DECISION MEMORANDUM

TO:COMMISSIONER NELSON

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WORKING FILE

FROM:BRAD PURDY

DATE:SEPTEMBER 9, 1996

RE:CASE NO.  IPC-E-96-18: APPLICATION OF IDAHO POWER TO INCLUDE CAPACITY PURCHASES IN POWER COST ADJUSTMENT MECHANISM

On August 23, 1996, the Idaho Power Company (Idaho Power; Company) filed an Application for approval to include in its power cost adjustment (PCA) mechanism computations a five year firm power purchase from Arizona Public Service (APS) Company.  In Case No. IPC-E-92-25, by Order No. 24806, the Commission authorized the implementation of a PCA mechanism for Idaho Power.  Under that Order, Idaho Power is required to apply to the Commission for approval to include in its PCA computations any long term capacity purchases.  Idaho Power has entered into a five year capacity purchase with APS.  According to Idaho Power, the Company’s Integrated Resource Plan (IRP) published in June of 1995, indicated that utilizing normal forecasting criteria, the Company could expect capacity and energy deficits to occur in December and January beginning in 1995 and continuing through 2003.  According to the IRP, Idaho Power plans to meet these deficits by market purchases.  The Company notes that in the avoided cost methodology case (Case No. IPC-E-95-9), the current standard length of market purchases does not exceed five years.

Idaho Power states that, consistent with these criteria, it was able to negotiate a favorable rate from APS for a five year firm power supply.  The rate for capacity throughout the term of the contract is $1.50/kW/month.  The energy rate for deliveries in 1996-97 is $18.69 per megawatt hour.  These prices include transmission to Idaho Power’s system at the Borah and/or Brady substations in southern Idaho.

Idaho Power states that the price it was able to negotiate with APS is favorable and that the power purchased will cover the winter deficits forecasted by the Company’s IRP and could be marketed off system when not needed to meet loads or maintain system reliability.  The Company notes that APS has transmission rights through PacifiCorp’s system to wheel the power to southern Idaho providing the Company with assured delivery.

Idaho Power requests that this matter be handled under Modified Procedure.  The Commission Staff has no objection to this request.

Commission Decision

Should the Company’s Application to factor the five-year capacity purchase from APS into its PCA be handled under Modified Procedure?

Brad Purdy

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