

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: SCOTT WOODBURY

DATE: JUNE 26, 2006

SUBJECT: CASE NO. PAC-E-06-4 (RATE INCREASE – SCHEDULES 10, 400, 401)
CASE NO. PAC-E-06-8 (NU-WEST STIPULATION – SCHEDULE 401)
CASE NO. PAC-E-06-9 (MONSANTO SERVICE AGREEMENT – SCHEDULE 400)

Background

Pursuant to Commission approved Stipulation in PacifiCorp's 2005 rate case (PAC-E-05-1, Order No. 29833) PacifiCorp agreed to file a general rate case no later than April 29, 2006 to address cost of service issues not resolved in the 2005 Stipulation and to time the effective date of new rates to coincide with the expiration of the current Monsanto contract (December 31, 2006). The Company's 2006 filing was delayed to permit Company contract negotiations to proceed with Monsanto. The Company's filings in Case Nos. PAC-E-06-4, 06-8 and 06-9 are intended to satisfy its 2005 Stipulation filing commitment.

Applications

On June 21, 2006, PacifiCorp dba Rocky Mountain Power (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) in Case No. PAC-E-06-4 requesting authority to implement revised rates in electric tariff Schedules 10 (Irrigation), 400 (Monsanto Company) and 401 (Nu-West Industries). Simultaneous and related filings are made in Case Nos. PAC-E-06-8 (Nu-West Stipulation) and PAC-E-06-9 (Monsanto Service Agreement). The filings can be summarized as follows:

Case No. PAC-E-06-4

PacifiCorp is an electric public utility providing retail electric service to approximately 64,000 customers in the State of Idaho. The Company in its Case No. PAC-E-06-

4 filing requests authority to implement revised tariff schedules that would result in a net increase in base rates of \$8.25 million (5.1%) for retail customers under irrigation Schedule No. 10 (\$1.7 million; 5%), Nu-West special contract Schedule No. 401 (\$150,000; 4%) and Monsanto special contract Schedule No. 400 (\$6.8 million; 16.5%).

The Company's filing in Case No. PAC-E-06-4 is accompanied by the testimony and exhibits of Jeffrey K. Larson, Managing Director of Regulatory Affairs for PacifiCorp. Mr. Larson is the Company's witness for both cost-of-service and revenue requirement. Also included with the filing is a May 24, 2006 Stipulation signed by the Idaho Irrigation Pumpers Association (IIPA). The proposed changes in tariff rates are agreed to by IIPA, Nu-West and Monsanto. The Company maintains that the increases to tariff Schedules 10, 400 and 401 are supported by cost-of-service studies and normalized results of operations using a historical test year ending September 30, 2005 and a calculated Idaho revenue requirement deficiency (\$19.35 million). No change in rates are proposed for other Idaho customer classes.

Regarding irrigation customers, the Company also proposes to defer a total of \$450,000 of the revenue collected under Schedule 10 between May 1, 2007 and September 30, 2007 and refund the total, spread equitably to participants in the Irrigation Load Control Credit Rider Program. The total refund would be paid no later than December 31, 2007. The net effect on all Schedule 10 customers would be an average increase of 3.7% in 2007. The refund to the program participants is designed to be an incentive encouraging additional participation in the Load Control Program during the 2007 irrigation season and is in addition the Load Control Service Credit provided to program participants under Schedule No. 72.

The Company has also agreed to meet with the Idaho Irrigation Pumpers Association (IIPA) and other interested parties prior to November 1, 2006 to study alternatives for evaluating the curtailment product provided by the Irrigators to PacifiCorp.

The Company in submitted testimony recognizes its commitment to the Community Action Partnership Association of Idaho (CAPAI) in Case Nos. PAC-E-05-1 (2005 Stipulation) and PAC-E-05-8, Order No. 29998 (MidAmerican Commitment No. I13(b)) to present with respect to low-income weatherization programs managed by Community Action agencies an analysis in its next rate case of the "cost and benefits of changing its current practice of matching 50% of federal contribution to matching at a higher percentage amount." The Company

represents that it has reached an agreement with CAPAI that the issue of contributions under tariff Schedule No. 21 could be addressed in a separate proceeding before the Commission.

PAC-E-06-8

PacifiCorp in Case No. PAC-E-06-8 requests Commission approval of a June 9, 2006 Stipulation between PacifiCorp and Nu-West Industries, Inc. proposing an adjustment to electric tariff Schedule No. 401 (reference PAC-E-06-4).

Nu-West is a special contract customer producing phosphate fertilizer at facilities in Soda Springs, Idaho. The Electric Service Agreement currently governing electric service to Nu-West under Schedule 401 (existing Agreement) was approved in Order No. 29940 and terminates December 31, 2010. The existing Agreement states that the Commission authorized tariff rate changes, effective semi-annually each July 1 and January 1, apply to service under Schedule No. 401. In a departure from the terms of the existing Agreement, Nu-West has agreed by Stipulation to allow for the proposed rate adjustment to be effective September 1, 2006. Future Commission authorized adjustments are anticipated to be made according to the terms of the existing Agreement.

PacifiCorp requests that Nu-West's Application be processed under Modified Procedure under a schedule that will permit an effective date of September 1, 2006. In the event that an Order cannot be reached before September 1, 2006, PacifiCorp requests that the revised Schedule No. 401 become effective September 1, 2006 subject to refund at the time of the Commission's final Order.

PAC-E-06-9

PacifiCorp in Case No. PAC-E-06-9 presents for Commission approval a May 18, 2006 Electric Service Agreement (Agreement) with Monsanto Company. The Company requests approval of related tariff Schedule 400 rate adjustment in Case No. PAC-E-06-4.

Monsanto operates an elemental phosphorous plant near the city of Soda Springs in Caribou County, Idaho. The existing Agreement governing electric service to Monsanto terminates December 31, 2006. The submitted Agreement will become effective January 1, 2007 with an initial term through December 31, 2009. The Agreement will automatically renew for a successive one-year terms unless and until either party gives not less than 180 days written notice of termination.

Rates for service under the Agreement will adjust to equal the Commission approved rates applicable to Monsanto resulting from any general rate case or other filing by PacifiCorp effective after January 1, 2008. Commission authorized tariff rate changes after January 1, 2008, including surcharges or credits, as reflected in Schedule No. 400 or its successor, will apply to service under the Agreement on the effective date of the authorized adjustment.

COMMISSION DECISION

Tendered for Commission approval are proposed rate increases to tariff Schedules 10, 400 and 401. The changes are supported by the Stipulation agreements of IIPA in Schedule 10 and Nu-West in Schedule 401 and the proposed Service Agreement signature of Monsanto in Schedule 400.

PacifiCorp recommends that its Applications in Case Nos. PAC-E-06-4, 06-8 and 06-9 be processed pursuant to Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. The Company requests an effective date of September 1, 2006 for the tariff Schedule 401 rate adjustment for Nu-West and an effective date of January 1, 2007 for the tariff Schedule 10 (Irrigation) and Schedule 400 (Monsanto) rate adjustments. Should the Commission be unable to meet the proposed September 1, 2006 effective for Nu-West, the Company recommends that the Commission authorize a September 1 effective date subject to refund.

Staff recommends at this time that the Commission issue notices of the three filings and establish a short 14-day period for intervention. Staff does not object to the Modified Procedure recommended by the Company but believes that the three cases need to be processed together and not separately (i.e., Nu-West). Staff intends to examine the Company's supporting documentation regarding revenue requirement and cost-of-service. Staff is presently engaged in audit and discovery. Following the intervention period and an identification of interested parties, further procedure and scheduling will be recommended. Does the Commission concur with Staff's recommended procedure?

Scott Woodbury

b1s/M:PAC-E-06-04_PAC-E-06-08_PAC-E-06-09_sw