

DAYN HARDIE  
DEPUTY ATTORNEY GENERAL  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, IDAHO 83720-0074  
(208) 334-0312  
IDAHO BAR NO. 9917

RECEIVED  
2020 MAR 24 PM 1:33  
IDAHO PUBLIC UTILITIES COMMISSION

Street Address for Express Mail:  
11331 W CHINDEN BLVD, BLDG 8, SUITE 201-A  
BOISE, ID 83714

Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF IDAHO POWER )**  
**COMPANY'S APPLICATION TO MODIFY )** **CASE NO. IPC-E-20-01**  
**SCHEDULE 30, SPECIAL CONTRACT WITH )**  
**UNITED STATES DEPARTMENT OF )**  
**ENERGY )** **COMMENTS OF THE**  
**)** **COMMISSION STAFF**  
**)**  
**)**  
**)**  
**)**

---

**STAFF OF** the Idaho Public Utilities Commission, by and through its Attorney of record, Dayn Hardie, Deputy Attorney General, submits the following comments.

On January 14, 2020, Idaho Power Company (Company or Idaho Power or IPC) applied to the Commission for an order authorizing the Company to (1) modify Schedule 30—Electric Service Rate for United States Department of Energy Idaho Operations Office—(Schedule 30), and (2) true-up charges related to the Company's Schedule 30 assets that have been suspended since November 2015. The Company requested an effective date of April 1, 2020.

On February 26, 2020, the Company filed an Amended Application seeking approval under *Idaho Code* § 61-328 of an asset transfer related to the Company's Application to modify Schedule 30. The Amended Application ensures the asset transfer doesn't receive posthumous Commission approval or disapproval, which could jeopardize the outcome of the Commission's decision regarding the modification of Schedule 30.

## BACKGROUND

On August 21, 2019, a transfer of title agreement was entered upon between the Department of Energy (DOE) and the Company—transferring DOE-owned assets to the Company. Nearly concurrent to the transfer between the DOE and the Company, the Company transferred partial ownership of the same assets<sup>1</sup> under a separate transfer of title agreement entered between the Company and PacifiCorp on August 22, 2019.

The Company supplies electricity to the DOE at Idaho National Laboratory through the Antelope substation's transmission facilities under Schedule 30. Prior to the transfer agreements, the Company, PacifiCorp, and DOE jointly or individually owned the Antelope substation assets (Substation Assets) and PacifiCorp operated it. PacifiCorp's operation of the Substation, and the assets located therein, flow from a Joint Ownership and Operating Agreement (JOOA). Before the DOE to Idaho Power transfer, the Company's point of delivery to the DOE under Schedule 30 was at the DOE-owned assets at the Substation.

The DOE “no longer wish[ed] to own, operate [or] maintain” its Substation Assets and voluntarily transferred them to the Company at no cost. In turn, the Company transferred partial ownership of the DOE's assets to PacifiCorp, again at no cost. Because of the change in ownership of the assets transferred from DOE to the Company, the Company filed with the Federal Energy Regulatory Commission (FERC) for an updated JOOA, which was approved on October 21, 2019.

After transferring its assets to the Company, the DOE no longer owns any Substation Assets. The Company will continue to incur operating costs because it still serves the DOE. The Company proposes to modify Schedule 30 by adding a monthly Antelope Asset Charge (AAC). The AAC would include two components: 1) PacifiCorp Pass-Through Charge (PPTC), and 2) Company Ownership Costs (OC). The AAC charge would enable the Company to recover its costs to own, operate, and maintain the Substation Assets required to serve the DOE. PacifiCorp would continue to operate the Substation and the assets located therein under the updated JOOA.

In November 2015, the Company and DOE agreed to suspend payment of pass-through expenses related to Substation Assets until regulatory approvals were in place and the new Schedule 30 charge had commenced. If the modifications to Schedule 30 are approved, the

---

<sup>1</sup> Regarding the assets transferred from Idaho Power to PacifiCorp, and for purposes of the Joint Ownership and Operating Agreement, the Weighted Average Ownership Percentage is 53.365% for Idaho Power and 46.635% for PacifiCorp.

Company proposes to collect about \$288,000 from the DOE for the suspended pass-through charges the Company incurred on behalf of the DOE from PacifiCorp between November 2015 and December 2019.

## STAFF REVIEW

Following review and analysis of the Company's Application, Staff recommends the Commission: 1) authorize the transfer of certain DOE assets previously transferred by the Company to PacifiCorp as part of the IPC-PacifiCorp transfer of title agreement; 2) authorize the Company's request to modify Schedule 30 related to the Company's new proportional ownership and operation of the previously owned DOE-assets at the Antelope Substation transmission facilities; 3) authorize billing for the accrued suspended costs related to the transferred assets by the Company between November 2015 and the effective date.

Staff's recommendations are based on 1) examination of the assets transferred by the Company to PacifiCorp as part of the IPC-PacifiCorp transfer of title agreement specific to compliance with *Idaho Code* § 61-328; 2) review and analysis of the methodology used to recover costs by the Company under the AAC covered in Schedule 30; and 3) an audit of the true-up billing for costs accrued by the Company over the suspended period. Details of Staff's analysis are described below.

### Asset Transfer

*Idaho Code* § 61-328 specifically requires Commission authorization for the transfer of electric utility assets whether *merged, sold, leased, assigned or transferred, directly or indirectly, in any manner whatsoever*. As such, Staff believes the assets transferred by the Company to PacifiCorp within the IPC-PacifiCorp transfer of title agreement are subject to *Idaho Code* § 61-328, and for the Company to satisfy the requirements of *Idaho Code* § 61-328(3) it must show that:

- (a) The transaction is consistent with the public interest;
- (b) The cost of and rates for supplying service will not be increased by reason of such transaction; and
- (c) The applicant for such acquisition or transfer has the bona fide intent and financial ability to operate and maintain said property in the public service.

The Company, in its Amended Application, provided the following to support for the IPC-PacifiCorp transfer subject to the three provisions of *Idaho Code* § 61-328 outlined above:

- (a) Subject to the Joint Ownership and Operating Agreement, the reallocation of ownership percentages will allow the utilities to more efficiently operate the transmission system;
- (b) Given the instantaneous nature of the transfer agreement(s), those assets transferred as part of the IPC-PacifiCorp transfer of title agreement were never recognized within the Company's accounting records and as such were never used to develop any current or previously charged customer rates of the Company; and
- (c) PacifiCorp as another Idaho regulated electric utility, has the bona fide intent and financial ability to operate and maintain transferred assets in public service.

Following examination of the Amended Application and reviewing the Company's supporting arguments for each provision, Staff believes the Company has met the requirements defined by *Idaho Code* § 61-328(3) and therefore recommends the Commission approve the transfer to PacifiCorp.

#### Schedule 30 Methodology

Based on its review of Mr. Mark Annis's testimony and the Company's response to Production Request No. 4, Staff verified that the components of the AAC reflect the allocated costs to provide service to DOE facilities. The first component of the AAC is the PPTC. The PPTC billed to DOE matches the amount that PacifiCorp charges Idaho Power. Staff verified that the PPTC is calculated in accordance with the updated JOOA.

The second component of the AAC is the OC. Staff verified that the OC matches the levelized charge required to cover property and income taxes and provide a return of and on invested capital. Staff agrees that the Company's use of Idaho's retail rate of return rather than the Open Access Transmission Tariff rate of return better reflects the cost of serving an Idaho customer. Also, the Company applies the property tax rate to the asset acquisition value instead of the net book value. Staff believes this approach more accurately reflects actual property tax liabilities. Staff notes that the methodology for calculating the OC is like the method used to calculate the Monthly Common Equipment Charge in the JOOA. The Company provided documentation that DOE agrees with the calculation approach.

Staff believes the provision to update the AAC annually on October 1 helps ensure that charges continue to accurately track cost-of-service.

#### Audit True-up Charges

Staff reviewed the information provided by the Company to verify the true-up for the pass-through billing from PacifiCorp to the Company for operation of the DOE's assets of approximately \$288,000, for the period from November 2015 through December 2019 and finds the Company's calculation to be reasonable.

The Company has not charged the DOE for the costs of owning, maintaining, and operating the DOE-related equipment since October 2015. The Company suspended the PPTC to the DOE starting in November 2015 until the negotiations for the 2019 asset transfer were completed. Idaho Power and the DOE agreed to suspend the billing until the asset transfers received the required approvals and the updated Schedule 30 was authorized.


The Company has recorded an accounts receivable amount of approximately \$288,000 for the charges from November 2015 through December 2019. The DOE was apprised periodically of the amount of the charges. Staff has reviewed the supporting documentation and calculations and the charge is reasonable. Staff notes that the true-up will be updated to reflect the full amount as of the effective date.

#### **STAFF RECOMMENDATION**

Staff recommends the Commission:

1. Authorize the transfer of assets made from the Company to PacifiCorp under the IPC-PacifiCorp transfer of title agreement finding that the asset transfer conforms to *Idaho Code* § 61-328;
2. Authorize the Company's request to modify Schedule 30, as filed, with an effective date of April 1, 2020; and
3. Authorize billing for the accrued suspended costs related to the transferred assets by the Company between November 2015 and the effective date.

Respectfully submitted this 24<sup>th</sup> day of March 2020.

For:   
Dayn Hardie  
Deputy Attorney General

Technical Staff: Rick Keller  
Kathy Stockton  
Bentley Erdwurm

i:umisc/comments/ipce20.1dhrkksbe comments

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 24<sup>TH</sup> DAY OF MARCH 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF** IN CASE NO. IPC-E-20-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

LISA D NORDSTROM  
IDAHO POWER COMPANY  
PO BOX 70  
BOISE ID 83707-0070  
E-mail: [lnordstrom@idahopower.com](mailto:lnordstrom@idahopower.com)  
[dockets@idahopower.com](mailto:dockets@idahopower.com)

TIMOTHY E TATUM  
MATT LARKIN  
IDAHO POWER COMPANY  
PO BOX 70  
BOISE ID 83707-0070  
E-mail: [ttatum@idahopower.com](mailto:ttatum@idahopower.com)  
[mlarkin@idahopower.com](mailto:mlarkin@idahopower.com)

W CHRIS HARVEY  
DOE OFFICE OF CHIEF COUNSEL  
1955 FREMONT AVE  
MAIL STOP 1209  
IDAHO FALL ID 83402  
E-mail: [harveywc@id.doe.gov](mailto:harveywc@id.doe.gov)

FEDERAL ENERGY MANAGEMENT  
PROGRAM  
E-MAIL ONLY  
[Tracy.niro@ee.doe.gov](mailto:Tracy.niro@ee.doe.gov)  
[islasrgi@id.doe.gov](mailto:islasrgi@id.doe.gov)

  
\_\_\_\_\_  
SECRETARY