(text box: 1)BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE ANNUAL REVISION AND UPDATED CALCULATION OF THE ADJUSTABLE PORTION OF THE AVOIDED COST RATES FOR THE WASHINGTON WATER POWER COMPANY, IDAHO POWER COMPANY AND PACIFICORP DBA UTAH POWER & LIGHT COMPANY  | )))))))) | CASE NOS. WWP-E-96-3                       IPC-E-96-10                      UPL-E-96-2ORDER NO.  26511 |

On May 28, 1996, The Washington Water Power Company (Water Power) filed with the Idaho Public Utilities Commission its annual revised and updated calculations for the adjustable portion of avoided cost rates.  Water Power submitted two sets of adjustable rate calculations; one for coal (Colstrip) and the other for gas (Sumas).  The Colstrip adjustments apply only to existing contracts while the Sumas adjustments apply only to new projects, 1 megawatt and less.  The annual adjustable rate calculation based on Colstrip was addressed in Order Nos. 23349 and 26080, issued in Case Nos. WWP-E-89-6 and WWP-E-95-3/IPC-E-95-7/UPL-E-95-2, respectively.  The annual adjustable rate calculation based on Sumas was addressed in Order Nos. 25883 and 26086, issued in Case No.  WWP-E-93-10.

Adjustable Rates – Colstrip

The adjustable portion under the previous – 170 coal-fired SAR methodology (Case No. U-1500-170) is based on the variable costs associated with the operation of Colstrip, a coal-fired generating facility in southeast Montana.  An annual filing is required by Order No. 23349 (Water Power), Order No. 23357 (Idaho Power), and Order No. 23358 (PacifiCorp).  Pursuant to the Commission’s administrative determination of avoided cost rates, the adjustable portion of avoided cost rates is the same for all of Idaho’s major electric utilities.

By Order No. 23738, issued in Case Nos. WWP-E-89-6, IPC-E-89-11 and UPL-E-89-5 issued June 17, 1991, the Commission approved the methodology utilized by Water Power for use in annual Colstrip adjustable avoided cost rate submittals.  The Commission indicated that future adjustable rate updates would require only a single filing by Water Power, with copies and party status provided to Idaho Power and PacifiCorp.  The Commission directed that all applications for future or subsequent annual updates be filed by June 1 with the effective date for the new adjustable rate to be July 1.  Under established practice, the revised updated calculation set forth in Water Power’s May 28, 1996 filing is recognized as being submitted also for approval for Idaho Power and PacifiCorp dba Utah Power & Light Company.

Water Power represents that the Colstrip adjusted avoided cost rate calculated on actual 1995 costs changed from 10.17 m/kWh to 10.86 m/kWh.  Coal costs decreased 22% from $12,962,125 to $10,065,048.  Generation decreased 27% from 1,640,339 mWh to 1,191,402 mWh.  Variable O&M costs decreased 23%.

Adjustable Rates – Sumas

By Order Nos. 25883, 25884 and 25882 issued in Case Nos. WWP-E-93-10, IPC-E-93-28 and UPL-E-93-3/UPL-E-93-7 on January 31, 1995, respectively, the Commission determined that the adjustable portion of avoided cost rates for future projects should be based on annual average gas prices indexed at Sumas, Washington.  The purpose of including an adjustable component in the avoided cost rates is to capture annual changes in natural gas fuel costs.  Under the Commission approved SAR avoided cost methodology, the adjustable portion of avoided cost rates is the same for all of Idaho’s major electric utilities and an annual filing is required.

Water Power, in consultation with the Commission Staff, has devised a methodology for making annual adjustments, which was accepted by the Commission in Order No. 26135 in Case No. WWP-E-95-3/IPC-E-95-7/UPL-E-95-2.  As reported by Water Power in its annual filing of May 28, 1996, the 1995 annual average gas price indexed at Sumas, Washington was $1.09/mmBtu resulting in a reduction of $0.48/mmBtu.  The previously approved base gas price of $2.22/mmBtu less the $0.48/mmBtu reduction results in a gas price of $1.74/mmBtu for the 1996-1997 year.  This, by Staff’s calculation, equates to an SAR fuel cost of 12.79 mills/kWh as used in the model.  A proposed schedule of revised rates and a detailed sheet of variables for each utility was prepared by Staff and reviewed by the utilities.

First Deficit Year

Attached to Water Power’s Application in this case are proposed tariff revisions incorporating the foregoing changes in the adjustable rate component of the avoided cost rates to become effective July 1, 1996.  In addition, Water Power bases the proposed rates on a first deficit year of 2010 as determined in the Company’s Integrated Resource Plan (IRP) at issue in Case No. WWP-E-95-2.  On June 25, 1996, Earth Power, Inc. (Earth Power) filed a protest and/or objection of Water Power’s proposed rate revision in this case on the basis that the first deficit year of 2010 proposed by Water Power in the 95-2 case was inappropriate and that Earth Power had not had the opportunity to comment on that issue.  Earth Power proposes, therefore, that Water Power’s proposed tariff revisions not be allowed to go into effect on July 1, 1996 until the issue of the first deficit year had been fully resolved by the Commission.

FINDINGS

The methodology that this Commission has approved for determining the variable components of the avoided cost rate is a relatively simple arithmetic recalculation.  We find, based upon our view of the calculations of both the Colstrip and Sumas updates, that the resulting adjustable rates are fair, just and reasonable.  Attached to this Order as Appendices A, B and C are the tables showing the adjustable rates as updated by Water Power’s filing for Water Power, Idaho Power and PacifiCorp, respectively.

Regarding the protest/objection filed by Earth Power, the change in Water Power’s first deficit year was not made in this proceeding and is not an issue here.  Rather, the first deficit year change was at issue and has been decided in the 95-2 case.  The Commission adopted a first deficit year of 2010 which Water Power has simply incorporated into the proposed rates in this docket.

O R D E R

In consideration of the foregoing and as more particularly described, IT IS HEREBY ORDERED that the Colstrip related adjustable portion of the avoided cost rate for existing contracts and the Sumas related adjustable portion of the avoided cost rates for Water Power, Idaho Power and PacifiCorp dba Utah Power & Light Company are changed effective July 1, 1996 as outlined in the attached schedules.

THIS IS A FINAL ORDER.  Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case Nos. WWP-E-96-3, IPC-E-96-10 and UPL-E-96-2 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 or in interlocutory Orders previously issued in this Case Nos. WWP-E-96-3, IPC-E-96-10 and UPL-E-96-2.  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                  day of  July  1996.

RALPH NELSON, PRESIDENT

                                                                                       MARSHA H. SMITH, COMMISSIONER

                                                                                       DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

July 2, 1996