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

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| IN THE MATTER OF THE IDAHO POWER’S APPLICATION FOR APPROVAL OF TARIFF (SCHEDULE 20) PROVIDING FOR OPTIONAL MARKET-BASED SERVICE TO CUSTOMERS FROM 5 TO 10 MEGAWATTS | )  )  )  )  )  )  )  ) | CASE NO. IPC-E-96-25  NOTICE OF APPLICATION  NOTICE OF MODIFIED           PROCEDURE  ORDER NO.  26768 |

YOU ARE HEREBY NOTIFIED that on December 19, 1996, the Idaho Power Company (Idaho Power; Company) filed an Application seeking approval of a proposed Schedule 20—“Market-based Pricing Service Pilot Program.”  Schedule 20 is a pilot program providing optional market-based service to customers who contract for 5 to 10 megawatts of firm demand at one point of delivery.  This voluntary optional service will provide these customers with the choice between the fixed prices offered under Schedule 19 (large industrial) and the variable prices tied to energy markets offered under Schedule 20.  In addition, Idaho Power contends, it will provide these customers experience with market-based prices.  The Company states that it also will benefit by gaining experience with pricing methodologies outside of the standard embedded cost framework.  Idaho Power notes that it currently has 10 customers who could potentially take service under Schedule 20.

Customers who elect to take service under Schedule 20 may have all or as little as one-third of their load priced at market prices.  The Schedule provides two options as market proxies:  The Dow Jones—California—Oregon border (DJ-COB) index and the futures contracts traded on the New York Mercantile exchange (NYMEX) for the California-Oregon border (COB) delivery point.  Customers who choose to have only a portion of their load priced on the market will have the remainder of their load priced at an embedded fixed cost rate.  The required term of the agreement for service under Schedule 20 is three years.  The portion of customers’ loads that is based on the fixed price will remain at that price throughout the term of the Agreement.  At the beginning of each year, however, customers may move their market-based load from one of the two options to the other.  The Company proposes that, if approved, Schedule 20 will be available for all agreements entered into on or before December 31, 1997.

The energy price under the variable (market-based) price options includes an adder of 3.6 mills, which is intended to ensure that customers participating in the pilot program do not receive any preferential treatment (i.e., avoid making a contribution toward earnings and required CSPP purchases) at the expense of other standard tariff customers.  The adder is comprised of two components. The return component is designed to recover the same return in mills per kWh as the embedded fixed price proposed under Schedule 20.  The CSPP component is designed to recover above-market CSPP.  The demand and customer charges, as well as any energy taken under the fixed price option, under Schedule 20 are based on the embedded costs of service under Schedule 19 as detailed in the Company’s cost-of-service study mentioned above and adjusted to reflect the Commission’s decision in Order No. 25880 and 26236 (Case No. IPC-E-95-5: the Twin Falls case).

Energy sales priced under the variable price options will not be subject to the Company’s annual PCA treatment but will impact PCA calculations.  Monthly energy sales priced under either of the variable price options will be removed from the Idaho jurisdictional sales for PCA purposes.  This removal will result in a revised jurisdictional allocation for PCA purposes, which the Company contends will properly match the share of the variable expenses allocated to the Idaho jurisdiction with the jurisdictional customers participating in the PCA.  Any energy sold under Schedule 20 which is priced under the fixed price option will be included in the Idaho jurisdictional sales and will be subject to the PCA.

Idaho Power notes that due to the energy market, it is not possible to predict whether the Company may experience an increase or decrease in revenues during any particular year as a result of participation in Schedule 20.  The Company further notes that in order for the schedule to be implemented, it is necessary for the actual revenues received from the pilot program to flow through the earnings test mechanism established in Case No. IPC-E-95-11 as part of the Company’s rate stability agreement.  Idaho Power states that if any recalculation of revenues associated with the pilot program is determined to be a condition for implementation of the program, the Application would be withdrawn by Idaho Power.

Idaho Power has requested an effective date of January 20, 1997, and requests that this matter be handled under Modified Procedure.  Staff agrees that Modified Procedure is appropriate, but requests that the Commission issue an Order suspending the proposed effective date to allow time to solicit and review comments and issue an Order accordingly.

YOU ARE FURTHER NOTIFIED that the Application together with supporting workpapers, testimonies and exhibits, have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and that the Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 et seq.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filings of record in Case No. IPC-E-96-25.  The Commission has preliminarily determined that the public interest may not require a hearing to consider the issues presented and that the issues raised by the Application may be processed under Modified Procedure, i.e., by written submission rather than by hearing.  Reference Commission Rules of Procedure, IDAPA 31.01.01.201-.204.

YOU ARE FURTHER NOTIFIED that the Commission may not hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used.  Reference IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission within twenty-one (21) days from the date of this Notice.  The comment must contain a statement of reasons supporting the comment.  Persons desiring a hearing must specifically request a hearing in their written comments.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the deadline, the Commission will consider the matter on its merits and enter its Order without a formal hearing.  If comments or protests are filed within the deadline, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order on the basis of the written positions before it.  Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that written comments concerning Case No.  IPC-E-96-25 should be mailed to the Commission and the Company at the addresses reflected below:

COMMISSION SECRETARYLARRY D.  RIPLEY

IDAHO PUBLIC UTILITIES COMMISSIONMAGGIE BRILZ

PO BOX 83720IDAHO POWER COMPANY

BOISE, IDAHO  83720-0074PO BOX 70

BOISE, ID 83707

Street Address for Express Mail:

472 W WASHINGTON ST

BOISE, IDAHO  83702-5983

All comments should contain the case caption and case number shown on the first page of this document.

YOU ARE FURTHER NOTIFIED that the Application in Case No.  IPC-E-96-25 can be reviewed at the Commission’s office and at the Idaho offices of Idaho Power Company during regular business hours.

O R D E R

In light of our decision to solicit comments from interested persons in response to the Company’s Application and because of the complexity and importance of the issues raised therein, we find that it is reasonable and necessary to suspend the proposed effective date of January 20, 1997, for a period of five (5) months plus thirty (30) days, pursuant to Idaho Code § 61-622, or until such time as the Commission issues a final Order resolving the issues raised in the Company’s Application.

IT IS HEREBY ORDERED that the proposed January 20, 1997, effective date of Idaho Power’s Application in this case is hereby suspended for a period of five (5) months plus thirty (30) days or until such time as the Commission issues a final Order in this case resolving the issues raised in the Company’s Application.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of January 1997.

                                                                                                                                      RALPH NELSON, PRESIDENT

                                                                                           MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

vld/O:IPC-E-96-25.bp

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

January 21, 1997