

FEB 14 1992

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR)	CASE NO. IPC-E-90-20
APPROVAL OF AN INTERCONNECTION)	
TARIFF FOR NON-UTILITY)	ORDER NO. 24172
GENERATION)	
)	

In Order No. 24025, the Commission's final Order on Reconsideration in Case No. IPC-E-90-20, Idaho Power (Idaho Power; IPCo; Company) was directed to submit a revised Tariff Schedule 72 - Interconnections to Non-utility Generation, reflecting the use of non level (escalating) *vis-à-vis* level O & M charges. In its Order the Commission stated:

We therefore require Idaho Power to submit a revised Schedule 72 tariff that includes escalating O&M rates determined by the methodology proposed by Staff in this case. Idaho Power may use the Consumer Price Index (CPI) or may use some other indicator of actual inflation that is reasonably applicable to the type of equipment being considered. In either case, the Company should use the weighted average asset life of the equipment being considered, as determined by its normal accounting practices, and should apply the average inflation rate incurred over that period of time as the escalation rate for contractual interconnect O&M rates.

On January 22, 1992, Idaho Power submitted a revised Tariff Schedule 72 for approval and a request for clarification. The Company requests an effective date of March 1, 1992.

Based on its review of the Company's compliance filing, the filings of record and its prior Orders in Case No. IPC-E-90-20, and related avoided cost Orders in Case Nos. U-1500-170 and IPC-E-89-11, the Commission approves the mathematical methodology used by Idaho Power to compute the escalating O & M charge schedules.

The Commission notes that the Company in its filing proposes to use a cost of capital or discount rate of 12.09%. The approved cost of capital rate for determining avoided costs in Case No. IPC-E-89-11, Order No. 23357 was 11.45%. We find it reasonable to use consistent discount rates in determining avoided costs and Schedule 72 rates. We therefore require the Company to use 11.45% as the appropriate discount rate for Schedule 72.

The Commission further notes that the Company in its filing proposes to use an annual capital cost inflation or escalation rate of 5.13%. That rate was the estimated escalation rate for Colstrip variable costs included in Order No. 23357. The escalation rate included in Staff testimony in this Case (IPC-E-90-20) was 5.4%. Staff's proposed rate was based on the average rate of escalation of the historic Consumer Price Index (CPI) over the estimated average life of the equipment used to determine the level O & M rate. While Staff's proposed rate is attractive, the Commission finds it more advantageous to use an escalation rate previously established for determining avoided cost rates. Rather than use of the 5.13% variable component escalation rate proposed by the Company however, we find it more reasonable in this Case to require the use of the 4.50% annual escalation rate for capital components also determined in Order No. 23357.

In consideration of the foregoing we direct the Company to resubmit compliance tariff schedules using a discount rate of 11.45% and an annual cost inflation rate of 4.50%.

As part of its Tariff Schedule 72 submittal, the Company includes the following language for purpose of clarification as to how escalation O & M charges will be prospectively applied to QF contracts where the contract term is less than 35 years:

Where a Seller's interconnection will utilize interconnection facilities provided under a prior agreement(s), the term of which was shorter than 35 years, the operation and maintenance charge for the Seller's interconnection will be computed to include the expired term of the prior agreement(s).

We agree with this interpretation and approve of the proposed Tariff language.

O R D E R

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED that the Company resubmit compliance tariff schedules in Case No. IPC-E-90-20 using a discount rate of 11.45% and an annual cost inflation rate of 4.50%. With such changes we approve the submitted compliance Tariff Schedule 72 for the requested effective date, March 1, 1992.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this *13~~th~~* day of February 1992.


MARSHA H. SMITH, PRESIDENT


DEAN J. MILLER, COMMISSIONER


RALPH NELSON, COMMISSIONER

ATTEST:


MYRNA J. WALTERS, SECRETARY

SW:jr/O-1668