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Attorney for the Commission Staff

## **BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF IDAHO POWER</b>	)	
<b>COMPANY'S APPLICATION FOR APPROVAL</b>	)	<b>CASE NO. IPC-E-15-13</b>
<b>OF SPECIAL CONTRACT AND TARIFF</b>	)	
<b>SCHEDULE 32 TO PROVIDE ELECTRIC</b>	)	<b>COMMENTS OF THE</b>
<b>SERVICE TO J.R. SIMPLOT COMPANY'S</b>	)	<b>COMMISSION STAFF</b>
<b>CALDWELL FACILITY</b>	)	
	)	

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The Staff of the Idaho Public Utilities Commission comments as follows on Idaho Power Company's Application.

### **BACKGROUND**

On March 13, 2015, Idaho Power Company (the "Company") applied to the Commission for an Order approving: (1) its April 8, 2015 contract to provide electric service to J.R. Simplot Company's new Caldwell, Idaho facility; and (2) rates as reflected in proposed tariff Schedule 32. The Company asks that the contract and proposed tariff take effect on or before June 1, 2015.

In its Application, the Company explains that it currently provides electric service to Simplot's Caldwell facility under Schedule 19, Large Power Service. Schedule 19 requires customers with an aggregate power requirement of more than 20,000 kilowatts ("kW") "to make special contract arrangements with the Company." The Company explains that Simplot recently expanded its Caldwell facility and that the facility may need more than 20,000 kW of electricity

by summer 2015. The Company and Simplot thus entered into a special contract, as required by Schedule 9. The contract is subject to Commission approval. *See* Application at 1-2, 9.

Section 5 of the contract requires the Company to initially provide Simplot's Caldwell facility with 25,000 kW of electricity per month (the "Contract Demand"). During the first year of the contract, Simplot may increase or decrease its Contract Demand so long as the changes for the year collectively do not exceed 10,000 kW, absent Company agreement. After one year, Simplot may increase or decrease its monthly Contract Demand in 1,000 kW increments, but it may not change the Contract Demand by more than 15,000 kW in any 12-month period. The contract caps Simplot's ability to increase its total demand under the contract to 50,000 kW of electricity per month (the "Total Contract Demand"). *See* Application at 4-5. If Simplot's Billing Demand (i.e., the kW supplied to Simplot during the coincident 15-consecutive minute period of maximum use in a month, as adjusted based on a "power factor" described in Section 7.2 of the contract) exceeds the established Contract Demand, the Company may satisfy Simplot's excess demand as described in Schedule 32, or the Company may, in its discretion, curtail service to Simplot's Caldwell facility. *Id.* at 4, 8.

The Company explains that it calculates rates for new special contract customers by accounting for factors like existing operational conditions, and how the new load will impact the Company's system. Here, Simplot expects its new Caldwell facility will replace its existing facilities in Aberdeen, Nampa, and Caldwell. The Company expects the Caldwell facility to consolidate the load from these existing facilities, plus another 5,000 kW of load. Based on these circumstances, the Company developed fully embedded, cost-based rates to serve the Caldwell facility according to the Company's class cost-of-service study from the Company's 2011 rate case, Case No. IPC-E-11-08. The Company then adjusted these rates to reflect changes that have occurred since the 2011 rate case. *Id.* at 5-7. The Company claims the new rates will appropriately recover the Company's cost to serve the Caldwell facility, and will limit upward rate pressure on other customer classes, because the new Caldwell facility primarily consolidates existing load. The Company maintains that it developed the new rates according to the Commission's direction to use the 2011 cost-of-service study (*see* Order No. 33038, Case No. IPC-E-13-23), and that the new rates are reasonable and in the public interest. The Company advises that the new rates will be identified by billing component in the then-current Schedule 32, and that Simplot has agreed to pay those rates. *Id.* at 7-8.

The Company notes that the contract allows it or Simplot to terminate the contract for convenience and without cause by notifying the other party of the impending termination 12-18 months before the proposed termination date. The contract provides that Simplot will reimburse the Company for the Company's costs associated with terminating the contract, minus any credits the Company owes to Simplot under the contract. *Id.* at 8-9.

The Company asks the Commission to approve the contract and Schedule 32 "effective on or before June 1, 2015, with service under Schedule 32 applicable the first day of the month in the first month in which the aggregate power requirement at the new Caldwell facility exceeds 20,000 kW." The Company explains that Simplot is uncertain about when it will first exceed the 20,000 kW aggregate power requirement (*see* page 1, above), and that the flexible applicability section of Schedule 32 will allow the new facility to remain on Schedule 19 until it no longer is eligible for service under Schedule 19. *Id.* at 9.

## **STAFF REVIEW**

### **A. Background**

On December 4, 2013, the Company asked the Commission to approve an earlier special contract with Simplot for the Caldwell facility. *See* Case No. IPC-E-13-23. However the Company and Simplot had not yet agreed on all contract terms when the Company filed its Application. The companies, for example, disagreed on certain limited liability provisions and pricing methodology. The Commission ultimately resolved the limited liability issue and provided guidance about the appropriate way to determine the special contract rates. *See* Order Nos. 33038 and 33078. Specifically, the Commission found "that a rate utilizing cost-of-service as a starting point for negotiation is consistent with prior Commission Orders and is fair, just and reasonable." Order No. 33038 at 12.

Following resolution of Case No. IPC-E-13-23, the Company and Simplot agreed to the contract set forth in Attachment 1 of the Company's present Application. Billing and rate components of this contract would be under a proposed tariff, Schedule 32, which is filed as Attachment 2 of the Company's Application.

## **B. Schedule 32**

Service under Schedule 32 applies to Simplot's Caldwell facility. The monthly charge is the sum of a Demand Charge, Energy Charge, Contract Demand Charge, and Daily Excess Demand Charge. These charges may also be adjusted in accordance with tariff Schedules 55 (Power Cost Adjustment), 91 (Energy Efficiency Rider), and 95 (Adjustment for Municipal Franchise Fees).

According to the Company, Schedule 32 charges were determined using the Company's most recent cost-of-service study, presented in Case No. IPC-E-11-08. The 2011 cost-of-service study was modified to reflect the removal of three Schedule 19 Simplot facilities that will be replaced by the new Caldwell facility. The 2011 cost-of-service study and methodology were used to determine a revenue requirement of \$6,974,836.

Rates were adjusted to reflect changes that occurred after the 2011 rate case ended. These adjustments include changes resulting from Commission orders related to the Open Access Transmission Tariff (OATT) deferral adjustment, the depreciation study adjustment, the Boardman Balancing Account adjustment, the Langley Gulch power plant adjustment, and the update to base net power supply expenses that became effective June 1, 2014. The adjustments increased the total revenue requirement to \$8,757,002, or \$0.05014 per kWh, given Simplot's estimated annual usage of 174,653,834 kWh. Staff reviewed the Company's revenue requirement calculations, and concludes that they are consistent with the Company's cost-of-service methodology from Case No. IPC-E-11-08.

The rates shown in tariff Schedule 32 are determined using the same methodology that the Company applied to tariff Schedule 45, Standby Service. The Company first used this methodology in its 1994 general rate case (IPC-E-94-5) and the Commission approved it in Order No. 25880. Under this methodology, the Contract Demand Charge is an estimate of the costs that the Company incurs to reserve part of its load for Simplot's use. The proposed Contract Demand Charge is \$1.77 per kW.

The Demand Charge, which Simplot pays for its actual demand, is determined using the Company's cost-of-service methodology, less the Contract Demand Charge. The cost-of-service methodology used to determine the Demand Charge includes all embedded costs associated with serving Simplot's demand. The Company's proposed tariff Schedule 32 includes both summer and non-summer demand charges of \$14.74 and \$8.57, respectively.

If Simplot's demand exceeds Contract Demand (currently, 25,000 kW), and if the Company can supply that demand, Simplot will pay a \$0.295 Excess Demand Charge per kW of demand over Contract Demand. This charge represents the Company's incremental embedded costs of meeting Simplot's excess demand. The embedded costs used in this computation exclude those distribution costs that are directly attributable to Simplot, and fully recovered in the Company's Contract Demand Charge and Demand Charge.


Staff reviewed the Company's Schedule 45 methodology, and believes that it represents a reasonable approach to determining costs-of-service related to the proposed Schedule 32 Contract Demand Charge, Demand Charge, and Daily Excess Demand Charge.

Schedule 32 recovers energy costs through summer and non-summer rates of \$0.030974 and \$0.030391, respectively. Staff reviewed the Company's computations related to its Schedule 32 energy charges, and concludes that they represent the energy-related costs incurred by the Company on Simplot's behalf.

#### **STAFF RECOMMENDATIONS**

In Staff's opinion, the proposed contract is consistent with Commission Order Nos. 33038 and 33071. Staff also concludes that the methods used to determine Schedule 32 charges are consistent with Commission Order Nos. 25880, 33038, and 33071, and are a reasonable way of determining the costs incurred by the Company on Simplot's behalf. Staff also believes the proposed contract is fair, and that it will not disadvantage the Company's other customers. Staff thus recommends that the Commission approve the Company's proposed tariff Schedule 32, accept the Company's special contract with Simplot as submitted.

Respectfully submitted this 15<sup>th</sup> day of May 2015.

  
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Karl T. Klein  
Deputy Attorney General

Technical Staff: Mike Morrison

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## CERTIFICATE OF SERVICE

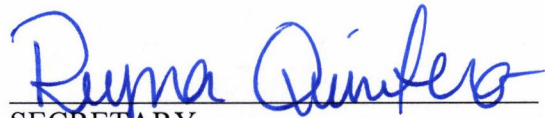
I HEREBY CERTIFY THAT I HAVE THIS 15TH DAY OF MAY 2015, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-15-13, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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