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June 5, 2015

Public Utility Commission of Oregon
Filing Center
3930 Fairview Industrial Drive SE
P.O. Box 1088
Salem, Oregon 97308-1088

RE: UM ____ – In the Matter of IDAHO POWER COMPANY'S Request for Authorization to Defer Costs Associated with a Long Term Program Contract with Siemens Energy, Inc.

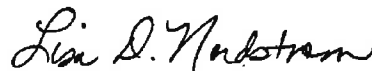
Attention Filing Center:

Attached for filing are electronic copies of **Redacted** IDAHO POWER COMPANY'S Request for Authorization to defer costs Associated with a Long Term Program Contract with Siemens Energy, Inc. and the **Redacted** Direct Testimony of Courtney E. Waites. A copy of the **confidential** pages of the application and testimony will be provided separately via Federal Express. A Motion for Protective Order is also attached.

Concurrently with this filing, Idaho Power also filed an Application for an Order authorizing approval of a Long Term Program Contract with Siemens Energy, Inc. including the transfer and sale of certain assets in Docket No. UP _____. The Commission may wish to process these two dockets together for administrative efficiency.

The Application has been served on the parties to the UE 233 service list as required via this filing e-mail. Please contact this office with any questions.

Very truly yours,



Lisa D. Nordstrom

LDN/kkt

Enclosures

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 **UM _____**

4 In the Matter of

5 **IDAHO POWER COMPANY'S**

6 Request for Authorization to Defer Costs
7 Associated with a Long Term Program
Contract with Siemens Energy, Inc.

**REDACTED APPLICATION
FOR AUTHORIZATION OF
DEFERRED ACCOUNTING**

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9 **I. INTRODUCTION**

10 Pursuant to ORS § 757.259, and OAR 860-027-0300, Idaho Power Company
11 ("Idaho Power" or "Company") applies to the Public Utility Commission of Oregon
12 ("Commission") for an order approving the Company's proposed accounting treatment for
13 costs associated with a Long Term Program ("LTP") Contract with Siemens Energy, Inc.
14 ("Siemens"). Concurrent with this Application, Idaho Power is requesting approval of the
15 LTP Contract and the transfer and sale of certain assets to Siemens in Docket No. UP
16 _____. Idaho Power requests authorization of the deferral of costs associated with the
17 LTP Contract with Siemens. The Company is not requesting to change customer rates at
18 this time.

19 In support of this Application, Idaho Power states:

20 1. Idaho Power is a public utility in the state of Oregon and its rates,
21 services, and accounting practices are subject to the regulation of the Commission.

22 2. This Application is filed pursuant to ORS § 757.259, which allows the
23 Commission, upon application, to authorize the deferral of certain items for later inclusion
24 in rates.

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III. PROPOSED ACCOUNTING TREATMENT

In this Docket, Idaho Power requests approval of (1) the deferral of the initiation fees to a regulatory asset, (2) the transfer of the net book value of the initial spare parts and associated net tax expense to a regulatory asset, and (3) a carrying charge on a portion of the regulatory asset balance. The Testimony of Senior Regulatory Analyst Courtney Waites filed herewith explains in detail Idaho Power's proposed accounting treatment.

While the LTP Contract provides significant benefits to customers over the life of the contract, absent the requested accounting treatment, the financial impact to the Company in the first year is considerable, primarily attributable to the initiation fees and net tax expense. The initiation fees serve as a prepayment toward services that will be performed by Siemens over the life of the agreement. Because the expense is for work performed throughout the duration of the contract, Idaho Power is proposing to establish the initiation fees of approximately [BEGIN CONFIDENTIAL MATERIAL] [REDACTED] [END CONFIDENTIAL MATERIAL] on an Oregon jurisdictional basis as a regulatory asset and amortize that balance, on a straight-line basis, over the length of the contract. The deferral and subsequent amortization of initiation fees will more closely match the expense recognition with the work being performed.

During negotiations with Siemens regarding the LTP Contract pricing, Siemens agreed to take back ownership of initial spare parts, parts Idaho Power would otherwise no longer use under the LTP Contract, in exchange for reduced contract pricing. The reduced pricing is based on the net book value of those parts. The transfer and sale of the initial spare parts to Siemens will result in lower overall costs to Idaho Power and its customers. The Company is requesting to transfer to a regulatory asset the unrecovered

1 portion, or net book value, of \$1.0 million on an Oregon jurisdictional basis in initial spare
2 parts subject to true-up at closing.

3 The Company also proposes to include in the regulatory asset the deferred taxes
4 that result from the transfer and sale of the initial spare parts. The transfer and sale of the
5 initial spare parts to Siemens will create a net tax expense of approximately \$80,000 on an
6 Oregon jurisdictional basis. Idaho Power is proposing to amortize both amounts on a
7 straight-line basis over the length of the contract commencing upon the execution of the
8 LTP Contract. The deferral and subsequent amortization of the unrecovered portion of the
9 initial spare parts and the net tax expense over the contract life will more closely align the
10 benefits received from the LTP Contract with the costs associated with transfer and sale of
11 the assets.

12 Finally, the Company proposes to accrue a carrying charge on approximately
13 [BEGIN CONFIDENTIAL MATERIAL] [REDACTED] [END CONFIDENTIAL MATERIAL] of the
14 regulatory asset, [BEGIN CONFIDENTIAL MATERIAL] [REDACTED] [END CONFIDENTIAL
15 MATERIAL] in initiation fees, and \$130,000 of the initial spare parts. Because \$130,000
16 of the initial spare parts has not yet been included in the Company's authorized rate base
17 and therefore the Company is not currently earning a return on the amounts, Idaho Power
18 is requesting to accrue a carrying charge on that amount using the Company's most
19 recent authorized rate of return.

20 **IV. OREGON ADMINISTRATIVE RULE 860-027-0300 REQUIREMENTS**

21 The following information is provided pursuant to OAR 860-027-0300(3):

22 **A. Description of Utility Expense or Revenue**

23 Idaho Power seeks authorization from the Commission to defer to a regulatory
24 asset the initiation fees and an amount equivalent to the net book value of the initial spare
25 parts and associated net tax expense. The Company proposes to amortize that balance,
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1 on a straight-line basis, over the length of the contract. Idaho Power is not requesting to
2 change customer rates at this time.

3 **B. Reasons for Deferral**

4 While the LTP Contract provides significant benefits to customers over the life of
5 the contract, absent the requested accounting treatment, the financial impact to the
6 Company in the first year is considerable, primarily attributable to the initiation fees. The
7 initiation fees serve as a prepayment toward services that will be performed by Siemens
8 over the life of the agreement; the expense is for work performed throughout the duration
9 of the contract. In addition, Siemens will take back ownership of Idaho Power's spare
10 parts in exchange for reduced contract pricing based on the net book value of those parts.
11 The deferral and subsequent amortization of the unrecovered portion of the initial spare
12 parts and the net tax expense over the contract life will more closely align the benefits
13 received from the LTP Contract with the costs associated with transfer and sale of the
14 assets.

15 **C. Proposed Accounting**

16 *The initiation fees.* Idaho Power proposes to record the deferred initiation fee
17 amounts to Federal Energy Regulatory Commission ("FERC") Account 182.3, Other
18 Regulatory Assets. The Company will record amortization of the deferred amounts to
19 FERC Account 407.3, Regulatory Debits.

20 *The initial spare parts.* The Company proposes to record the deferral of
21 unrecovered initial spare parts amounts to FERC Account 182.3, Other Regulatory Assets
22 and record amortization of the deferred amounts to FERC Account 407.3, Regulatory
23 Debits.

24 *The net tax expense.* Idaho Power is proposing to (1) record the net tax expense to
25 FERC Account 282 – Accumulated Deferred Income Taxes (debit Account 282,
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1 Accumulated Deferred Income Taxes and credit Account 410.1, Deferred Income Tax
2 Expense) and (2) amortize the amounts on a straight-line basis over the estimated life of
3 the LTP Contract, or 20 years (debit Account 410.1, Deferred Income Tax Expense and
4 credit Account 282, Accumulated Deferred Income Taxes).

5 **D. Estimate of Amounts Subject to Deferral**

6 The Company estimates the total amount of the deferral to be approximately
7 [BEGIN CONFIDENTIAL MATERIAL] [REDACTED] [END CONFIDENTIAL MATERIAL] on
8 an Oregon jurisdictional basis: [BEGIN CONFIDENTIAL MATERIAL] [REDACTED] [END
9 CONFIDENTIAL MATERIAL] in initiation fees, \$1.0 million in initial spare parts, and
10 \$80,000 of net tax expenses.

11 **E. Notice**

12 A copy of the Notice of Application for Authorization to Defer Costs Associated with
13 a LTP Contract with Siemens and a list of persons served with the Notice are attached to
14 this Application pursuant to OAR 860-027-0300 as Attachment A.

15 **V. SUMMARY OF FILING CONDITIONS**

16 The following is information related to the future inclusion of amortization in rates:

17 **A. Earnings Review**

18 An earnings review will be performed prior to the inclusion of amortization in rates.

19 **B. Prudence**

20 A prudence review will be performed prior to the inclusion of amortization in rates.

21 **C. Sharing (Percents)**

22 None applicable.

23 **D. Rate Spread/Rate Design**

24 The rate spread and rate design will be determined upon the inclusion of
25 amortization in rates.

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1 **VI. CONCLUSION**

2 Idaho Power respectfully requests that the Commission issue an order approving
3 the Company's proposed accounting treatment for costs associated with a LTP Contract
4 with Siemens including (1) the deferral of the initiation fees to a regulatory asset, (2) the
5 transfer of the net book value of the initial spare parts and associated net tax expense to a
6 regulatory asset, and (3) a carrying charge on a portion of the regulatory asset balance.

7 DATED: June 5, 2015.

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Attachment A

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM _____

In the Matter of
IDAHO POWER COMPANY'S
Request for Authorization to Defer Costs
Associated with a Long Term Program
Contract with Siemens Energy, Inc.

**NOTICE OF APPLICATION FOR
DEFERRED ACCOUNTING**

On June 5, 2015, Idaho Power Company ("Idaho Power") filed an application with the Public Utility Commission of Oregon ("Commission") for an for an Order authorizing deferral of costs associated with a Long Term Program Contract with Siemens Energy, Inc.

Approval of Idaho Power's Application will not authorize a change in Idaho Power's rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

Idaho Power's Application will be posted on the Commission website for persons who wish to obtain a copy or they may contact the following:

Lisa D. Nordstrom
Lead Counsel
Idaho Power Company
1221 W. Idaho Street
Boise, ID 83702

Any person who wishes to submit written comments to the Commission on Idaho Power's Application must do so by no later than July 6th, 2015.

DATED: June 5th, 2015.

IDAHO POWER COMPANY


LISA D. NORDSTROM
ATTORNEY FOR IDAHO POWER COMPANY

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that I served a true and correct copy of Idaho Power Company's
3 Request for Authorization to Defer Costs Associated with a Long Term Program Contract
4 with Siemens Energy, Inc. on the parties of record in Docket UM 233, on the date indicated
5 below, by email to said person(s) at his or her last-known email address(es) indicated below.

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5 DATED: June 5, 2015

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8 Kimberly Towell

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