(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-98-7                       IPC-E-98-8                       UPL-E-98-2  ORDER NO.  27594 |

On May 20 1998 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 under the previous SAR methodology while the Sumas adjustments apply only to new projects, 1 MW 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 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 the established practice, the revised updated calculations set forth in Water Power’s May 20, 1998 filing are 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 1997 costs changed from 12.00 mill/kWh to 10.00 mill/kWh.  Coal costs decreased 18% from $9.47/MWh to $7.72/MWh.  Variable O&M costs decreased 8%.  Generation increased 32%.

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, devised a methodology for making annual adjustments, which was accepted by the Commission in Order No. 26135 in Case Nos. WWP-E-95-3/IPC-E-95-7/UPL-E-95-2.  As reported by Water Power in its annual filing of May 20, 1998, the 1997 annual average gas price indexed at Sumas, Washington was $1.70/mmBtu resulting in an increase of $0.35/mmBtu.  The previously approved base gas price of $2.00/mmBtu plus the $0.35/mmBtu increase results in a gas price of $2.35/mmBtu for 1998-1999 year.  This by Staff’s calculation, equates to an SAR fuel cost of 17.27 mills/kWh as used in the model.  The difference in the Sumas average price and the new base gas price is the result of a timing difference and the use of a trailing average.  A proposed schedule of revised rates and a detailed sheet of variables for each utility was prepared by Staff and reviewed by the utilities.

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 review 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.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over The Washington Water Power Company, Idaho Power Company and PacifiCorp dba Utah Power & Light Company, electric utilities, pursuant to the authority and power granted it under Title 61 of the Idaho Code, and the Public Utility Regulatory Policies Act of 1978 (PURPA).

The Commission has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission (FERC) to set avoided costs, to order electric utilities to enter into fixed term obligations for the purchase of energy from qualified facilities, and to implement FERC rules.

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, 1998, as outlined in the attached schedules.

THIS IS A FINAL ORDER.  Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order.  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 June 1998.

                                                                                                                                      DENNIS S. HANSEN, PRESIDENT

                                                                                           RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

O:wwpe987.sw

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

June 26, 1998