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BEFORE  THE  IDAHO  PUBLIC  UTILITIES  COMMISSION

IN THE MATTER OF THE  )

APPLICATION OF IDAHO POWER) CASE  NO.  IPC-E-95-2

COMPANY FOR AUTHORITY TO)

IMPLEMENT THE POWER COST)

ADJUSTMENT RATE FOR )

ELECTRIC SERVICE TO)

CUSTOMERS IN THE STATE OF)                                        IDAHO FOR THE PERIOD )COMMENTS OF THE

MAY 16, 1995 THROUGH)COMMISSION STAFF

MAY 15, 1996.)

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COMES  NOW  the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Donald L. Howell, II, Deputy Attorney General, and submits the following comments for the Commission’s consideration in Case No. IPC-E-95-2.

On April 14, 1995 Idaho Power Company submitted its third annual Power Cost Adjustment (PCA) filing to this Commission.  Idaho Power's PCA mechanism was authorized in Case No. IPC-E-92-10.  In this Application, the Company proposes a Power Cost adjustment rate increase of .0834 cents per kWh above normal rates.  The Company requests that the PCA rate be effective for the period May 16, 1995 through May 15, 1996.  The two previous PCA filings (1993 and 1994) increased ratepayer rates to offset higher than normal power supply costs mostly due to drought conditions.  In this third PCA filing, Idaho Power projects nearly normal power supply costs going forward but carries over an approximate $10 million shortfall from the previous 12 month true-up period.  Therefore, for the third consecutive year ratepayer rates will be increased above normalized levels, but this adjustment represents a net decrease from the existing PCA rate.

THE PCA ELEMENTS

The PCA rate is composed of two parts, a forecast of PCA expenses for the coming year and a true-up between forecast and actual expenses for the previous year.  The forecast uses a natural log regression based upon streamflow and power supply cost data obtained from the Company's last general rate case.   The streamflow data includes a projection of April through July inflows to Brownlee Reservoir for the coming year provided by the National Weather Service River Basin Forecast Center.  Attachment 1 to these comments shows net power supply costs as they relate to April through July Brownlee inflows from the IPC-E-94-5 general rate case, the regression line, and the 4.9 million acre-foot runoff projection for 1995.  The box near the bottom of Attachment 1 shows the 1995-96 PCA expense calculation.

Attachment 2 to these comments is a calculation of the 1994-95 PCA expense

true-up.  The true-up captures, in a deferral account, the difference between the forecast and load-normalized actual PCA expenses.  Actual fuel expense, non-firm purchase power expense, QF expense, surplus sales revenue, FMC secondary revenue, and system firm load were audited by the Staff and found to be as represented by the Company.  The true-up was complicated in this filing by the completion of the IPC-E-94-5 general rate case.  Rates from that case and changes to the PCA became effective on February 1, 1995.  The PCA true-up was affected in three ways.

First, the PCA expense sharing percentage for non-QF expenses was increased from 60% to 90%.  Second, the Idaho jurisdictional allocation factor decreased from 85.2% to 84.9%.  Finally, an additional revenue shortfall deferral was needed to properly compensate the Company because the PCA rate was not changed on February 1.  For the first ten months of the true-up period, April through January, the calculation of the true-up deferral by Staff and the Company agree.  (Compare Staff Attachment 2 to Company Exhibit 2)  However, for February and March, Company and Staff deferrals did not agree.  The method of calculating the true-up amount proposed by the Company incorrectly calculated the deferral after the completion of the general rate case.  Upon review, the Company has agreed to accept Staff's calculation of February and March deferrals.  The corrected deferred true-up amount for the year is $9,561,995 as shown in the bottom right hand corner of Attachment 2.

Attachment 3 to these comments is a recalculation of the 1995-96 Power Cost Adjustment rate which becomes .0755 cents per kWh.  This rate includes the forecast and the revised true-up.

Staff expects that the Company will file comments accepting the true-up and the recalculation of the PCA rate.

STAFF RECOMMENDATION

Staff Recommends approval of the revised PCA rate of .0755 cents per kWh for the period May 16, 1995 through May 15, 1996 to be effective May 16, 1995.

Respectfully submitted this                  day of May 1995.

                                                 DONALD L. HOWELL, II

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