

DECISION MEMORANDUM

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

FROM: SCOTT WOODBURY
DEPUTY ATTORNEY GENERAL

DATE: SEPTEMBER 9, 2010

SUBJECT: CASE NO. IPC-E-10-23 (Idaho Power)
PROPOSAL TO REDUCE ELIGIBILITY THRESHOLD FOR
LARGE LOAD CUSTOMERS

On August 26, 2010, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for an Order authorizing reducing the upper limit for large power service under Schedule 19, agricultural irrigation service under Schedule 24 and point of delivery service requirements in Rule C (Service and Limitations) from 25,000 kW to 20,000 kW of aggregate load. Under the Company's proposal service at levels exceeding 20,000 kW will require special contract arrangements. The Company requests that the tariff modifications become effective on or before January 1, 2011.

BACKGROUND

Schedule 19, Large Power Service, is currently available and mandatory for customers who register a meter demand of 1,000 kW or more per billing period for 3 or more consecutive billing periods during the most recent 12 consecutive months, up to a maximum demand of 25,000 kW. Schedule 24, Agricultural Irrigation Service, is applicable to agricultural use customers operating water pumping or water delivery systems used to irrigate agricultural crops or pasturage for loads up to 25,000 kW. A customer is not eligible for Schedule 19 or Schedule 24 service if its aggregate power requirement at one or more points of delivery on the same premises exceeds 25,000 kW. Point of Delivery Service requirements in Rule C state that a special contract is required when an aggregate power requirement exceeds 25,000 kW.

APPLICATION

The Company, with this Application, proposes to reduce the 25,000 kW eligibility limit to 20,000 kW for Schedules 19 and 24 and Rule C. Idaho Power has filed this request in response to the continued high interest from potential large industrial load customers to take service from Idaho Power and responsible planning and development on the part of the Company, which has a lack of capacity and other constraints on its system. At a time when the ability of Idaho Power's generation and transmission system to serve new load is constrained, the size and operating characteristics of potential large loads, the Company contends, can be very expensive to serve. In recent years, excess capacity has diminished to the point that new large loads will often drive the need to add new generation and/or new transmission. By lowering the size limit, the Company can address service to growing or new load within a special contract, allowing for specific cost-of-service information as well as the unique operating characteristics of customers of this size to be considered and captured within the terms of the contractual agreement. Special contracts can provide some protection to the Company's customers from unintended system impacts that large loads may impose because of their size and their time, nature, and pattern of use.

Idaho Power represents that the proposed change will not affect any current Schedule 19 or 24 customers of Idaho Power. The Company currently has approximately one hundred ten (110) Schedule 19, Large Power Service, customers in its Idaho service territory. The Company also currently has four special contract customers: (1) Micron Technology, Inc.; (2) the United States Department of Energy's Idaho National Laboratory; (3) the JR Simplot Company; and (4) Hoku Materials, Inc. These four customers range in size from 30 to 85 MWs of load. Currently, the Company has approximately 75 potential new customers system-wide with loads greater than 1 MW and one potentially at 240 MW that have expressed interest in obtaining service from Idaho Power. Of the larger ones, a single customer with a load of about 60 MW appears likely at this time to require service.

The most recent special contract, Hoku Materials, Inc., approved by the Commission on March 16, 2009, by Order No. 30748 in Case No. IPC-E-08-21 was developed with several regulatory goals for large load service in mind. These goals, as stated in Company witness Ric Gale's testimony in the aforementioned case, strive to meet the Company's obligation to serve large load customers in its service territory while protecting the Company and its many other

retail customers from adverse system impacts that new large loads could impose in an environment when system capacity is limited and/or constrained. These goals are to: (1) provide requested service consistent with system capability and the reliability needs of existing customers; (2) provide options to the customer when the Company is unable to provide service as requested; (3) mitigate the rate impact on existing customers by developing a rate structure that includes a marginal price component for an initial term of the service agreement; (4) require upfront contributions to capital expenditures associated with facilities that specifically serve the large load customer; and (5) provide a means to quantify known and measurable amounts of additional load for Integrated Resource Planning. The Company's request in this case, it states, better enables it to manage the impacts of potential new large loads on its system in satisfaction of these goals. The Company's Application is supported and accompanied by the prefiled testimony of Michael Youngblood, Manager of Rate Design in the Regulatory Affairs Department.

COMMISSION DECISION

Idaho Power and Commission Staff recommend that the Company's Application in Case No. IPC-E-10-23 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 concur with the recommended procedure?



Scott Woodbury
Deputy Attorney General

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