

DECISION MEMORANDUM

**TO: COMMISSIONER KEMPTON
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: SCOTT WOODBURY
DEPUTY ATTORNEY GENERAL**

DATE: JANUARY 12, 2010

**SUBJECT: CASE NO. IPC-E-09-35 (Idaho Power)
MICRON TECHNOLOGY
SPECIAL CONTRACT/REPLACEMENT AGREEMENT**

On December 31, 2009, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of a new special contract between Idaho Power and Micron Technology, Inc. (Micron) dated December 29, 2009 (Replacement Agreement). The Replacement Agreement is intended to replace the “current special contract” or Electric Service Agreement (ESA) between Idaho Power and Micron which has been in effect since August 31, 1995 (Current Agreement), as amended.

BACKGROUND

Idaho Power’s current approved tariff Schedule 19 (Large Power Service) provides that electric service to customers with loads greater than 25 MW will be provided pursuant to a special contract. Idaho Power and Micron have operated under a special contract, the Current Agreement, since August 31, 1995. Since the Current Agreement between Micron and Idaho Power was initially approved by the Commission in 1995, there have been a number of amendments and extensions of the Current Agreement.

Beginning January 1, 2009, Idaho Power has been serving Micron under a Interim Bridge Agreement and under Schedule 26A, while Micron was undergoing significant restructuring of its operations. Order Nos. 30721, 30871. Both the Bridge Agreement and Schedule 26A expire on December 31, 2009. On January 1, 2010, service to Micron reverts back to the Current Agreement and Schedule 26, which has been updated throughout the year to reflect Commission-authorized rate changes.

The Current Agreement obligates Idaho Power to provide Micron up to 140,000 kW of contract demand. Micron's current contract demand is 85,000 kW. Micron has requested that its contract demand be reduced to 60,000 kW. Micron has also requested that it be given additional flexibility to increase or decrease its contract demand to respond more quickly to changes in market conditions. Idaho Power is willing to provide Micron with additional operational flexibility and to reduce its contract demand but it needs reciprocal commitments from Micron to give it time to adjust its resource levels to respond to Micron's increasing or decreasing amounts of contract demand and reduction in the total contract demand that will be available to Micron.

In recognition of the fact that the Current Agreement has previously been amended several times and the fact that the parties have negotiated and agreed on several new items and conditions that they find to be mutually beneficial, Idaho Power and Micron have entered into the Replacement Agreement. Application, Atch. 1.

Schedule 26 is the tariff that contains the rates and charges to be paid by Micron. A new Schedule 26 reflecting the provisions of the Replacement Agreement is included with the Application as Attachment 2.

Summary of Revisions to Current Agreement

The principal differences between the Replacement Agreement and the Current Agreement are as follows:

- a. The 85,000 kW Contract Demand in the Current Agreement is reduced to 60,000 kW in the Replacement Agreement. This change is an operating benefit to Idaho Power and an economic benefit to Micron in that Micron will not be paying for capacity it does not need. Replacement Agreement ¶ 6.1.
- b. The total maximum 140,000 kW Contract Demand in the Current Agreement is reduced to 120,000 kW in the Replacement Agreement. This reduced maximum capacity obligation is a planning benefit to Idaho Power, yet provides Micron some headroom generally equivalent to the substation capacity at the current site. Replacement Agreement ¶ 6.2.a.
- c. In the Replacement Agreement, Micron is permitted to increase its Contract Demand in 1,000 kW increments on three month's notice rather than the one-year notice provided in the Current Agreement. In the Replacement Agreement, any new Contract Demand will be in effect for a minimum of six months rather than the one-year term in the Current Agreement. In the Replacement Agreement, Micron cannot increase its total Contract Demand more than 10,000 kW in any six-month period. Replacement Agreement ¶ 6.2.a.

- d. In the Replacement Agreement, decreases to Contract Demand require three months prior written notice and the new decreased contract demand will be in effect for a minimum of six months. Replacement Agreement ¶ 6.2.b.

Changes to Schedule 26

The changes to rates incorporated in Schedule 26 are designed to recover the same average cents-per-kilowatt-hour as authorized by the Commission in Case No. IPC-E-09-08.

- The Contract Demand Charge has been lowered from the current \$1.94 per kW to \$1.30 per kW.
- The Scheduled Monthly Contract Demand provision and the initial implementation of the daily excess demand charge have been removed and covered in the Replacement Agreement.
- The Billing Demand Charge has been increased to \$8.48 per kW from \$7.48 per kW.
- The Energy Charge remains the same as under the current tariff.
- The Monthly O&M provision has been removed as it has not been applicable for a number of years. These costs have since been captured in other rate charges.

Idaho Power requests that the Commission issue an Order approving the Replacement Agreement and the rates and charges set out in Schedule 26.

COMMISSION DECISION

Idaho Power in Case No. IPC-E-09-35 submits for approval a Replacement Agreement with Micron Technology and amended tariff Schedule 26 setting forth the special contract charges for Micron. Staff recommends that the Company's Application 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. Does the Commission find Staff's recommended procedure acceptable?



Scott Woodbury
Deputy Attorney General

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