

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: KARL T. KLEIN
DEPUTY ATTORNEY GENERAL

DATE: JULY 28, 2011

SUBJECT: IDAHO POWER'S APPLICATION FOR APPROVAL OF 2011 SERVICE AGREEMENT WITH DOE, CASE NO. IPC-E-11-13

On July 7, 2011, Idaho Power Company applied to the Commission for an Order approving a new special services agreement between Idaho Power and the U.S. Department of Energy (DOE) for service at the Idaho National Engineering Laboratory. Idaho Power asks the Commission to process the Application using Modified Procedure, a request with which the Staff concurs.

BACKGROUND

The Commission approved Idaho Power's current special services agreement (the "2006 Agreement") with the DOE in 2006. The 2006 Agreement stated that Idaho Power will provide electric service under Schedule 30. The rates and charges for providing service under Schedule 30 were subject to change in an appropriate ratemaking proceeding (the "tariff standard," as opposed to the "contract standard" where the rates are fixed in the contract).

The 2006 Agreement had a one-year term, subject to four, one-year renewal options. Each option was exercised with the Commission's approval. This extended the 2006 Agreement's term through May 2011. As that date approached, however, the parties asked the Commission to further extend the 2006 Agreement's term to allow the parties more time to negotiate a new special services agreement. The Commission approved the parties' request and extended the term until September 14, 2011. *See* Application at 2.

Idaho Power and DOE subsequently negotiated and signed the new 2011 Agreement on June 30, 2011. The 2011 Agreement will take effect on September 15, 2011, subject to Commission approval. Idaho Power now seeks that approval.

2011 AGREEMENT

Idaho Power attached the 2011 Agreement to the Application. *See* Application Attachment No. 1. The Company states that the 2011 Agreement is generally similar to the 2006 Agreement (there appears to be additional definition and clarifying language), with the primary substantive changes being:

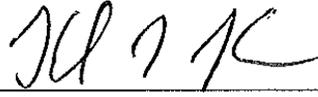
- Term: The 2011 Agreement changes the term from a one-year term with four one-year options, to a single five-year term that (if approved) will begin on September 15, 2011, and expire on September 14, 2016. *See* 2011 Agreement, § 1.1 (Term of Authorization);
- Contract Demand: The 2011 Agreement increases the contract demand ceiling. Idaho Power notes that the initial contract demand amount is 45 MW, with a maximum contract demand ceiling of 55 MW. The DOE may ask Idaho Power for additional demand above 55 MW, which may be granted at Idaho Power's discretion. The 2011 Agreement enables the Company to assess a contract demand charge to the DOE in an effort to allow "for more flexible rate design and for consistency with other large special contract customers." If assessed, the contract demand charge will be contained in Schedule 30. *See* 2011 Agreement §§ 4 and 6; Application at 3; and
- Schedule 30: The parties anticipate that Idaho Power's pending general rate case (IPC-E-11-08) will result in new rates. Accordingly, while the 2011 Agreement will not immediately change Idaho Power's Schedule 30 rates, the parties expect the Schedule 30 rates will be modified after the Commission issues its final Order in the rate case. *See* Application at 3; 2011 Agreement, § 6.1

MODIFIED PROCEDURE

Idaho Power asks the Commission to approve the 2011 Agreement under Modified Procedure. *See* Application at 4. Staff concurs with Idaho Power's request because the issues presented may be adequately addressed through written submissions without a hearing. Accordingly, Staff recommends that the Commission process the Application using Modified Procedure with a 21-day comment period. *See* RP 201 and 202.

COMMISSION DECISION

Does the Commission wish to process Idaho Power's Application through Modified Procedure and issue a Notice of Application and Modified Procedure with a 21-day comment period?



Karl Klein
Deputy Attorney General

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