

DECISION MEMORANDUM

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

FROM: SCOTT WOODBURY

DATE: AUGUST 16, 2004

**RE: CASE NO. IPC-E-04-17 (Idaho Power)
ELECTRIC SERVICE AGREEMENT
J.R. SIMPLOT COMPANY (Pocatello)**

On July 2, 2004, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for approval of an Agreement for Electric Service between Idaho Power and the J.R. Simplot Company (Simplot) dated June 29, 2004 (the 2004 Agreement).

Simplot operates a plant for the production of fertilizer near Pocatello, Idaho (the Pocatello facility). Pursuant to an Agreement for Supply of Power and Energy between Idaho Power and Simplot dated August 27, 1973 (the 1973 Agreement), Idaho Power supplies electric service to Simplot's Pocatello facility in accordance with the rates and charges set out in tariff Schedule 29 and its successor schedules. Since the 1973 Agreement was last renewed, Idaho Power has revised and updated its contracts for special contract customers like Simplot. In accordance with ¶ 1.1 of the 1973 Agreement, Idaho Power timely notified Simplot in writing of the Company's intent to terminate the 1973 Agreement effective June 30, 2004.

Pursuant to Commission Order No. 29535 dated June 28, 2004, the termination date of the 1973 Agreement, as amended, was extended to the earlier of either August 29, 2004 or a date on which the Commission approves a new service agreement between the parties.

2004 Agreement

Under the terms of the 2004 Agreement, Idaho Power agrees to furnish, and Simplot agrees to purchase, 25,000 kilowatts of electric power and energy on a monthly basis. Section

6.1 of the 2004 Agreement permits Simplot to increase the monthly Demand to a maximum of 38,000 kilowatts upon one year prior written notice to the Company. (Under the 1973 Agreement, Idaho Power agreed to supply and Simplot agreed to purchase up to 38,000 kilowatts.) The Minimum Billing Demand is the Contract Demand less 5,000 kilowatts. The availability of power in excess of the Contract Demand is not guaranteed, and if Billing Demand at the Simplot Facility exceeds the Contract Demand, Idaho Power may curtail service to the Simplot facility.

Idaho Power states that the 2004 Agreement is similar to the Company's special contract with Micron Technology. Reference Order No. 26238, November 20, 1995. The unique provisions of the 2004 Agreement are described below.

Section 8.1 of the 2004 Agreement establishes that the rates and charges for electrical power, energy and other services provided by the Company to the Pocatello facility will be determined in accordance with the sum of the components of electric tariff Schedule 29 and its successor schedules. The monthly charges under the 1973 Agreement include a Demand Charge, an Energy Charge and a Facility Charge. The monthly charges under the 2004 Agreement include the same three charges plus a contract Demand Charge. The individual component charges for the 2004 Agreement were derived by first establishing the charges utilizing the 2003 normalized test year revenues and usage for Simplot from Case No. IPC-E-03-13 and by adjusting the charges on a uniform percentage basis to derive the revenue requirement authorized for Simplot by Commission Order No. 29505 in Case No. IPC-E-03-13. Reference Worksheets, App. Att. 3.

All transmission and distribution facilities necessary for the delivery of power and energy to the Pocatello facility are installed, owned and operated by Idaho Power. Section 7 of the 2004 Agreement permits the parties to enter into separate agreements to provide any additional transmission and/or substation facilities that may be required to provide electric service to the Pocatello facility. Section 7.2 of the 2004 Agreement sets forth the monthly Facilities Charge that Simplot agrees to pay for the use of the Company's distribution facilities. Under the 2004 Agreement, the monthly Facilities Charge remains unchanged at 1.7% per month.

If approved by the Commission, the 2004 Agreement would remain in effect for five years, through June 30, 2009, and would automatically renew thereafter until either party to the

2004 Agreement terminates that Agreement in accordance with the Agreement terms and provisions. The effective date of any termination cannot be less than 12 months after the date of delivery of the termination notice.

On July 22, 2004, the Commission issued Notices of Application and Modified Procedure in Case No. IPC-E-04-17. The deadline for filing written comments was Friday, August 13, 2004. The Commission Staff was the only party to file comments. Staff reviewed the proposed 2004 Agreement and associated Schedule 29 and recommends approval. Staff believes approval of the 2004 Agreement is in the public interest. Staff notes that Schedule 29 rates have been revised to include a contract demand charge. Staff contends the proposed tariff rates are revenue neutral; that is, they produce the same annual revenue as recently approved by the Commission in Idaho Power general rate case IPC-E-03-13. Staff recommends that the proposed Agreement and Schedule 29 become effective on the date of Commission approval.

COMMISSION DECISION

Idaho Power has requested approval of a June 29, 2004, Service Agreement for the providing of electric service to J.R. Simplot's Pocatello facility. The rates and charges for such service are set out in the Company's electric tariff Schedule 29. Staff recommends that the Service Agreement be approved. Does the Commission find the Agreement acceptable and in the public interest?

Scott Woodbury

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