

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

FROM: LISA NORDSTROM

DATE: MAY 14, 2004

**RE: IN THE MATTER OF THE JOINT APPLICATION OF IDAHO POWER
COMPANY AND TAMARACK RESORT LLC FOR APPROVAL OF AN
AGREEMENT TO PROVIDE ELECTRIC DISTRIBUTION FACILITIES.
CASE NO. IPC-E-04-12.**

On May 5, 2004, Idaho Power Company (Idaho Power, Company) and Tamarack Resort LLC (Tamarack) jointly filed an Application requesting the Commission issue an Order approving an Agreement dated May 3, 2004, under which Idaho Power would provide certain electrical distribution facilities to Tamarack pursuant to a special line installation agreement. Idaho Power requested that this Application be processed by Modified Procedure.

BACKGROUND

Tamarack is developing a substantial four-seasons resort project ("Resort Project") in Valley County, Idaho. Tamarack has indicated that at final build-out, the Resort Project will be a complex featuring approximately 2,000 housing units, approximately 272,000 square feet of commercial space, a golf course, ski lifts and other recreational amenities. The Resort Project will have a combined electrical load of approximately 20 MW. Because final build-out is expected to take a number of years, Tamarack has requested that Idaho Power make 7.5 Megavolt-Ampere (MVA) of electrical capacity available to the Resort Project by November 1, 2004.

Because the Resort Project will be located in an area where Idaho Power does not have existing facilities of adequate capacity and desired phase and voltage, the delivery of power (capacity) to the Resort Project site will require the construction of (1) underground and overhead facilities and lines to interconnect with Idaho Power's existing transmission/distribution system ("Interconnection Facilities"), and (2) installation of additional

substation equipment and facilities (“the Substation Facilities”). The Interconnection Facilities and the Substation Facilities are collectively referred to as the “Requested Facilities.”

Rule H is the Company’s tariff provision that generally governs line extensions. By its terms Rule H does not apply to all line extensions, and the parties have agreed that this Agreement is not subject to or governed by Rule H. However, the parties have agreed to use some of the principles contained in Rule H to address refunds of a portion of the contribution in aid of construction (“CIAC”) to be paid by Tamarack under the Agreement to Provide Electric Distribution Facilities between Idaho Power and Tamarack (“the Agreement”). Installation of distribution facilities within the boundaries of the Resort Project will be made in accordance with Rule H.

THE AGREEMENT

Construction of Facilities. The parties have agreed that the Requested Facilities will be constructed in two phases. Phase 1 Facilities have already been constructed and will provide not more than 2 MVA of three-phase power at a point of delivery located adjacent to the boundaries of the Resort Project. A general description of the Phase 1 Facilities is included as Exhibit 1 to the Agreement. Idaho Power completed Phase 1 construction in November 2003. Phase 2 construction will be performed during the 2004 construction season and will include the construction of the Requested Facilities to provide 7.5 MVA of electrical capacity at the Delivery Point. A general description of the Phase 2 Requested Facilities is included as Exhibit 2 to the Agreement. Phase 2 construction is expected to be completed by Idaho Power on or before November 1, 2004.

Cost of Facilities. The total estimated cost of the design and construction of the Requested Facilities is \$2,704,886. Assuming Tamarack makes all of its required payments on schedule, the contribution in aid of construction (“CIAC”) to be paid by Tamarack will not exceed \$1,891,372. Tamarack has paid Idaho Power \$1,055,375 for the Phase 1 Requested Facilities, and \$764,798 for Phase 2 Requested Facilities. As provided in the Agreement, Tamarack has agreed to pay Idaho Power an additional \$191,199 on or before October 1, 2004.

Vested Interest Refund Provisions. In order to supply 7.5 MW of electrical capacity to Tamarack with the power quality specifications requested by Tamarack, Idaho Power had to construct a portion of the Interconnection Facilities outside the Resort Project boundaries with a capacity greater than 7.5 MVA. Tamarack will not be entitled to use more than 7.5 MW

of capacity in the Interconnection Facilities. Because the Requested Facilities, funded in part by the CIAC Tamarack is making, will create additional capacity that can be used to serve future customer loads, the Company has agreed to collect contributions from other customers attaching to facilities who utilize the Requested Facilities to receive electric service. These contributions will be in the form of vested interest refunds and line capacity charges. Portions of the Interconnection Facilities subject to vested interest refunds and the maximum refund dollar amounts are described more particularly in the Agreement. Vested interest refunds will be collected for a 10-year period following the completion of the Phase 2 Requested Facilities.

Line Capacity Charges. In order to equitably share the cost of the facilities for which Tamarack is providing a substantial CIAC, Idaho Power has agreed to collect a line capacity charge from all other customers attaching to facilities that utilize the Requested Facilities to receive electric service. Line capacity charges would be assessed, collected and refunded to Tamarack as follows:

- (a) Idaho Power will inventory all lots that are currently being “served” but are not connected that might attach to facilities that will utilize the Requested Facilities to receive electrical service. These are the lots where the customer(s) have previously paid to install facilities to receive power on the lots, but the lots have not been connected. Capacity has previously been reserved for these lots, and customers have been advised that power is readily available to their lot. These lots will be exempt from paying the line capacity charges.
- (b) Schedule 01, Residential, and Schedule 01, Non-Residential Customers (or their successor schedules) would pay \$800 per connection.
- (c) Customers receiving service under Schedules 7, 9, 19, 24, 45 and 46 (or their successor rate schedules) would pay \$40 per kW of connected load.
- (d) Line capacity charges will be collected for a period ending five (5) years after the completion of the Phase 2 Requested Facilities, currently scheduled for November 1, 2004.
- (e) Line capacity charges collected by Idaho Power will be paid to Tamarack on a quarterly basis without interest.
- (f) Planned developments such as subdivisions will pay line capacity charges at the time of the application (when the lots are “served”) and not at the time of the physical power connection to the individual lot.

- (g) Cash allowances through Rule H would not be applicable to reduce line capacity charges.

Limit On Aggregate Line Capacity Charges and Vested Interest Charges.

Collections and refunds for both line capacity charges and vested interest payments will cease when Tamarack has been refunded 80% of the total amount Tamarack has paid for distribution facilities. Idaho Power will include the tax gross-up portion of Tamarack's payments in the amount subject to refund to Tamarack. The total amount that could be refunded to Tamarack from vested interest payments and line capacity charges would be \$1,075,571.

Substation Facilities. Tamarack will pay Idaho Power \$546,909 for substation capacity of 7.5 MW (2.5 MW for Schedule 19 load and 5 MW for non-Schedule 19 load). The prorated share for the non-Schedule 19 load of \$364,606 ($5000 \text{ kW}/7500 \text{ kW} = 67\% \times \$546,909$) is eligible for refund. Refunds will be available for a 10-year period following the completion of the Phase 2 Requested Facilities. Idaho Power will pay Tamarack \$73 per kW of load (based on estimated demand) for facilities installed within the Resort Project boundaries and taking service under Rate Schedule 01, 07, 09, 24, 45 and 46. The demand amount used for refunding purposes will include a diversity factor and will be equivalent to the demand on the substation. The estimated demand for a subdivision lot will be 10 kW per lot for a refund amount of \$730 per lot. Substation refunds to Tamarack will be made after the final 2004 payment, and only after the completion of the individual distribution work orders have been completed. These refund payments will be made without interest and with a maximum refund payout of \$364,606.

STAFF RECOMMENDATION

After reviewing the Application, Staff recommends that the Commission process this case by Modified Procedure and establish a written comment deadline.

COMMISSION DECISION

Does the Commission wish to process this case pursuant to Modified Procedure as recommended by Staff?



Lisa Nordstrom

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