DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

DAVID SCHUNKE

RANDY LOBB

BOB SMITH

GARY RICHARDSON

WORKING FILE

FROM:SCOTT WOODBURY

DATE:AUGUST 23, 1995

RE:NU-WEST SERVICE AGREEMENT —EIGHTH AMENDMENT

On August 11, 1995 PacifiCorp dba Utah Power & Light Company (Utah Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for approval of an amendment (Amendment No. 8 dated July 31, 1995) to the underlying Service Agreement (Agreement) between Utah Power and Nu-West Industries, Inc. (Nu-West) and a related fifth revised Sheet No. SC-3A to Utah Power Tariff IPUC No. 28.  The proposed amendment increases the demand charge from $4.92 to $5.10 per KW of measured demand and extends the contract term three years, i.e. through August 16, 1998.  The energy price for the extended period will remain at the same level established in Amendment No. 7, i.e., 2.50¢/KWh. Nu-West represents an average annual load of 15 MW.  By its terms, the existing contract (Amendment No. 7) expired August 16, 1995.  The Company has requested an effective date of August 17, 1995 for Amendment No. 8.

The Commission in Order No. 23508 (Case No. UPL-E-90-1) established a target rate for Nu-West of 34.076 mill/KWh (calculated 9.5% rate of return).  The target rate was to be achieved in incremental steps.  The goal was ostensibly reached in 1994 with Amendment No. 7.  Based on the level of energy usage assumed in establishing the target rate and the incremental steps to reach the target, the Company contends that the rate adjustment in Amendment No. 8 will provide for an average rate of 34.399 mills/KWh.

Staff Analysis

Staff has reviewed the Company’s filing and relevant Commission Orders and Minute Entries.  Staff has also discussed this matter with the Company.  As represented by the Company, the increase in the demand rate in this case reflects the best efforts of the Company to maintain the Commission’s established target rate and account for changes in Nu-West load factor which has increased from 74% in 1989 to 86% in 1994.  The change in rate also was a price that the parties could agree to.  The three-year contract term was negotiated and provides both parties with a desired element of certainty.  Staff believes that a three-year term is reasonable.  Staff recommends that the Application and Amendment be approved.

Commission Decision

Does the Commission find the proposed increase in demand rate to be reasonable?  Does the Commission find the proposed three-year contract term to be reasonable?  Does the Commission wish to approve Amendment No. 8 and the related tariff revision?  If so, by Minute Entry or Order?  The Company has requested an effective date of August 17, 1995—any comment?

Scott Woodbury

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