DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

KEITH HESSING

GARY RICHARDSON

WORKING FILE

FROM:BRAD PURDY

DATE:SEPTEMBER 9, 1996

RE:CASE NO.  IPC-E-96-17

On August 23, 1996, the Idaho Power Company (Idaho Power; Company) filed an Application for approval of revisions to the Company’s Schedule 19, which provides service for large customers up to 25 MW.  Under the current tariff, when a customer’s load exceeds 25 MW, special contract arrangements are required.  This special contract provision allows both the Company and its largest customers to customize service provisions to better suit the requirements of the customer and the Company.  According to Idaho Power, the special contracts permit a separate, individual cost analysis for these customers during revenue requirement proceedings which allows these largest customers to be evaluated as individual customer classes.

Idaho Power contends that as the electric industry becomes more competitive, it is increasingly important for the Company to ensure that its large customers are neither subsidized by nor required to subsidize other customers.  The Company contends that in order to accomplish this cost recognition, it is necessary to move away from a general tariff “pricing” methodology toward a special contract services “pricing” methodology.  To accomplish this end, Idaho Power requests approval of a revised Schedule 19, which includes a provision for optional special contract service for those customers who contract for 10 MW or more of load from Idaho Power.

The Company notes that it potentially has seven customers in its Idaho jurisdiction that could become eligible for the 10 MW provision including J.R. Simplot Company in Caldwell, Hewlett Packard in Boise, the Mountain Home Air Force Base, Lamb Weston in Twin Falls, Ore-Ida  Foods in Burley, Lamb Weston in American Falls, and American Micro Systems in Pocatello.

According to Idaho Power, the intent of the contract option is to mutually negotiate contracts between the Company and its larger customers.  If the parties fail to come to a special contract agreement, service is continued under Schedule 19.  The starting point for contract negotiations would be the current terms, conditions and prices provided under Schedule 19.  Assuming agreement is reached, each contract would be submitted to the Commission for approval.

Finally, Idaho Power asserts that the new contracts are to be viewed in the context of the general rate freeze and must be entered into voluntarily.

The Company has proposed an effective date of September 23, 1996.  Given the importance of this Application and the amount of time that will undoubtedly be needed to process it, Staff recommends that the Commission issue an Order suspending the proposed effective date but processing the matter under Modified Procedure.

Commission Decision

Does the commission with to handle this under Modified Procedure?  Should an Order suspending the proposed effective date of September 23, 1996, be issued?

Brad Purdy

vld/M:IPC-E-96-17.bp