DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

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DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

KEITH HESSING

GARY RICHARDSON

WORKING FILE

FROM:SCOTT WOODBURY

DATE:NOVEMBER 16, 1995

RE:CASE NO. UPL-E-95-4

ELECTRIC SERVICE CONTRACT—MONSANTO COMPANY

On November 8, 1995, PacifiCorp dba Utah Power & Light Company (Utah Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of a Power Supply Agreement dated November 1, 1995 (New Agreement; Agreement) with Monsanto Company (Monsanto).  The New Agreement replaces a Power Supply Agreement with Monsanto dated July 3, 1991 (Existing Agreement).

Monsanto operates an elemental phosphorous plant near the city of Soda Springs in Caribou County, Idaho.  The electric power requirements of the plant have been supplied by Utah Power since 1952.  Monsanto is PacifiCorp’s single largest customer contributing over 28% of all Idaho retail revenues.  Monsanto’s principal competitor is FMC (Pocatello), an electric customer of Idaho Power Company.

The Existing Agreement for electric service to Monsanto’s Soda Springs plant provides for 9 MW of firm demand, 154 MW of interruptible demand, excess interruptible demand above 163 MW, and all associated energy.  The Existing Agreement is effective through June 30, 1997.  Interruptible power rates to Monsanto have increased 21% since 1991 and are scheduled to increase another 4% on July 1, 1996.  While Monsanto’s rates have been increasing, regional wholesale prices have been declining.

As represented by Utah Power, Monsanto has demonstrated that it has viable alternatives to continuing its current level of electricity purchases: i.e.

1.Annexation by municipal utility—Monsanto could displace all of its purchases from Utah Power by acquiring new electricity from the Soda Springs Municipal Electric Light & Power Department.

2.Different manufacturing process—Monsanto could displace all but approximately 45 MW of its electrical load by displacing most of its elemental phosphorous production at Soda Springs with a product produced from a purified wet acid (PWA) chemical process.

To retain Monsanto as a customer, a New Agreement was negotiated.

Under the New Agreement, Utah Power will supply Monsanto with 9 MW of firm power and up to 206 MW of interruptible power.  Utah Power may interrupt or curtail service to Monsanto at any time to maintain its system integrity.  Monsanto will pay Utah Power $30 million for the early termination of the Existing Agreement, a monthly minimum charge of $66,600, and 1.85 cents/kWh for all energy delivered.  The Agreement allows for approximately 1,656,000,000 kWh annually.

Utah Power presents a Technical Assessment Package in support of its Application describing the New Agreement and how it benefits Monsanto, PacifiCorp and other customers, and describing the negative economic impacts on PacifiCorp and the local economy if Monsanto should pursue its other alternatives.

The New Agreement provides that it will be effective from November 1, 1995 until December 31, 2001, and will continue from year to year thereafter subject to one year notice of termination.  If the Commission does not approve the New Agreement by January 15, 1996, the New Agreement will terminate.  Service will continue to be provided under the Existing Agreement and Monsanto will pursue its other alternatives.

Utah Power states that it does not seek a determination at this time on the ratemaking treatment applicable to Monsanto’s $30 million payment or the other rates and charges under the New Agreement.  The Company requests that all ratemaking issues be reserved for a rate case.

Utah Power requests that the Application be processed under Modified Procedure, i.e., by written submission rather than by hearing.  Reference Commission Rules of Procedure, IDAPA 31.01.01.201-.204.

COMMISSION DECISION

Based on its preliminary review of the Company’s filing Commission Staff believes that Modified Procedure is appropriate.  The Commission is apprised that if approval of the New Agreement occurs on or before December 14, 1995 the full $30 million will be paid to PacifiCorp on December 28, 1995.  Otherwise, PacifiCorp will receive $7.5 million on December 28, 1995, with the balance paid within 10 days of Commission approval.  Does the Commission find modified procedure to be appropriate?  The Commission is further apprised that the scheduled decision meeting dates for December are December 12 and December 18.  Staff recommends a comment/protest deadline of December 9, 1995.  Does the Commission agree that a shortening of the otherwise 21-day comment period is reasonable?

Scott D. Woodbury

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