DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

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COMMISSIONER SMITH

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WORKING FILE

FROM:CHERI C. COPSEY

DATE:FEBRUARY 24, 1998

RE:IDAHO POWER COMPANY’S AND FMC CORPORATION’S APPLICA­TION FOR APPROVAL OF A SPECIAL CONTRACT FOR SERVICE TO FMC CORPORATION AND A REVISED SCHEDULE 28--FMC TARIFF AND FOR APPROVAL OF REVISIONS TO THE POWER COST ADJUST­MENT OF IDAHO POWER COMPANY AS A RESULT OF THE NEW FMC CONTRACT, CASE NO. IPC-E-97-13.

On December 31, 1997, Idaho Power Company and FMC Corporation filed a Joint Application and a revised Schedule 28 (FMC tariff), to be effective January 1, 1998, requesting that the Commissionapprove a special contract for service to FMC Corporation.  Idaho Power and FMC also sought approval to revise Idaho Power Company’s Power Cost Adjustment.  They alleged these revisions were made necessary by the new FMC contract.

After reviewing the Joint Application, on January 26, 1998, the Commission suspended the proposed effective date of the contract and Schedule 28 and ordered the Application be processed under Modified Procedure.  Order No. 27336. Comments are due March 30, 1998.

In response to Idaho Power and FMC requests, Staff conducted a workshop to discuss how Idaho Power’s Power Cost Adjustment should be revised.  At that workshop, Idaho Power and FMC indicated that the originally proposed changes to the Power Cost Adjustment as described in the Application should be modified.

Idaho Power and FMC originally indicated that the new FMC contract would require the following changes to the Power Cost Adjustment mechanisms of Idaho Power:

1.The normalized energy included as firm system load and as firm Idaho retail load will be changed to reflect the difference between the current primary amount and the new first block amount.

2.The Idaho retail allocation would be adjusted to reflect Item 1 adjustments.

3.The first block energy will be considered as actual firm load on an ongoing basis.

4.The normalized secondary revenue offset will be removed from the Power Cost Adjustment base and replaced with the actual second block energy revenue.

5.The actual secondary revenue offset will be removed from the Power Cost Adjustment base and replaced with the actual second block energy revenue.

On February 20, 1998, FMC and Idaho Power modified their Joint Application.  While the proposed Special Contract and proposed revised tariff were not modified by the February 20, 1998, filing, Idaho Power and FMC withdrew the previously proposed changes to the Power Cost Adjustment and proposed the following changes in their place:

1.Treat change from primary energy to first block energy (51,840 MWh) as load growth.

2.If Item 1 above is accepted, no change to the Idaho retail allocation is necessary.

3.As proposed in Item 1, the change from primary energy to first block energy would be treated as load growth.

4.Although the second block energy revenue is unknown because the price will float with the market, the 16.84 m/kWh rate used for the firm load growth rate could be used for determining a normalized secondary revenue amount.  If FMC’s usage is set at normalized levels, the load growth adjustment for the first block at 16.84 mills per kWh would be offset by the second block energy decrease at 16.84 mills per kWh.

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   Energy        Price        Revenue

Secondary Energy 590,678     23.00 13,585,594

Second Block Energy 538,838     16.84   9,074,032

5.Actual second block energy revenues will be tracked just as actual secondary revenues were tracked for PCA true-up purposes.

Staff Analysis and Recommendation:

This Joint Application was filed with the Commission on December 31, 1997.  Due to the complexity of the proposed contract, its possible effect on other customers and Staff’s heavy work load, Staff recommended that the comment period be sixty (60) days to allow a thorough review of the contract and its effect and to allow public comment.  The applicants concurred with this comment period.

After reviewing the proposed modification to the Joint Application that deals with proposed changes to the Power Cost Adjustment, Staff recommends that an Amended Notice of Application be issued and served.  The Staff further recommends that the date set for comment under Modified Procedure remain March 30, 1998, because the original comment period was sixty (60) days and  with over thirty (30) days remaining, further time is not necessary.

Commission Decision:

Does the Commission agree an Amended Notice of Application be issued with comments due March 30, 1998?

Cheri C. Copsey

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