

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of Utah)
Power & Light Company for an Order)
Approving an Electric Service Agreement)
between PacifiCorp and Mobil)
Exploration & Producing U.S., Inc.)

DOCKET NO. 99-035-02

ORDER

ISSUED: January 5, 2000

By The Commission:

On April 8, 1999, PacifiCorp, doing business as Utah Power & Light Company ("Utah Power" or "Company"), filed an Application with the Commission seeking approval of an electric service agreement ("Agreement") entered into between the Company and Mobil Exploration & Producing U.S., Inc. ("Mobil"). Utah Power anticipated that the Application would not be contested, and therefore requested that the Application be handled as an informal adjudication pursuant to Utah Code Ann. §63-46b-5 and Utah Admin Code R746-110. On April 21, 1999, the Commission issued a Protective Order to insure the confidentiality of material submitted in support of the application. The Company filed the Agreement with the Commission on April 26, 1999.

Utah Power asserts that the Agreement provides for a contribution to the Company's fixed costs and is in the public interest. On September 20, 1999, the Division of Public Utilities ("Division") filed a memorandum describing its analysis of the Agreement and stating its recommendation. The Division concluded that the Agreement is an economic incentive type contract, in that it offers below tariff prices to a customer to retain or obtain business of value to other customers that would otherwise be lost. The Division utilized the standards for evaluating economic incentive contracts recommended by the Economic Incentive Task Force in 1992, and concluded that the Agreement meets those standards, based on the assumptions used by the Company and the sensitivities tested by the Division. Among other things, the Division concluded that the Agreement prices are necessary to retain present loads and obtain additional load from Mobil, and that the prices make a contribution to the fixed costs otherwise borne by tariff customers.

Based on its analysis, the Division recommended approval of the Agreement over its initial term. As with its recommendation in a previous special contract case (Docket No. 97-035-11), the Division also recommended that the Commission order Utah Power to file any extension of the Agreement 120 days before the end of the Agreement's term. That time period will allow the Division the necessary time to re-evaluate an extension based on the economic conditions at the time. As in Docket No. 97-035-11, the Commission agrees with the Division on this point. The Division also again recommends that future ratemaking treatment may include imputing of revenues up to the levels shown in the economic support provided by the Company. As in prior dockets, the Commission agrees with this imputation possibility. Finally, the Division recommended that the Commission set an explicit cap of 14 MW on the amount of power that Utah Power is required to deliver under the Agreement. However, the basis for this particular recommendation is not clear to the Commission, and we therefore decline to adopt it.

Based upon the material submitted and the recommendation of the Division, the Commission approves the Agreement subject to certain conditions.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. The Agreement submitted for approval in this docket is hereby approved as being in the public interest and establishing just and reasonable rates with the following conditions:

a. If it is later determined that the Agreement has not made a reasonable contribution to costs, ratepayers of Utah Power will be held harmless from past under-collection through the imputation of revenues associated with this Agreement up to the levels shown in the economic analysis submitted in support of the Agreement.

b. Utah Power shall obtain Commission approval of any Agreement extension. The request shall be filed at least 120 days prior to the proposed extension.

2. Pursuant to Utah Administrative Rule R746-110, any protests shall be filed within 20 days of the issuance of this Order. Absent meritorious protest, this Order shall automatically become effective without further action.

DATED at Salt Lake City, Utah, this 5th day of January, 2000.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Clark D. Jones, Commissioner

Attest:

/s/ Julie Orchard

Commission Secretary