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IDAHO PUBLIC
UTILITIES COMMISSION

LISA D. NORDSTROM
Lead Counsel
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March 3, 2020

VIA HAND DELIVERY

Diane Hanian, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Boulevard
Building 8, Suite 201-A
Boise, Idaho 83714

Re: Case No. IPC-E-20-10
Transfer and Sale of Certain Assets to the City of Nampa, Idaho – Idaho
Power Company's Application

Dear Ms. Hanian:

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

If you have any questions about the enclosed documents, please do not hesitate to contact me.

Very truly yours,

Lisa D. Nordstrom

LDN/kkt
Enclosures

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SHELLI D. STEWART (ISB No. 7459)
Idaho Power Company
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UTILITIES COMMISSION

Attorneys for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR AN) CASE NO. IPC-E-20-10
ORDER APPROVING THE TRANSFER)
AND SALE OF CERTAIN ASSETS TO THE) APPLICATION
CITY OF NAMPA, IDAHO.)
_____)

Idaho Power Company (“Idaho Power” or “Company”), in accordance with *Idaho Code* §§ 61-328 and 61-524, and Rule of Procedure 52, hereby respectfully makes application to the Idaho Public Utilities Commission (“Commission”) for an order, as soon as practicable,¹ approving the sale and transfer of certain assets to the City of Nampa (“City”), located in Canyon County, Idaho. As a municipal utility, the City provides water, sewer, and trash services to more than 100,000 residents.

¹ The City is in the process of expanding its wastewater treatment facility and, until the asset sale closes, the City must follow the protocol detailed in Section 5 of the Asset Purchase and Transfer of Title Agreement to install additional facilities beyond the point of delivery. As such, the City desires an order from the Commission as soon as practicable to avoid potential interruptions to its expansion.

In support of this Application, Idaho Power represents as follows:

I. INTRODUCTION

1. The Company provides electric service to the City at its wastewater treatment facility located in Idaho Power's service territory pursuant to Idaho Power's Schedule 19, Large Power Service ("Schedule 19"). Pursuant to Idaho Power's Rule M, Facilities Charge Service ("Rule M"), the Company owns and operates transformers and other facilities beyond the point of delivery ("POD") for the sole purpose of meeting the City's service requirements. Idaho Power provides this optional service to the City in exchange for the City's payment of a monthly facilities charge. The assets to be transferred to the City ("Asset" or "Assets") are more particularly described in Exhibit A to the Asset Purchase and Transfer of Title Agreement ("Agreement") dated February 11, 2020, included as Attachment 1.

II. ASSET SALE AGREEMENT

2. The City requested Idaho Power sell the Assets to the City in accordance with Rule M, Section 3. As described in the Agreement, Idaho Power agrees to transfer and convey the Assets to the City, and the City agrees to obtain title to and assume ownership, operation, maintenance, and all liabilities associated with the Assets. Upon closing the sale, the City will own all facilities installed beyond the POD.

III. RULE M

3. Section 3 of Rule M governs the sale of Company-owned facilities beyond the POD and states that all sales of facilities must meet the following provisions:

a. No mixed ownership of facilities. A customer purchasing Company-owned facilities installed beyond the POD must purchase all facilities listed on the Distribution Facilities Investment Report for that location.

b. The customer must provide the operations and maintenance of all facilities installed beyond the POD after the sale is complete.

c. The customer must prepay engineering costs for sales determinations taking greater than 16 estimated hours of preparation. Sales determinations equal to or less than 16 estimated hours of preparation will be billed to the customer as part of the sales agreement, or after the engineering is completed in instances where the sale is not finalized.

4. In addition, Section 3 of Rule M states: “The factors set forth in *Idaho Code* § 61-328(3) will be considered as a guide for the sale of Company-owned facilities installed beyond the POD to the customer served by those facilities. All sales shall be brought before the Commission, whether as an application or other informal procedure.” The factors set forth in *Idaho Code* § 61-328(3)—providing this guidance—are as follows:

- a. That the transaction is consistent with the public interest;
- b. That the cost of and rates for supplying service will not be increased by reason of such transaction; and
- c. That 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.

This transaction satisfies the above requirements. First, the Asset sale is consistent with the public interest because the Assets only serve the City, and the sale will not affect the delivery and reliability of electric service to other customers. In addition, the sale price methodology is intended to ensure the cost of supplying service will not increase, and rates will not be impacted. Finally, as stated in Section 9 of the Agreement, the City acknowledges its bona fide intent and financial ability to operate and maintain the Assets.

IV. CURRENT FACILITY CHARGE ARRANGEMENT

5. Currently, Idaho Power owns, operates, and maintains distribution facilities located beyond the POD at the City's wastewater treatment facility. These distribution facilities are installed solely to benefit the City, and, in exchange for Idaho Power owning, operating, and maintaining the same, the City pays Idaho Power a monthly facilities charge. The monthly facilities charge is equal to (a) 1.41 percent of the initial investment cost of assets that are less than or equal to 31 years old or (b) 0.59 percent of the initial investment cost of assets that are greater than 31 years old. Those rates are reflected in Idaho Power's Schedule 66, Miscellaneous Charges, and consist of the following components:

	Facilities Charge Rate	
	≤ 31 years	> 31 years
Rate of Return	4.71%	0.00%
Book Depreciation	3.23%	0.00%
Income Taxes	1.92%	0.00%
Property Taxes	0.56%	0.56%
Other Taxes (Regulatory Fees)	0.14%	0.14%
Operations and Maintenance	3.58%	3.58%
Administrative and General	2.28%	2.28%
Working Capital	0.14%	0.14%
Insurance	0.32%	0.32%
Annual Total	16.89%	7.02%
Monthly Charge	1.41%	0.59%

6. The cost components listed above are the same cost components included in the Company's base rate revenue requirement for like facilities. Descriptions of each cost component are as follows:

a. Rate of Return. Idaho Power's cost of financing its original investment in facilities. The rate of return uses a weighted average of the Company's

cost of debt and cost of equity. The facilities charge rate represents a levelized payment stream to simplify the rate calculation and the administration of the facilities charge.

b. Book Depreciation. The straight-line annual depreciation of assets based on a levelized 31-year basis.

c. Income Taxes. The tax Idaho Power pays on the amount of revenue received from the equity portion of the rate of return.

d. Property Taxes. The property tax Idaho Power pays associated with the Company's distribution facilities.

e. Other Taxes (Regulatory Fees). An amount based on total fees Idaho Power pays to the Commission and the Public Utility Commission of Oregon as a percentage of total plant investment.

f. Operations and Maintenance. Idaho Power's costs to operate and maintain its distribution facilities. This component represents an average operations and maintenance rate for all distribution equipment.

g. Administrative and General. An amount based on total administrative and general expenses as a percentage of total plant investment.

h. Working Capital. The carrying cost of inventory. The working capital is based on the cost of capital to finance the distribution facilities inventory and the property taxes that the Company pays on its inventory.

i. Insurance. Insurance premiums resulting from facilities installed beyond the Company's POD. Insurance covers property, casualty, and worker's compensation.

V. SALE PRICE METHODOLOGY

7. Idaho Power has developed a methodology for determining its sale price for customers electing to purchase Company-owned facilities beyond the POD under Rule

M, Section 3. The methodology is intended to ensure the transaction does not negatively impact Idaho Power's other customers.

8. Idaho Power provided the methodology and resulting sales price to the City and answered the City's inquiries prior to the execution of the Agreement, and the City does not contest the same. Idaho Power's methodology consists of the following five components that collectively establish the sale price of the Assets:

a. Net Book Value. Remaining book value based on a 31-year asset life. The net book value of the Assets is \$401,075.

b. True-up of Past Levelized Rate of Return. When a customer seeks to exit a facilities charge arrangement prior to the end of the 31-year period when the Assets would be fully depreciated, the Company must "true-up" the difference between the non-levelized revenue requirement included in base rates and the levelized revenue received to date under the facilities charge arrangement to address the intra-class subsidy that would exist upon approval of the Agreement.² Customers will receive the benefit as a reduction in rate base amounts because Idaho Power will record the true-up as a credit to Federal Energy Regulatory Commission ("FERC") Account 108, Accumulated Provision for Depreciation. The true-up of the past levelized rate of return associated with the Assets is \$118,537.

² In the Company's non-levelized determination of class-specific base rate revenue requirements, the Company determines the total revenue required for recovery on all distribution facilities-related investments (including those investments beyond the POD), as well as the associated operating, maintenance, and administrative expenses. This determination is made for each class of customers, and the Company's revenues from providing facilities charge services are directly assigned as a revenue credit, or reduction, to the revenue requirement of the associated class of customers. As a result, any differences between the non-levelized revenue requirement and the levelized revenue requirement associated with the rate of return exist as intra-class subsidies between customers paying facilities charges and customers not paying facilities charges within each customer class. The true-up of past levelized rate of return is intended to address these intra-class subsidies.

c. Near-term Rate of Return Impact Resulting from the Sale of Assets.

When a facilities charge customer requests, and Idaho Power agrees to provide facilities beyond the POD in exchange for the customer paying a monthly facilities charge, Idaho Power invests its capital in assets serving only that one customer; the Company could have chosen instead to invest its capital in other utility infrastructure, seeking to include that investment in rate base to earn a return at its authorized rate of return over the life of the assets. When a customer buys an asset that is subject to the facilities charge, the return the Company would have earned through the facilities charge is forgone. The Company has limited opportunity to reinvest those funds in other assets and will not earn its authorized rate of return until such reinvestment is recognized in a future general rate case. This component of the sale price partially mitigates the financial impact to the Company and represents the net present value of three years of the forgone revenue associated with the levelized rate of return element of the facilities charge. The Company believes three years is a conservative proxy to use as the amount of time that may pass between general rate case filings. The near-term rate of return impact resulting from the sale of the Assets is \$74,347.

d. Near-term Operational Impact Resulting from the Sale of Assets.

During a general rate case, the revenue requirement for the Schedule 19 customer class includes a revenue credit, or reduction, equal to the amount of facilities charge revenue expected to be collected from Schedule 19 customers. Because the Company will not have an opportunity to recalculate the revenue requirement and reset rates until the next general rate case, it calculates a near-term operational impact resulting from the sale. This component partially mitigates the financial impact to the Company and represents the net present value of three years of the forgone facilities charge revenue associated with costs related to the regulatory fees, operations and maintenance, administrative and

general, and working capital that are incurred to service and maintain the Company's distribution facilities. The near-term operational impact resulting from the sale of the Assets is \$106,132.

e. Net Tax Gross-up. For income tax filing purposes, assets are depreciated at an accelerated rate compared to the straight-line depreciation method used for financial reporting purposes. The accelerated tax depreciation results in the taxable value of the Assets being lower than the net book value of the Assets, which results in a taxable gain on the sale of the Assets. The net income taxes associated with the gain, after removing the deferred tax adjustment, are grossed up to cover all income taxes that Idaho Power would pay on this transaction. The net tax gross-up resulting from the sale of the Assets is \$93,435.

9. The total sale price of the Assets is \$793,526. Idaho Power will also collect \$900 in estimated engineering fees (previously mentioned above) and \$640 in estimated work order closing costs. The work order closing costs represent labor costs to update the Company's asset records and facilities maps for a total amount of \$795,066. As set forth in Section 3 of the Agreement, the sale price is subject to change if Idaho Power replaces any of the Assets before closing the transaction. The sale price may also change depending on the actual closing date; a change in price would be based on the Asset sale closing after the beginning of a new calendar year. The price change would reflect the reduction in net book value of the Assets due to an additional year of depreciation, the impact of an additional year on the true-up of the past levelized rate of return, and associated impacts on the net tax gross-up.

10. The Agreement also contains provisions requiring the City to compensate the Company \$9,321 for costs associated with the POD relocation ("Shifting Facilities"). The Shifting Facilities are not being sold to the City; instead, Idaho Power will continue to

own, operate, and maintain the Shifting Facilities that have historically been subject to the monthly facilities charge and located on the City's side of the POD but going forward will be located on Idaho Power's side of the POD. Pursuant to Rule M, the Shifting Facilities were originally installed for the sole benefit of the City, and the City has since paid a monthly facilities charge to Idaho Power based on a percentage of Idaho Power's initial investment. However, because the City will no longer pay a monthly facilities charge upon closing of the sale, Idaho Power must recover from the City the book value of the Shifting Facilities, as well as the true-up of the past levelized rate of return (as more fully described in paragraph 8.c. above), to ensure the transaction does not impact other customers. Because Idaho Power will continue to own, operate, and maintain the Shifting Facilities after the sale is completed, the amounts related to the Shifting Facilities are presented separately from the Assets that will be owned, operated, and maintained by the City after the Asset sale closes.

11. Additionally, the Agreement also contains provisions requiring the City to compensate the Company \$16,866 for costs associated with the removal of a sectionalizer located at the wastewater treatment facility ("Sectionalizer"). Because the City's request requires removal of the Sectionalizer, pursuant to Rule M, the City will pay to the Company the "non-salvable cost" (the book value of the Sectionalizer, net of any removal costs and salvage credit). The accounting treatment related to the Shifting Facilities and the Sectionalizer is further detailed below.

VI. ACCOUNTING TREATMENT

12. Idaho Power will record this transaction in accordance with generally accepted accounting principles using the accounting treatment below. Account numbers and descriptions are from FERC's Uniform System of Accounts:

a. Removing the Original Cost of the Assets from Idaho Power's Accounting Records. Idaho Power will remove the assets from its accounting records as follows:

- Debit 108 – Accumulated Provision for Depreciation \$ 601,554
- Credit 101 – Electric Plant in Service \$ 601,554

b. Recording the Gain on the Sale. Idaho Power will record the gain on the sale of the Assets as follows:

- Debit 131 – Cash \$ 795,066
- Credit 421 – Miscellaneous Non-Operating Income \$ 275,454
(Near-term rate of return impact of \$74,347, near-term operational impact of \$106,132, net gross-up for tax of \$93,435, engineering fees of \$900, plus work order closing costs of \$640.)
- Credit 108 – Accumulated Provision for Depreciation \$ 519,612
(Remaining net book value of \$401,075 plus true-up of past levelized rate of return of \$118,537.)

c. Recording the Impact of the Asset Sale on Idaho Power's Income Taxes. Idaho Power will record the impact of the Asset sale on Idaho Power's income taxes as follows:

- Debit 409 – Income Taxes \$ 93,435
- Credit 236 – Taxes Accrued \$ 93,435
- Debit 282 – Accumulated Deferred Income Taxes \$ 36,317
- Credit 410 – Provision for Deferred Income Taxes \$ 36,317

d. Recording the Shifting Facilities. Idaho Power will record the recovery of its investment in the Shifting Facilities as follows:

- Debit 131 – Cash \$ 9,321
- Credit 101 – Electric Plant in Service \$ 5,895
(Remaining net book value of \$5,895.)

- Credit 108 – Accumulated Provision for Depreciation \$ 2,544
(True-up of past levelized rate of return of \$2,544.)
- Credit 421 – Miscellaneous Non-Operating Income \$ 882
(Net gross-up for tax of \$882.)

e. Reverse the estimated accumulated depreciation of the Shifting

Facilities with a CIAC. Idaho Power will record as follows:

- Debit 108 – Accumulated Depreciation \$ 3,204
- Credit 101 – Electric Plant in Service \$ 3,204

f. Recording the Impact of the Shifting Facilities on Idaho Power's

Income Taxes. Idaho Power will record the impact of the Shifting Facilities payment on Idaho Power's income taxes as follows:

- Debit 409 – Income Taxes \$ 882
- Credit 236 – Taxes Accrued \$ 882

g. Recording the removal of the Sectionalizer. Idaho Power will record

the recovery of its investment in the Sectionalizer as follows:

- Debit 131 – Cash \$ 16,866
- Credit 108 – Accumulated Depreciation \$ 16,866
(Remaining net book value of \$17,182, less \$316 for the estimated net salvage and cost of removal.)

h. Recording the retirement of the Sectionalizer. Idaho Power will

record the retirement as follows:

- Debit 108 – Accumulated Depreciation \$ 25,122
- Credit 101 – Electric Plant in Service \$ 25,122

13. The values used for Idaho Power's income tax journal entries are subject to change depending on federal statutes in effect at the time of the sale, and the actual impact on income taxes.

VII. MODIFIED PROCEDURE

14. Idaho Power respectfully requests processing the Application under Modified Procedure (i.e., by written submissions rather than hearing). RP 201 *et seq.* If, however, the Commission determines a technical hearing is required, Idaho Power will present testimony in support of the Application.

VIII. COMMUNICATIONS

15. Communications and service of pleadings with reference to this Application should be sent to the following:

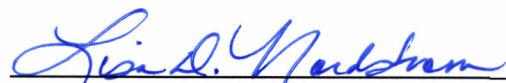
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dockets@idahopower.com

Grant T. Anderson
Idaho Power Company
1221 West Idaho Street (83702)
P.O. Box 70
Boise, Idaho 83707
ganderson@idahopower.com

IX. REQUEST FOR RELIEF

16. As described in greater detail above, Idaho Power respectfully requests the Commission issue an order approving the sale and transfer of the Assets to the City as soon as practicable to allow the City to continue the expansion of its wastewater treatment facilities without interruption.

DATED at Boise, Idaho, this 3rd day of March 2020.



LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 3rd day of March 2020 I served a true and correct copy of foregoing APPLICATION upon the following named parties by the method indicated below, and addressed to the following:

City of Nampa


Nate Runyan
Deputy Public Works Director
Nampa Public Works Department
500 12th Avenue South
Nampa, Idaho 83651

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email runyann@cityofnampa.us

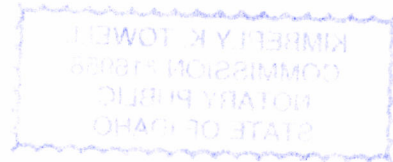
City of Nampa

Debbie Kling, Mayor
411 3rd Street South
Nampa, Idaho 83651

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email dkling@cityofnampa.us



Kimberly Towell, Executive Assistant



**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-20-10

IDAHO POWER COMPANY

ATTACHMENT 1

**ASSET PURCHASE
AND TRANSFER OF TITLE AGREEMENT**

This ASSET PURCHASE AND TRANSFER OF TITLE AGREEMENT (“Agreement”) is entered to be effective as of the 10th day of February 2020 (“Effective Date”), by and between IDAHO POWER COMPANY, an Idaho corporation (“Idaho Power”), and the CITY OF NAMPA, a municipality located in Canyon County, Idaho (the “City”). Idaho Power and the City may be referred to herein individually as a “Party” or, collectively, as the “Parties.”

RECITALS

A. Idaho Power is an investor-owned electric utility engaged in the generation, transmission, and distribution of electricity to its customers in southern Idaho and eastern Oregon;

B. The City is an Idaho Power customer with a Wastewater Division that operates and maintains a centralized Wastewater Treatment Plant located at 340 West Railroad Street, Nampa, ID 83687 (“Wastewater Plant”);

C. Idaho Power currently owns, operates and maintains facilities beyond the Point of Delivery at the City’s Wastewater Plant that are installed to solely benefit the Wastewater Plant (as more particularly described in this Agreement, the “Assets”).

D. Idaho Power desires to transfer and convey the Assets to the City, and the City desires to obtain title to and assume ownership, operation, maintenance, and all liabilities associated with the Assets pursuant and subject to the terms and conditions of this Agreement.

E. Pursuant to Rule M (*Facilities Charge Service*) of Idaho Power’s Tariff (“Rule M”), Idaho Code § 61-328, and Oregon Revised Statute § 757.480, Idaho Power is required to obtain authorization and order from the Idaho Public Utilities Commission (“IPUC”) and the Public Utility Commission of Oregon (“OPUC”) approving Idaho Power’s sale of the Assets to the City (the “Sale”). The transfer of the Assets contemplated by this Agreement is contingent on Idaho Power receiving approval of the Sale and accounting treatment of the Sale from the IPUC and the OPUC (collectively, “PUCs”), without any changes or conditions to Idaho Power’s request and subject to the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual obligations and undertakings set forth herein, and other good and valuable consideration, the sufficiency of which is hereby acknowledged, Idaho Power and the City agree as follows:

1) **Recitals.** The above-stated Recitals are incorporated by this reference and made a part of this Agreement.

2) **Assets.** The Assets to be transferred to the City pursuant to this Agreement (and upon approval of the PUCs) are set forth in **Exhibit A** attached hereto and made part of this Agreement by this reference.

3) **Purchase Price.** The City shall pay to Idaho Power the total amount of \$821,253 for the Assets and associated costs necessitated by the Sale of the Assets to the City (“Purchase Price”). A Summary Breakdown of the Purchase Price is attached hereto as **Exhibit B** and made part of this Agreement by this reference. As demonstrated by **Exhibit B**, included in the Purchase Price are Costs Associated with Removal of Equipment and Costs Associated with Point of Delivery Relocation.

a. Removed Facilities. The Costs Associated with Removal of Equipment (which include the net book value, removal costs, and salvage credit) are for purposes of Idaho Power recovering its initial investment cost of certain equipment currently included in the City’s distribution facilities investment (“DFI”) that will no longer be required to deliver electric service to the Wastewater Plant after Closing (“Removed Facilities”). The Removed Facilities are not being sold to the City; instead, Idaho Power will remove the same following Closing and has included the difference of the removal costs and salvage credit in the Purchase Price. The Removed Facilities are set forth in **Exhibit C** attached hereto and made part of this Agreement by this reference.

b. Shifting Facilities. The Costs Associated with the Point of Delivery Relocation (which include the net book value, a true-up of the past levelized rate of return, and associated taxes) are for purposes of Idaho Power recovering its initial investment cost of certain facilities currently included in the City’s DFI, that are located beyond the existing Point of Delivery at the City’s Wastewater Plant, and that will be located prior the new Point of Delivery once relocation of the Point of Delivery is complete (“Shifting Facilities”). The Shifting Facilities are not being sold to the City; instead, Idaho Power will continue to own, operate and maintain the Shifting Facilities.¹ The Shifting Facilities are set forth in **Exhibit C**.

Upon Closing the Sale (defined in Section 7 of this Agreement), Idaho Power will complete the equipment removal, make the necessary modifications to relocate the Point of Delivery, and cease collection of all DFI rate charges (also referred to herein as “facilities charge”).

The City acknowledges and confirms that: (a) the City has reviewed and fully understands the components of the Purchase Price; (b) the City does not contest such amount; and, (c) the Purchase Price is agreed upon between the Parties as of the Effective Date hereof.

The City understands and acknowledges the Purchase Price is subject to change if Idaho Power is required to replace any of the Assets, Removed Facilities, or Shifting Facilities (collectively, “Facilities”) during such time as the Parties are awaiting approval from the PUCs. Unless the City requests otherwise, pursuant to Rule M of Idaho Power’s Tariff, Idaho Power is required to replace failed equipment owned by Idaho Power installed beyond the Point of Delivery. As such, until Closing (defined in Section 7 of this Agreement) occurs, Idaho Power must replace

¹ Because the Shifting Facilities were originally installed for the sole benefit of the City, the City’s monthly facilities charge includes a percentage of Idaho Power’s initial investment cost for the Shifting Facilities. Although ownership of the Shifting Facilities is not transferring to the City at Closing, Idaho Power still must recover the initial investment cost of the Shifting Facilities through a lump sum payment because the City will no longer pay a monthly facilities charge.

any failed Facilities and the price of the substitute equipment will be reflected in the Purchase Price pursuant to the same methodology used to calculate the current Purchase Price.

4) Obligations and Conditions Precedent to Closing; Certain Covenants. The obligations and conditions listed below must be satisfied or waived in writing before the Parties are required to affect the transfer and sale of the Assets as contemplated by this Agreement (such event, “Closing”).

a. IPUC and OPUC Approval. Within 30 days following execution of this Agreement, Idaho Power shall file an application for approval of the Sale and accounting treatment of the Sale with the PUCs, the contents of which shall be in Idaho Power’s discretion so long as not inconsistent with the material terms of this Agreement. Upon receipt of a final, non-appealable order from the PUCs pertaining to the Sale, Idaho Power shall provide the City with a copy of the same and:

i. If the PUCs approve the Sale and accounting treatment of the Sale consistent in all material respects with the respective applications submitted to the PUCs by Idaho Power, the Parties shall proceed with the Sale of the Assets pursuant to the terms and conditions of this Agreement.

ii. If the IPUC approves the Sale and accounting treatment of the Sale subject to additional terms and conditions beyond those set forth in the application submitted to the IPUC by Idaho Power (as permitted by Idaho Code § 61-328), the Parties may either: i) mutually agree to incorporate the additional terms and conditions into this Agreement and proceed with the Sale;² or ii) not mutually agree to incorporate the additional terms and conditions into this Agreement, in which case either Party shall have the right to terminate this Agreement by notice to the other Party, and upon such termination this Agreement shall be null and void and of no further effect and neither Party shall have any further obligations under this Agreement.

iii. If the IPUC and/or the OPUC deny, or refuse to consider or approve, the Sale or the accounting treatment of the Sale consistent in all material respects with the application submitted by Idaho Power, either Party shall have the right to terminate this Agreement by notice to the other Party, and upon such termination the terms of this Agreement shall be null and void and of no further effect and neither Party shall have any further obligations under this Agreement.

The City agrees to support Idaho Power’s applications to the PUCs for approval of the Sale.

² If the IPUC conditions its approval of the Sale on the inclusion of additional terms, and the Parties mutually agree to incorporate the same into this Agreement, Idaho Power will resubmit a revised application to the OPUC detailing the additional terms required by the IPUC.

b. Lien Release. The Assets are subject to a lien created by a Mortgage and Deed of Trust, dated October 1, 1937, between Idaho Power and Deutsche Bank Trust Company Americas (the "Mortgage"). Following receipt of a signed resolution adopted by Idaho Power's Board of Directors, Idaho Power shall file a customary lien release application with the Mortgage trustee, requesting release of the Assets from the lien of the Mortgage in accordance with the terms of the Mortgage. Release of the lien by the Mortgage trustee, or the City's waiver of the release of the lien of the Mortgage, shall be a condition precedent to the Closing and to the obligations of the Parties to consummate the Sale as contemplated by this Agreement. In the event no such release or waiver shall have timely occurred within 60 days of Idaho Power filing an application for release, either Party shall have the right to terminate this Agreement by notice to the other Party and, upon such termination, the terms of this Agreement shall be null and void and of no further effect, and neither Party shall have any further obligations under this Agreement.

5) **Rule H System Protection Package.** As a result of the Sale of the Assets to the City, Idaho Power will install a system protection package prior to the Point of Delivery (as defined in Rule H of Idaho Power's Tariff), which will be owned, operated and maintained by Idaho Power ("System Protection Package"). Idaho Power will install the System Protection Package in accordance with Rule H (*New Service Attachments and Distribution Line Installations or Alterations*) of Idaho Power's Tariff ("Rule H"), and the City agrees to pay the costs incurred by Idaho Power to install the System Protection Package, which are not included in the Purchase Price.

Within 10 days following the date of the IPUC's issuance of an order approving the Sale, Idaho Power will present the City with a formal Cost Quote (along with an invoice for payment) (the "Cost Quote") and, pursuant to the terms thereof, the Cost Quote will remain valid for 60 days from receipt, so long as the City executes and makes payment in full within that 60 day period. The System Protection Package must be funded in full by the City and installed prior to Closing. Idaho Power will use commercially reasonable efforts to promptly install the System Protection Package following receipt of payment therefor from the City and will promptly notify the City when the System Protection Package has been installed.

6) **Installation of Additional Facilities.** Rule M of Idaho Power's Tariff does not allow mixed ownership of facilities beyond the Point of Delivery. As such, the City understands and acknowledges that if the City desires installation of additional facilities beyond the Point of Delivery prior to Closing ("Additional Facilities"), the City has the following options:

a. Idaho Power purchases, installs and maintains the Additional Facilities. The Parties amend this Agreement with an updated Purchase Price to include the Additional Facilities, and Idaho Power updates its application and/or re-applies for approval of the Sale to the PUCs to include the Additional Facilities at the updated Purchase Price. Upon receipt of the PUCs' decisions, the above Sections 4(a)(i), (ii) or (iii) would determine the next steps of the Parties; OR,

b. The City purchases, installs and maintains the Additional Facilities. The City shall obtain written approval from Idaho Power prior to purchasing and installing Additional Facilities in order that Idaho Power can verify compatibility with its electrical system. In the event the IPUC and/or the OPUC fail to approve the Sale (as discussed in the above Sections 4(a)(ii) and (iii)), the City agrees to sell the Additional Facilities to Idaho Power at the original purchase price as soon as practicable following receipt of the PUCs' decisions. The Additional Facilities will then be added to the City's facilities charge pursuant to Rule M. If the City fails to obtain written approval prior to installing Additional Facilities, and those Additional Facilities are not standard to Idaho Power's system, Idaho Power will not purchase the facilities from the City. Instead, Idaho Power will remove and replace the Additional Facilities, at the City's expense, with those standard to its system and the City will be required to pay for the replacement facilities through its Rule M facilities charge.

7) Closing. The Parties agree that Closing shall occur as promptly as reasonably practicable following satisfaction of all conditions precedent set forth in Section 4 of this Agreement. At Closing: (a) Idaho Power shall receive from the City an automatic transfer of funds for the full Purchase Price (as specified in Section 3 above); (b) Idaho Power shall provide the City any keys, or other items in Idaho Power's possession, received by Idaho Power as part of the original purchase and necessary for access of, and specific to, the Assets; (c) Idaho Power shall provide the City with maps of the location of the Assets, and any other operational manuals in Idaho Power's possession, received as part of the original purchase of the Assets; and, (d) the Parties shall execute a bill of sale in the form of **Exhibit D** hereto. On or after Closing, Idaho Power shall cease collection of all DFI rate charges and any other charges for the Facilities. Upon Closing, this Agreement will eliminate the City's DFI charges and will release Idaho Power's responsibility for the care, custody and control of the Assets.

8) Transfer of Assets. Idaho Power shall grant, bargain, sell, assign, transfer, convey, and deliver to the City, its successors and assigns, all of Idaho Power's right, title and interest of every kind and character whatsoever in and to the Assets, effective as of Closing.

9) Operation and Maintenance. The City understands and acknowledges that pursuant to the requirements of Rule M of Idaho Power's Tariff and Idaho Code § 61-328, the City has the bona fide intent and financial ability to operate and maintain the Assets, and the City shall be fully responsible for such operation and maintenance of the Assets, and all liabilities associated therewith, after Closing.

10) Title to Assets. Idaho Power, for itself and its successors, hereby represents to the City and its successors and assigns that as of the Effective Date hereof: a) Idaho Power has good, valid and marketable title to the Assets; b) the Assets are free and clear of all liens, encumbrances, claims, mortgages, security interests, pledges, charges, liabilities and other restrictions of any kind or nature whatsoever (contingent or otherwise), other than those of or created by the City, and other than the lien created by the Mortgage; c) the lien of the Mortgage on the Assets will not apply from and after the Closing; and d) Idaho Power has all necessary corporate power and authority to

sell the Assets to the City (assuming approval of the Sale from the IPUC pursuant to Idaho Code § 61-328 and the OPUC pursuant to Oregon Revised Statute § 757.480).

11) Necessary Documents. Idaho Power covenants and agrees with the City, its successors and assigns, to do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, any acts, instruments, papers and documents as may be reasonably necessary to carry out and effectuate the intent and purpose of this Agreement.

12) Authority to Transfer. Idaho Power warrants and represents to the City that Idaho Power is duly and validly authorized and empowered to make, execute, and deliver this Agreement and to enter into the covenants, promises, and undertakings of Idaho Power in this Agreement, in accordance with the terms and subject to the conditions set forth in this Agreement. The City warrants and represents to Idaho Power that the City is duly and validly authorized and empowered to make, execute, and deliver this Agreement and to enter into the covenants, promises, and undertakings of the City in this Agreement, in accordance with the terms and subject to the conditions set forth in this Agreement.

13) Unwarranted "As Is" Condition. The Parties agree that to the extent required by any applicable law, the disclaimers of warranties contained in this paragraph are "conspicuous" disclaimers for the purposes of any applicable law, rule, or order. The City waives any claims, demands, and rights of action against Idaho Power, its officers, directors, employees and parent company arising from or relating to the Assets or the Sale other than the rights of the City under this Agreement, including the right to enforce this Agreement. THE CITY ACKNOWLEDGES AND AGREES THAT IT HAS HAD THE OPPORTUNITY TO CAREFULLY EXAMINE AND INSPECT THE ASSETS, AND/OR THAT IT HAS CAREFULLY EXAMINED AND INSPECTED THE ASSETS, AND ACCEPTS THE ASSETS IN THEIR "AS IS" AND "WHERE IS" CONDITION AND "WITH ALL FAULTS," AND WITHOUT REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, (ALL OF WHICH IDAHO POWER HEREBY DISCLAIMS AND NEGATES) AS TO FITNESS FOR ANY PARTICULAR PURPOSE, CONFORMITY TO MODELS OR SAMPLES OR MATERIALS, MERCHANTABILITY, DESIGN, QUALITY, CONDITION, OPERATION, COMPLIANCE WITH SPECIFICATION, ABSENCE OF LATENT DEFECTS, OR COMPLIANCE WITH LAWS AND REGULATIONS (INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO HEALTH, SAFETY, AND THE ENVIRONMENT), TO THE EXTENT APPLICABLE AND PERMITTED BY LAW.

14) Release and Indemnification. Effective as of Closing, the City releases Idaho Power and its employees, officers, directors, representatives, and agents and/or its affiliates from, for, and against any and all claims, actions, damages, losses, penalties, and expenses, including reasonable attorneys' fees and disbursements, of any kind or nature whatsoever arising out of Idaho Power's acts or omissions or the acts or omissions of the City or any third party related to the transfer of the Assets hereunder.

To the extent permitted by applicable law, the City shall indemnify, defend, reimburse and hold harmless Idaho Power and its successors, and their respective directors, officers, employees, representatives, and agents (collectively, the "Indemnitees"), from, for, and

against any and all allegations, suits, claims, demands, actions, proceedings, judgments, penalties, liabilities, damages, injuries, losses, costs, or expenses of any kind or nature whatsoever (collectively, "Damages") by any person, including without limitation attorneys' fees and related costs, and liability of death, personal injury or property damages, strict liability, or liabilities or obligations under any applicable federal or state law, including, without limitation, all environmental laws, arising on or after the Closing directly or indirectly, in whole or in part, out of the City's acquisition and use of the Assets.

15) Hazardous Materials and Indemnification. The City acknowledges that the Assets, including electronic equipment and components, may contain hazardous materials. These materials may include, but are not limited to, PCBs, lead in solder, batteries, and CRT glass, silver in some batteries and connections, and mercury in some batteries and mercury switches. Disposal of these components and electronic waste in general, may be regulated. The City is responsible for compliance with all applicable environmental laws, rules, and regulations associated with those and all other hazardous materials contained in or used in connection with the Assets from and after the Closing.

The City shall indemnify, defend, reimburse and hold harmless the Indemnitees from, for, and against any and all Damages that any or all of the Indemnitees may hereafter suffer, incur, be responsible for, or pay out for liabilities or obligations under any law, ordinance, or regulation relating directly or indirectly to those and all other hazardous materials contained in or used in connection with the Assets, arising directly or indirectly, in whole or in part, out of the City's acquisition and use of the Assets on and after the Closing.

16) Assignment. This Agreement shall only be assigned with the prior written consent of the Parties. Any purported assignment without such prior written consent shall be null and void.

17) Miscellaneous. To the extent that any provision of this instrument is held to be invalid, illegal, or unenforceable, it shall be deemed to be modified to the minimum extent necessary to be valid and enforceable. If it cannot be so modified, it will be deleted and the deletion will not affect the validity or enforceability of any other provision unless, as a result the rights of either Party are materially diminished or the obligations and burdens of either Party are materially increased to be unjust or inequitable. Any inconsistency between the terms of this Agreement and any other Agreement to which Idaho Power and the City are a party on the Effective Date, as to the matters set forth in this Agreement, shall be resolved in favor of the terms of this Agreement, the terms of which shall govern. This Agreement and the covenants, agreements, undertakings, warranties and representations contained herein shall inure to the benefit of the successors and assigns of Idaho Power and the City.

This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement constitutes the entire Agreement between the Parties and supersedes any prior understandings, Agreements, or representations by or between the Parties, written or oral, in any way related to the subject matter of this Agreement. This Agreement may not be amended except by written Agreement executed by the parties to be charged with the amendment.

IN WITNESS WHEREOF, the undersigned have executed this Agreement to be effective as of the Effective Date.

IDAHO POWER COMPANY

Signature: Angelique Prood
Printed Name: Angelique Prood
Title: Regional manager

CITY OF NAMPA

Signature: Debbie Kling
Printed Name: Debbie Kling
Title: Mayor

EXHIBIT A**ASSETS**

Description	Year	Original Investment
ENCLOSURE PAD	2016	\$ 735.02
TRANSFORMER PAD	2006	\$ 1,567.28
ENCLOSURE PAD	1981	\$ 306.91
TRANSFORMER PAD	1982	\$ 419.12
TRANSFORMER PAD	1982	\$ 419.12
TRANSFORMER PAD	1979	\$ 173.36
TRANSFORMER PAD	1979	\$ 146.44
TRANSFORMER PAD	2010	\$ 1,768.82
TRANSFORMER PAD	2008	\$ 1,399.95
TRANSFORMER PAD	2016	\$ 1,736.19
TRANSFORMER PAD	2018	\$ 1,515.41
TRANSFORMER PAD	2018	\$ 1,515.40
VAULT	1979	\$ 715.02
VAULT	2006	\$ 5,800.78
VAULT	2006	\$ 5,800.78
VAULT	2006	\$ 5,800.78
VAULT	1979	\$ 425.67
VAULT	2008	\$ 5,091.94
VAULT	2008	\$ 5,091.94
VAULT	2010	\$ 10,119.49
VAULT - BASE	2011	\$ 2,355.81
VAULT - BASE	2016	\$ 5,852.88
VAULT - BASE SECTION	2018	\$ 5,011.28
VAULT - BASE SECTION	2018	\$ 5,011.27
VAULT - MID SECTION	2011	\$ 1,398.86
VAULT - RISER	2016	\$ 2,753.33
VAULT - VAULT TOP	2011	\$ 968.17
VAULT - VAULT TOP	2011	\$ 968.17

EXHIBIT A
ASSETS

Description	Year	Original Investment
VAULT - TOP	2016	\$ 3,033.99
VAULT - TOP SECTION	2018	\$ 2,449.63
VAULT - TOP SECTION	2018	\$ 2,449.62
VAULT - TOP SECTION	2018	\$ 2,449.62
CONDUIT DUCT	2016	\$ 67.87
CONDUIT DUCT	2016	\$ 411.73
CONDUIT DUCT	2016	\$ 257.90
CONDUIT DUCT	2018	\$ 123.21
CONDUIT DUCT	2018	\$ 154.00
CONDUIT DUCT	2018	\$ 160.17
CONDUIT DUCT	2018	\$ 1,478.49
CONDUIT DUCT	2018	\$ 492.83
CONDUIT DUCT	2018	\$ 172.49
UNDERGROUND CONDUCTOR	1982	\$ 4,141.21
UNDERGROUND CONDUCTOR	1982	\$ 453.65
UNDERGROUND CONDUCTOR	1981	\$ 729.03
UNDERGROUND CONDUCTOR	2006	\$ 874.50
UNDERGROUND CONDUCTOR	2006	\$ 5,637.17
UNDERGROUND CONDUCTOR	2006	\$ 11,920.13
UNDERGROUND CONDUCTOR	2006	\$ 9,097.65
UNDERGROUND CONDUCTOR	2011	\$ 9,451.57
UNDERGROUND CONDUCTOR	2011	\$ 787.63
UNDERGROUND CONDUCTOR	2010	\$ 4,290.86
UNDERGROUND CONDUCTOR	1981	\$ 7,223.98
UNDERGROUND CONDUCTOR	2008	\$ 664.61
UNDERGROUND CONDUCTOR	2008	\$ 650.17
UNDERGROUND CONDUCTOR	2010	\$ 2,501.19
UNDERGROUND CONDUCTOR	2010	\$ 1,778.63

EXHIBIT A**ASSETS**

Description	Year	Original Investment
UNDERGROUND CONDUCTOR	2016	\$ 669.99
UNDERGROUND CONDUCTOR	2016	\$ 5,300.32
UNDERGROUND CONDUCTOR	2016	\$ 3,469.03
UNDERGROUND CONDUCTOR	2016	\$ 5,419.43
UNDERGROUND CONDUCTOR	2018	\$ 1,028.67
UNDERGROUND CONDUCTOR	2018	\$ 1,381.35
UNDERGROUND CONDUCTOR	2018	\$ 1,469.52
UNDERGROUND CONDUCTOR	2018	\$ 5,143.32
PAD MOUNT SWITCH	2016	\$ 30,946.27
PAD MOUNT SWITCH	2006	\$ 30,924.50
PAD MOUNT SWITCH	2006	\$ 30,924.50
PAD MOUNT SWITCH	1981	\$ 8,756.01
PAD MOUNT SWITCH	1982	\$ 14,307.30
PAD MOUNT SWITCH	2008	\$ 19,346.16
PAD MOUNT SWITCH	2018	\$ 25,126.45
PAD MOUNT SWITCH	2018	\$ 25,126.44
SECTER	2016	\$ 1,753.24
PM TRANSFORMERS	1977	\$ 4,242.01
PM TRANSFORMERS	2006	\$ 19,859.54
PM TRANSFORMERS	1970	\$ 6,041.79
PM TRANSFORMERS	2006	\$ 15,532.43
PM TRANSFORMERS	1999	\$ 8,978.16
PM TRANSFORMERS	2010	\$ 39,345.43
PM TRANSFORMERS	2018	\$ 27,058.14
PM TRANSFORMERS	2018	\$ 27,058.14
PM TRANSFORMERS	2016	\$ 40,843.11
PM TRANSFORMERS	2008	\$ 49,384.12
SECONDARY UNDERGROUND CONDUCTOR	1981	\$ 1,672.83
SECONDARY UNDERGROUND CONDUCTOR	1981	\$ 1,672.83

EXHIBIT B
SUMMARY BREAKDOWN OF PURCHASE PRICE

Costs Associated with Assets Transferring to the City	Amounts
Net book value	\$ 401,075
True up of past levelized rate of return	\$ 118,537
Near-term rate of return impact resulting from sale of assets	\$ 74,347
Near-term operational impact resulting from sale of assets	\$ 106,132
Total Purchase Price – before tax	\$ 700,091
Net gross-up for tax	\$ 93,435
Total Purchase Price – after tax	\$ 793,526
Engineering Fees	\$ 900
Work order closing costs	\$ 640
Total Cost of Assets	\$ 795,066

Costs Associated with Point of Delivery Relocation	Amounts
Net book value	\$ 5,895
True up of past levelized rate of return	\$ 2,544
Taxes grossed up on past levelized rate of return	\$ 882
Total Cost of Point of Delivery Relocation	\$ 9,321

Costs Associated with Removal of Equipment	Amounts
Net book value	\$ 17,182
Net Removal & Salvage Credit	(\$ 316)
Total Cost of Equipment Removal	\$ 16,866

Purchase Price³	\$ 821,253
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³ As set forth in Section 5 of the Agreement, costs associated with Idaho Power's installation of the System Protection Package are not included in the Purchase Price and will be paid by the City in accordance with Rule H of Idaho Power's Tariff.

EXHIBIT C
REMOVED FACILITIES & SHIFTING FACILITIES

Removed Facilities	Year	Original Investment
SECTIONALIZER UNIT	2010	\$ 23,430.56
TRANSFORMER - SECT UNIT	2013	\$ 1,691.50

Shifting Facilities	Year	Original Investment
POLES	2006	\$1,935.40
POLES	2010	\$1,983.58
OVERHEAD CONDUCTOR	2006	\$ 116.79
OVERHEAD CONDUCTOR	2006	\$ 29.20
SECTIONALIZER DISCONNECT	2010	\$ 231.97
SECTIONALIZER DISCONNECT	2010	\$ 533.49
SECTIONALIZER DISCONNECT	2010	\$ 533.49
SECTIONALIZER DISCONNECT	2010	\$ 533.49
SECTIONALIZER DISCONNECT	2010	\$ 533.49
SECTIONALIZER DISCONNECT	2010	\$ 533.49
SECTIONALIZER DISCONNECT	2010	\$ 533.49
SECTIONALIZER DISCONNECT	2010	\$ 533.47
SWITCH DISCONNECT	2010	\$ 533.49
SWITCH DISCONNECT	2010	\$ 533.49
SWITCH DISCONNECT	2010	\$ 533.49

EXAMPLE ONLY – DO NOT EXECUTE

EXHIBIT D

BILL OF SALE

This **BILL OF SALE** is entered to be effective on _____, 2020 (“Effective Date”), by and between **Idaho Power Company**, an Idaho corporation (“Idaho Power”) and the **City of Nampa**, a municipality located in Canyon County, Idaho (the “City”). Idaho Power and the City may be referred to herein individually as a “Party” or, collectively, as the “Parties.”

Idaho Power has agreed sell to the City and the City has agreed to purchase from Idaho Power, for the consideration and upon the terms and conditions set forth in the **Asset Purchase and Transfer of Title Agreement**, dated _____, 2020 (“Purchase Agreement”) all of the Assets set forth in Exhibit A to the Purchase Agreement.

Pursuant to the requirements of Rule M of Idaho Power’s Tariff, Idaho Code § 61-328, and Oregon Revised Statute § 757.480, Idaho Power has obtained authorization and order from the Idaho Public Utilities Commission and the Public Utility Commission of Oregon approving Idaho Power’s sale of the Assets (set forth in Exhibit A to the Purchase Agreement) pursuant to the terms and conditions of the Purchase Agreement.

Idaho Power hereby transfers title to the Assets and acknowledges payment for the Assets, in the amount of \$795,066, is governed by and shall be made in accordance with the terms and conditions of the Purchase Agreement.

IN WITNESS WHEREOF, the undersigned have executed this BILL OF SALE to be effective as of the Effective Date.

IDAHO POWER COMPANY

Signature: _____

Printed Name: _____

Title: _____

CITY OF NAMPA

Signature: _____

Printed Name: _____

Title: _____