Idaho Public Utilities Commission
P.O. Box 83720, Boise, ID 83720-0074

Case No. IPC-E-15-17, Order No. 33391
Contact: Gene Fadness (208) 334-0339, 890-2712
www.puc.idaho.gov

Commission adopts Idaho Power, Siemens Energy agreement for maintenance of natural gas plants

BOISE (October 9, 2015) – The Idaho Public Utilities Commission is approving a long-term contract between Idaho Power Company and Siemens Energy for the latter to maintain the electric utility's three natural gas plants. Under the agreement, Idaho Power will sell Siemens $21.9 million from its spare parts inventory.

Currently, Idaho Power self-manages its natural gas fleet, but contracts with Siemens on a case-by-case basis to service its Danskin and Bennett Mountain natural gas plants near Mountain Home and its Langley Gulch plant near Payette.

Contracting with Siemens to provide the maintenance will lower costs for the company and its customers over the contract's life when compared to the company's self-maintenance approach, the commission found.

During construction of the Langley Gulch plant, Idaho Power began looking at other maintenance operations for its natural gas plants. Langley Gulch is the company's only combined-cycle combustion turbine and employs some of the newest, most technologically advanced parts on the market. (Danskin and Bennett Mountain are single-cycle plants used mostly during peak-use periods.) Idaho Power recognized its employees did not have all the necessary technical skills to maintain all three plants at the level offered by Siemens and so reached out to multiple third-party providers of gas plant maintenance. It chose Siemens because it is the original equipment manufacturer for the three plants and, according to Idaho Power, the industry leader in gas plant maintenance.

The contract will decrease overall costs to the company and its customers by leveraging Siemens' pool of inventory, outage resources and technical expertise. Further, one long-term contract is more economical than continuing to contract with Siemens under the current cases-by-case maintenance approach.

Idaho Power said customers will benefit because the $21.9 million it will receive from the transfer of spare parts to Siemens is better than the company would have received than from trying to sell the parts in a limited market.

While commission staff and the Industrial Customers of Idaho Power supported the agreement, both staff and ICIP disagreed with some of the company's proposals on how expenses related to the transaction should be allocated to ratepayers.

Idaho Power proposed that the contract's initiation fees (a prepayment toward future maintenance services), the net book value of the spare parts, and $1.8 million in tax expense be included in a deferred account, with expenses amortized (spread over) the 20-year average length of the contract. Further, the company proposed earning a carrying charge at its authorized rate of return on the initiation fee and on $2.9 million of initial spare parts not yet included in the company's rate base.

The commission determined the amortization should not be over the life of the contract, but instead over the remaining life of each of the three natural gas plants. Regarding the carrying charge for the initiation fees and $2.9 million in spare parts, the commission allowed a 10-year amortization period beginning at the end of 2016 with the company not earning a return until after the its next general rate case.

The commission's order and other documents related to this case are available on the commission's website at www.puc.idaho.gov. Click on "Open Cases" under the "Electric" heading and scroll down to Case No. IPC-E-15-17.

###