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Attorney for the Commission Staff

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  COMMENTS OF THE  COMMISSION STAFF |

COMES  NOW  the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Brad Purdy, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure issued on July 24, 1997, submits the following comments.

Using information provided by the Company, Staff has conducted an analysis to determine the effect that the proposed change in the Company’s avoided energy cost computation will have on rates paid to Schedule 86 customers.  Attached 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 using 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 one 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.

The new proposed method captures the generating cost of the most expensive 117,600 MWh (175 MW x 672 hrs/month = 117,600 MWh) during the month.  The old method captures the cost of the resources needed to meet the marginal 175 MW of firm load in each hour during the month.  Because many of the hours used in the computations under the old method are low load hours or hours when load can be met using less expensive generation, the rates computed under the old method will generally be lower.  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.  Staff believes that the computation method proposed by the Company results in fair and reasonable rates.

Respectfully submitted this                  day of August 1997.

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Brad Purdy

Deputy Attorney General

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