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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY TO AMEND SCHEDULE 19 TO PROVIDE FOR A SPECIAL CONTRACT OPTION TO CUSTOMERS 10 MW AND ABOVE.  | )))))))) | CASE NO. IPC-E-96-17COMMENTS OF THECOMMISSION STAFF |

The Commission Staff, by and through its attorney, Brad M. Purdy, Deputy Attorney General, submits the following comments in response to the application filed by the Idaho Power Company (Idaho Power; Company) in this case on August 23, 1996.

The proposal set forth in Idaho Power’s application would allow the Company to enter into special contracts with a portion of its Schedule 19 customers; historically served through rates, terms and conditions of established tariffs.  Schedule 19 customers are large commercial or industrial customers with loads varying between 1 and 25 MW.  Only those customers with loads between 10 and 25 MW would be eligible for special contracts under the Company’s proposal.  According to Idaho Power’s application, prices contained in such contracts may be seasonal, market based or something else.  Contracts would be negotiated between Idaho Power and the customer.  Commission approval of each individual contract would be required.  If a customer is not interested in a special contract or no agreement is reached, the customer remains a Schedule 19 customer subject to that schedule’s published rates, terms and conditions.

In Order No. 26555 issued in Case No. GNR-E-96-1 (electric restructuring), the Commission ruled:

We can see no reason to discontinue our policy of allowing special contracts for larger customers due to their size and the unusual characteristics of their respective loads.  We are supportive of any type of pricing that is responsive to customer needs so long as the net revenues collected from those customers are fair and do not place an undue burden on other customers.  Again, we encourage the utilities to be creative in this regard.

Order No. 26555 at page 8.

Idaho Power’s application appears to be an attempt to more closely tailor service to individual customer’s specific needs in an increasingly competitive industry.  As such it appears consistent with the Commission’s vision reflected in Order No. 26555.

The Company is currently in the midst of a rate stability agreement, established in Case No. IPC-E-95-11, that precludes it from changing its base revenue requirement prior to January 1, 2000.  This commitment does not prevent the Company, or any other party, from filing to redistribute revenue requirement among customer classes.  Special contracts that reduce a Schedule 19 customer’s rates without an offsetting reduction in the costs of serving that customer could shift revenue requirement to other customers.  Any such shift should be closely examined and shown to be in the best interest of the general body of ratepayers prior to contract approval.

Another consideration is the sharing provisions of the rate stability agreement.  Even if Idaho Power Company were to agree to absorb a reduction in its revenue requirement caused by lower special contract rates given to a qualifying Schedule 19 customer, other customers could be adversely impacted due to the change in actual earnings caused by such a contract.  If actual earnings exceed or would have exceeded an 11.75 % return on equity, other customers receive less sharing dollars than they would otherwise.  On the other end of the sharing spectrum, if the actual return on equity is less than 11.5 %, additional accelerated deferred income tax credits would be required to bring the Company’s actual earnings up to 11.5 %.

RECOMMENDATION

Actual contracts entered into as a result of this filing will require Commission approval.   Although the Staff can imagine proposed special contracts that would unreasonably shift costs or risks to the Company’s other customers, that would not necessarily be the case.  The Staff will, therefore, carefully analyze any contracts brought before the Commission to determine what impact they may have on other customers and will comment accordingly.  The Company’s proposal in this case will allow it more flexibility in meeting the needs of its largest customers and should be approved.

DATED  at Boise, Idaho, this            day of October 1996.

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