DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

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WORKING FILE

FROM:SCOTT WOODBURY

DATE:MAY 10, 1996

RE:CASE NO. IPC-E-96-5

PCA

On April 15, 1996, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for approval of Tariff No. 101 implementing a power cost adjustment (PCA) at the rate of -0.1524¢/kWh for the period May 16, 1996 through May 15, 1997.

The Company’s Application is made pursuant to Commission Order No. 24806 issued in Case No. IPC-E-92-25 in which the Commission approved a PCA for Idaho Power to adjust customer rates for variations in the Company’s power supply costs.

The adjustment requested by Idaho Power consists of: (1) 90% of the difference  between the projected power supply costs and the Commission’s approved base power supply costs for Idaho Power and (2) the true-up.  The Company states that the projected power supply costs were computed in compliance with Commission Order No. 24806 by inserting the National Weather Service Northwest River Forecast Center’s projection of 6.75 million acre feet of April through July Brownlee streamflow run-off into the Commission-adopted equation for projecting PCA costs.  The resulting projected power cost of $49,311,491, Idaho Power contends, equates to a cost of 0.3547¢/kWh.  This is -0.1386¢/kWh lower than the Commission approved base of 0.4933¢/kWh.  By Commission Order No. 25880 issued in Case No. IPC-E-94-5, Idaho Power is authorized to adjust rates by 90% of the -0.1386¢/kWh difference or -0.1247¢/kWh.

The true-up component of the PCA is based upon the difference between the previous period’s projected power supply cost and the power supply cost actually incurred adjusted to eliminate the effects of load changes and also adjusted to reflect the Commission authorized cost sharing percentage.  In addition, the true-up also includes 100% of the difference between the base qualifying facility (QF) purchase expense and the QF purchase expense actually incurred.  According to Idaho Power, these computations produce a true-up of -0.0502¢/kWh based upon an over-collection by the Company of $5,393,174 during the April 1995 through March 1996 PCA accounting period.

With this PCA true-up the Company also proposes to correct a computational error that has been made in all previous true-up calculations.  The Company not only proposes to correct the calculation for the 1995/1996 true-up, but to recapture the difference between the correct and incorrect calculation of the 1994/1995 true-up.  The recovery of the incorrectly calculated 1994/1995 true-up is part of the PCA rate in place today.  The Company calculates this portion of its true-up to be 0.0225¢/kWh.  The proposed net true-up is -0.0277¢/kWh.

The difference between the projected power supply cost and the base power supply cost and the true-up combine to produce a PCA for the period May 16, 1996 through May 15, 1997 of -0.1524¢/kWh.

On April 26, 1996, the Commission issued Notices of Application and Modified Procedure in Case No. IPC-E-96-5.  The deadline for filing written comments was May 9, 1996.  Timely comments were filed by Commission Staff (attached) and the Industrial Customers of Idaho Power (ICIP) (attached).

Both the Staff and ICIP generally support that part of the Company’s proposal which purports to track through standard PCA costs.  As a result of Staff audit and identified accounting errors Staff proposes minor related changes.  Both Staff and ICIP support the prospective correction of a methodological error that has existed in prior PCA true-ups.  Each oppose, however, the Company’s attempt to reach back into the 1994-1995 period and true-up for the methodological error.  Staff contends that the proposed correction is not the type of adjustment that is authorized under the PCA true-up mechanism as approved in Case No. IPC-E-92-25, Order No. 24806.  ICIP characterizes the Company’s true-up of the true-up or effort to collect in today’s PCA for past computational errors as an attempt to engage in what amounts to retroactive ratemaking.  Citing UP&L v. IPUC, 107 Idaho 47 (1984); Idaho Code § 61-502.  Both Staff and ICIP calculate and recommend a corrected PCA for 1995/1996 to be -0.1749¢/kWh.

Commission Decision

● Re:  Prospective correction of methodological error.

●Re:  True-up of the true-up.

●Company proposed power cost adjustment rate -0.1524¢/kWh.

Staff, ICIP proposal -0.1749¢/kWh.

●What are the Commission’s thoughts in this matter?

Scott D. Woodbury

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