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

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| IN THE MATTER OF TARIFF ADVICE NO. 97-02 IN WHICH IDAHO POWER INTENDS TO IMPLEMENT A CHANGE IN THE METHOD­OLOGY BY WHICH IT CALCULATES THE RATE PAID TO SMALL GENERATORS UNDER SCHEDULE 86. | )  )  )  )  )  )  ) | CASE NO. IPC-E-97-10  NOTICE OF APPLICATION  NOTICE OF MODIFIED PROCEDURE |

YOU ARE HEREBY NOTIFIED that on June 9, 1997, the Idaho Power Company (Idaho Power; Company) submitted a letter to the Commission Secretary regarding a change in the methodology by which the Company calculates the rate paid to small generators under Schedule 86.  That methodology was approved by the Commission on March 27, 1997, in Order No. 26850, Case No. IPC-E-95-15.

Under Option A of the recently approved Schedule 86, Idaho Power purchases non-firm energy from qualifying cogenerators and small power producers at an amount equal to the “avoided energy costs” per kWh for that month.  Avoided energy cost in Schedule 86 is defined as “the monthly average per kWh cost of the energy used to serve the Company’s marginal 200 MW of firm load.”

In its June 9 letter, Idaho Power notes that the methodology approved by the Commission in Order No. 26850 produced computations used to compute the monthly average per kWh cost of the energy used to serve the Company’s marginal 175 MW of firm load.  The printout generated by the Company’s program showed the hourly price of energy of each resource on the Company’s system used to serve the marginal 175 MW of load.  Idaho Power has determined, however, that it is no longer cost effective to acquire and maintain this large hourly data base which is only used to compute this one figure each month.

In its letter, Idaho Power states that it is giving notice of the procedure that it has implemented to simplify the computation of the monthly average cost of energy under Option A of Schedule 86.  Instead of using the hourly cost by resource, the Company will use the monthly average cost for each resource.  Idaho Power will still stack the resources used throughout the month from lowest to highest variable cost until enough energy to serve all firm load has been stacked.  The cost of serving the marginal 175 MW band will still be determined by adding resources from the top of the stack (the highest cost resource used to meet firm load during the month) downward to lowest cost resources used during the month until enough energy to serve the upper 175 MW band has been reached.  The average monthly cost of the energy used to serve this 175 MW band then becomes the Schedule 86 avoided energy cost for the month.  In its letter, Idaho Power contends that it is not proposing any changes to Schedule 86.  It is only giving notice of the procedure it is using to simply streamline the recordkeeping and to reduce the data acquisition required to determine the monthly average cost of energy used to serve the marginal 200 MW of load for Schedule 86.

YOU ARE FURTHER NOTIFIED that the Commission Staff has conducted a preliminary analysis to determine the effect that the proposed change in the Company’s avoided energy cost computation would have on rates paid to Schedule 86 customers.  Attached to this Notice as Exhibit A is an analysis prepared  by Staff in both tabular and graphical form, showing the effects of the proposed change.  Staff compared the actual rates paid in 1996 as computed under the old method to what the rates would have been if the new proposed method had been used instead.  As noted, the overall effect of the proposed change is an increase in the average rate paid over the course of the year from 8.4 mills/kWh to 12.0 mills/kWh.  On a month-to-month basis, the difference ranges from less than 1 mill to more than 17 mills.  Staff believes that the proposed method will consistently yield higher average annual rates but is uncertain as to the expected magnitude of the difference.  Nonetheless, Staff notes that even though the proposed change yields rates roughly 3.5 mills higher, the total rate paid to Schedule 86 customers is only one-third, approximately, of the Company’s published avoided cost rate.

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through -.204.

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.  Written comments concerning this application shall be mailed to the Commission and the Applicant at the addresses reflected below:

COMMISSION SECRETARYBART KLINE

IDAHO PUBLIC UTILITIES COMMISSIONIDAHO POWER COMPANY

PO BOX 83720PO BOX 70

BOISE, IDAHO  83720-0074BOISE, ID 83707-0070

Street Address for Express Mail:JOHN R. GALE

PRICING & REGULATORY SER.

472 W WASHINGTON STIDAHO POWER COMPANY

BOISE, IDAHO  83702-5983PO BOX 70

BOISE ID 83707-0070

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

YOU ARE FURTHER NOTIFIED that if no written comments are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing.  If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

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.

DATED at Boise, Idaho this day of July 1997.

Myrna J. Walters

Commission Secretary

vld/N:IPC-E-97-10.bp

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

July 24, 1997