DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

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RICK STERLING

DAVID SCOTT

WORKING FILE

FROM:BRAD PURDY

DATE:AUGUST 18, 1998

RE:CASE NO. IPC-E-98-7; APPLICATION OF IDAHO POWER COMPANY FOR APPROVAL OF AGREEMENT PROVIDING STANDBY SERVICE TO THE AMALGAMATED SUGAR COMPANY

On May 1, 1998, Idaho Power Company (Idaho Power; Company) filed an Application requesting approval of an agreement for the supply of standby service between Idaho Power and The Amalgamated Sugar Company (Amalgamated; TASCO).  Idaho Power also requested approval of Rate Schedule 31, which is intended to operate in conjunction with the standby agreement.

Idaho Power provides electric service to TASCO’s refined sugar production facilities at Nampa, Paul, and Twin Falls, Idaho under Idaho Power’s Schedule 19, and to TASCO’s refined sugar production facility at Nyssa, Oregon, under Idaho Power’s Oregon Schedule 19.  TASCO owns and operates electric generation at each of these refined sugar production facilities and utilizes electricity generated by those facilities to supply a portion of its electric loads.  Idaho Power’s service under Schedule 19 supplements the energy obtained from TASCO’s on-site generation.

TASCO currently purchases standby service from Idaho Power under Schedule 45 to back up TASCO’s on-site generation at the Paul, Idaho facility.   Schedule 45 is a tariff for standby service, available to any customer desiring standby service to provide a back-up for the customer’s self generation. TASCO has requested that Idaho Power provide standby service for all four TASCO refined sugar production facilities.

The existing Schedule 45 is adequate to provide standby service for a single location.  However, it was not designed to accommodate service to multiple facilities at different locations.  TASCO desires to have 4 MW of standby service available that can be used in whole or in part at any combination of its four refined sugar production facilities.  In addition, TASCO only wishes to purchase the standby service during the fall and winter months when its production facilities are in full production.

The agreement between Idaho Power and TASCO, and the proposed Schedule 31 which is based on the agreement, is a modification of the current Schedule 45.  Schedule 45 was first implemented in 1989, and has been revised once in 1995 as a result of the Company’s last general rate case.  Only one customer, Amalgamated Sugar’s plant in Paul, has ever taken service under the tariff.

The primary difference between the proposed Schedule 31 and the existing Schedule 45 is that Schedule 31 is designed specifically for TASCO to provide a specified amount of standby service in the aggregate at any of several facilities all owned by Amalgamated Sugar, whereas Schedule 45 is designed to provide standby service at only one site.  Schedule 31 also takes into account the seasonality of service to TASCO, discriminating between the summer and winter costs of Idaho Power’s generation and transmission.

The Commission issued a Notice of Modified Procedure in this case.  The only party to submit comments was the Commission Staff.

Staff Analysis and Recommendation

Under the requirements of the standby agreement, TASCO will pay all costs of supplying, installing operating, and maintaining certain transmission, substation and distribution facilities to allow Idaho Power to supply the standby service to the TASCO facilities.  The costs of providing the service have been calculated in the same manner as has been used in the computation of Schedule 45 rates.  The only difference in the methodology used is that the rates under this standby agreement account for TASCO’s desire to share four MW of standby service among four different facilities, and its desire to only purchase standby service in the fall and winter months.

Staff believes that the rates computed for standby service to TASCO fairly reflect the cost of the service provided by Idaho Power.  Although the rates are not at full cost of service based on the approved cost of service study from the Company’s last general rate case (IPC-E-94-5), they are below cost of service by the same amount as existing Schedule 45 rates.

Provisions of the contract require TASCO to purchase on a take-or-pay basis, standby contract demand and standby facilities contract demand charges.  Thus, even if TASCO does not utilize the standby demand, revenues will accrue to Idaho Power.  All energy taken with the standby demand will be priced at Schedule 19 energy charge rates.  Staff believes the rates charged by Idaho Power will allow the Company to recover the revenue requirement associated with providing the service to TASCO.  Consequently, ratepayers should be indifferent to whether Idaho Power provides the standby service under the contract.

Staff recommends the standby service agreement and the associated Schedule 31 be approved.Idaho Power has not requested that Schedule 45 be terminated, preferring to leave it in place in the event it meets the needs of future customers.

Commission Decision

Does the Commission wish to approve Idaho power’s standby agreement with TASCO and proposed Schedule 31?

Brad Purdy

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