BRAD PURDY

DEPUTY ATTORNEY GENERAL

IDAHO PUBLIC UTILITIES COMMISSION

PO BOX 83720

BOISE, IDAHO  83720-0074

(208) 334-0357

Street Address for Express Mail:

472 W WASHINGTON

BOISE ID  83702-5983

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE COMMISSION’S OWN INVESTIGATION INTO THE COSTS INCURRED BY IDAHO’S ELECTRIC UTILITY IN PROVIDING ELECTRIC SERVICE.  | ))))))) | CASE NO. GNR-E-97-1COMMENTS OF THECOMMISSION STAFF |

COMES  NOW  the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Brad Purdy, Deputy Attorney General, and in response to the Proposed Order No. 27134 and the Notice of Scheduling issued on September 18, 1997, submits the following comments.

On September 18, 1997, the Idaho Public Utilities Commission issued Proposed Order No. 27134 in the above referenced proceeding.  That Order directed the Commission Staff and interested parties to convene a technical workshop on September 29, 1997, to discuss the technical problems associated with unbundling electric utility costs as addressed in the Proposed Order.  The workshop was held and the Commission Staff submits the following comments on the Proposed Order.

The Proposed Order states that costs associated with five public purpose categories should be unbundled.  Staff believes that it would be very difficult to unbundle costs in the category “Universal Service.”  Universal Service, as it relates to electric utility companies, is not yet defined.  Also, the Uniform System of Accounts used by utility companies is not conducive to this breakout.  Staff proposes that costs not be broken out into this category at this time although such a breakout may be feasible at some point in the future.  Staff agrees with Order No. 27134, for consistency, that all low income Demand Side Management be categorized as “Demand Side Management” as opposed to “Low Income Assistance.”  This may leave little or no expense under the low income assistance category.  Staff agrees with participants in the technical workshop who suggested that these two categories of public purpose costs be retained as “placeholders” for possible future costs but that utilities not be required at this time to identify costs associated with them unless they choose to do so.

The Proposed Order identified two of the subcategories under Generation as “Fixed Generation Costs” and “Variable Generation Costs.”  Staff proposes that the two categories be entitled “Demand-Related Generation Costs” and “Energy-Related Generation Costs.”  The distinction relates to the fact that the investor-owned utilities allocate the majority of fixed production costs, 60% to 80%, as energy related.  Because this allocation is currently reflected in rates, it is appropriate to unbundle costs using each company’s approved cost-allocation method.

Because uncollectible accounts expense relates to generation, transmission and distribution services and is not a cost of billing, Staff proposes that the “Billing” cost category identified in the Proposed Order be further broken out to show uncollectibles as a separate line item within that category.

Toward the end of the Proposed Order the Commission included four technical questions to which it seeks answers.  Those questions and Staff’s answers follow:

1.What should be the boundaries between generation, transmission, and distribution?  Staff suggests that the Uniform System of Accounts provides the appropriate boundary definitions.

2.Is there equipment installed on one part of the system designed to benefit another functional part of the system?  The answer is yes; however, the difficulty associated with

separating out these costs combined with the insignificant difference that it would make in the unbundled costs make the effort not worthwhile at this time.

3.How should Administrative and General (A&G) costs be allocated?  Each utility allocates or assigns A&G costs differently now, with similar goals of including them in the appropriate cost category.  These costs amount to roughly 10% of total revenue requirement.  Staff proposes that each IOU allocate A&G costs as approved in its last general rate case.  Staff also proposes that ICUA members allocate A&G costs in an appropriate manner of their choosing.  In all cases the detailed methodology should be shown in workpapers.

4.How should general plant be allocated?  Once again each utility has traditionally done this allocation differently.  Staff proposes the same general answer as proposed in No. 3 above.

At the technical workshop, representatives of the ICUA indicated they would have difficulty filing studies using calendar year 1996 data and normalizing test-year data for weather and stream flows.  Staff agrees that participants using fiscal years other than the calendar year should file their studies accordingly.  Because a majority of ICUA members do not have significant generation resources but purchase power for resale instead, Staff believes it would be unnecessary to require these utilities to provide normalized test year results.

Respectfully submitted this                  day of October 1997.

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Brad Purdy

Deputy Attorney General

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Keith Hessing

Engineer

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