PacifiCorp and DOE, and will not fall to Idaho Power's other customers.

In the 2016 Agreement, as well as earlier iterations of this special contract, Idaho Power is responsible for maintaining the facilities set forth in Attachment 1 of the 2016 Agreement. The Company's concern is that Staff's additional recommended provision restricts this special contract more than any of the previous Commission-approved special contracts between the Company and the DOE, which contained the same maintenance provisions. Maintenance of the facilities set forth in Attachment 1 of the 2016 Agreement (which are identical to the facilities listed in the 2011 Agreement) is necessary for the Company to safely provide reliable service to the INL site.⁵ As was the case in prior agreements, the parties agree that the actual costs incurred by the Company to maintain the DOE-owned equipment, including repair, removal, replacement, or relocation, will be billed directly to the DOE; therefore, customers are not at risk for costs of maintaining the DOE-owned equipment.

To provide further clarification, the maintenance section of the 2011 Agreement was moved out of the 2016 Agreement into a separate Attachment 1 in order to facilitate Commission approval of the 2016 Agreement now, and allow future anticipated changes in the ownership and maintenance arrangement to occur without the need to file a revised special contract with the Commission within a matter of a few months. Idaho Power, the DOE, and PacifiCorp have negotiated but not executed an agreement to

⁴ Attachment 1 to Other Terms and Conditions – Continuation Page to Exhibit "A" Authorization No. DE-DT0011152 Under GSA Areawide Contract No. GS-OOP-09-BSD-0651 for Electric Service Idaho Power Company and U.S. DOE – Idaho Operations Office, p. 3.

⁵ Attachment 1 to Other Terms and Conditions – Continuation Page to Exhibit "A" Authorization No. DE-DT0011152 Under GSA Areawide Contract No. GS-OOP-09-BSD-0651 for Electric Service Idaho Power Company and U.S. DOE – Idaho Operations Office, pp.1-2.

transfer title of the DOE-owned Antelope substation equipment to Idaho Power and PacifiCorp. This transfer of title agreement was to become effective upon the execution and approval by the Commission of the 2016 Agreement; however, Idaho Power requested additional time to determine whether or not it will execute the agreement and take title to the DOE-owned equipment. No later than March 31, 2017, Idaho Power will notify the DOE in writing if it will take title to the DOE-owned equipment. If PacifiCorp or Idaho Power agrees to take title, either separately or jointly, such title will pass no later than July 31, 2017. Upon such a transfer of title, the DOE understands that Idaho Power will charge the DOE for the maintenance of the then formerly DOE-owned equipment through a facility service charge or similar mechanism.

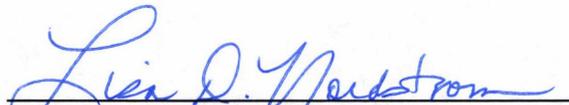
In addition, it should be noted that this 2016 Agreement actually provides Idaho Power and its customers with more protection from potential liability exposure than past agreements. Section 7, Limitation of Liability, was not included in previous Commission-approved agreements between the Company and DOE, but was incorporated into the 2016 Agreement to reflect the specific limitation of liability language approved by Order No. 33071 in Case No. IPC-E-13-23. In that docket, the Company argued that Idaho Power and its other customers should not be exposed to undue risk of unlimited direct damages and consequential damages related to a special contract customer's business operations. Incorporating the Commission's guidance offered in Order No. 33038, Idaho Power proposed revised limitation of liability language consistent with prudent energy contract procedures and market standards that was subsequently approved by the Commission in Order No. 33071. This language was not included in previous special contracts, and its inclusion in the 2016 Agreement

provides Idaho Power and its other customers with more protection than the current 2011 Agreement.

III. CONCLUSION

Idaho Power appreciates the opportunity to respond to comments filed in this case and respectfully requests that the Commission issue an order approving the agreement for electric service between Idaho Power and DOE, without any caveats regarding liability.

DATED at Boise, Idaho, this 28th day of September 2016.



LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 28th day of September 2016 I served a true and correct copy of IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff
Daphne Huang
Deputy Attorney General
Idaho Public Utilities Commission
472 West Washington (83702)
P.O. Box 83720
Boise, Idaho 83720-0074

Hand Delivered
 U.S. Mail
 Overnight Mail
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 Email: daphne.huang@puc.idaho.gov



Kimberly Towell, Executive Assistant