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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
PACIFICORP DBA ROCKY MOUNTAIN) CASE NO. PAC-E-06-8
POWER FOR APPROVAL OF A STIPULATION)
WITH NU-WEST INDUSTRIES.)
)
) COMMENTS OF THE
) COMMISSION STAFF
)
_____)

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Modified Procedure, Notice of Scheduling and Notice of Hearing issued on August 21, 2006 submits the following comments.

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 (Rate increase – Schedules 10, 400,

401), 06-8 (Nu-West Stipulation) and 06-9 (Monsanto Service Agreement) are intended to satisfy its 2005 Stipulation filing commitment.

Application

PacifiCorp in this Case No. PAC-E-06-8 requests Commission approval of a June 9, 2006 Stipulation (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 (Agreement) was approved in Order No. 29940; it terminates December 31, 2010 and it was not renegotiated in the Stipulation. 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. On June 21, 2006 in a separate Application in Case No. PAC-E-06-4, the Company submitted a Revised Tariff Schedule No. 401 reflecting new rates for Nu-West pursuant to the 2006 Stipulation. The Commission in Interlocutory Order No. 30117 (Case No. PAC-E-06-4) approved an effective date of September 1, 2006 for the revision to Schedule No. 401 subject to refund at the time of the Commission's Final Order. In a departure from the terms of the existing Agreement, Nu-West has agreed by 2006 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.

STAFF ANALYSIS

Revenue Requirement Analysis

Staff audited the Company Results of Operations (Larsen Testimony, Exhibit 1) for a test year ending September 30, 2005. During the course of its audit, Staff determined that there should be adjustments to the Results of Operations for reductions in the return on equity, reductions in capital projects that should not be included in rate base and reductions in annual expenses. Staff believed it necessary to make these adjustments to the Results of Operations in order to evaluate the reasonableness of the Company's combined revenue requirement increase proposal made in the three filings. These adjustments and resulting revenue requirement will be considered preliminary for future rate cases when other adjustments may be made. Staff's adjustments reduce the revenue requirement for Idaho by approximately \$5.0 million. The Staff Audit Report is provided as Attachment A, Staff Audit Report, Staff Comments/Case No. PAC-E-06-4.

The Idaho revenue requirement including Staff's adjustments was compared to the revenues the Company is currently collecting plus the \$8.25 million in increases it is asking for in the three cases. The total revenue that the Company has requested as a result of increases in these three cases is less than the adjusted revenue requirement Staff determined through its audit. Therefore, from a revenue requirement increase perspective, the requested increases in the Applications are reasonable.

Contract Terms

Nu-West is engaged in the production of phosphate fertilizer at facilities located in Soda Springs, Idaho. The existing Electric Service Agreement governing service to Nu-West became effective January 1, 2006, and will terminate on December 31, 2010. The Nu-West service Agreement was not renegotiated in this Application.

The Company on June 21, 2006 in Case No. PAC-E-06-4, submitted Revised Tariff Sheet No. 401, reflecting new rates for Nu-West pursuant to the 2006 Stipulation. The Company requested and the Commission approved an effective date of September 1, 2006. Order No. 30117. Those rates, subject to refund, represent a 3.8% increase over the prior rates. Nu-West has agreed to the \$150,000, 3.8% increase which moves it towards the \$428,000 increase specified in the cost of service study provided in Case No. PAC-E-06-4. Staff believes the increases represent a reasonable move toward full cost of service. Staff's analysis of Revenue Requirement and cost of service is detailed in the PAC-E-06-4 case.

The following is a summary of the monthly charges that will apply to Nu-West:

MONTHLY CHARGES					
		Prior May-October	Current Proposal	Prior November-April	Current Proposal
Customer Charge	\$ Per Month	\$282.89	\$293.00	\$282.89	\$293.00
Demand Charge	\$ Per kW-Month	\$ 11.19	\$ 11.61	\$ 9.03	\$ 9.37
Energy Charge (HLH)	\$ Per MWh Mon - Fri HE0800- HE2300 MPT	\$ 23.11	\$ 23.98	\$ 19.22	\$ 19.94
(LLH)	All other hours and holidays	\$ 17.33	\$ 17.99	\$ 17.33	\$ 17.99

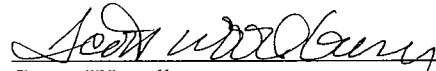
The Nu-West service Agreement provides that the Commission has the authority to modify the rates for service under the Agreement under the same standard that applies to tariff customers generally. Commission authorized tariff rate changes, including surcharges or credits that apply to tariff customers generally, will also apply to service under the Agreement.

Staff has evaluated the proposed rates for service to Nu-West Schedule 401 and finds that the rates comply with the 2006 Stipulation and represent a 3.8% increase over the present Agreement rates.

RECOMMENDATION

Staff notes that the proposed rates, which became effective September 1, 2006 subject to refund, represent a 3.8% increase over prior Schedule 401 rates and that the rates proposed are acceptable to both parties and appear to be reasonable. Staff's evaluation of the increase amount is addressed in the cost of service analysis in the pending Case No. PAC-E-06-4. Staff recommends that the Commission approve the proposed rates and charges for Nu-West.

Respectfully submitted this 3rd day of November 2006.



Scott Woodbury
Deputy Attorney General

Technical Staff: Joe Leckie
Dave Schunke

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 3RD DAY OF NOVEMBER 2006, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-06-8, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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