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

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| IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR APPROVAL OF AN EXTENSION OF SCHEDULE 20 “MARKET-BASED PRICING SERVICE PILOT PROGRAM” BY REVISING SCHEDULE 20 FOR CUSTOMERS WHO CONTRACT FOR FIVE TO TEN MEGAWATTS OF FIRM LOAD. | )  )  )  )  )  )  )  ) | CASE NO. IPC-E-98-9  ORDER NO. 27712 |

On July 10, 1998, the Commission issued a Notice of Modified Procedure soliciting comments in response to Idaho Power Company’s Application for authority to revise its Schedule 20 pilot program and to extend the time during which customers may participate in the program.  Schedule 20 is available to customers with five to ten megawatts of load providing them the opportunity to choose between the fixed prices offered under Schedule 19 and the variable prices tied to the energy market.  The program expired December 31, 1997.  None of Idaho Power’s customers elected to take service under Schedule 20.  Because of renewed interest on the part of its customers, however, Idaho Power now seeks to reopen Schedule 20 with modifications.

In its Application, Idaho Power proposes to revise Schedule 20 to alter the market proxies used to price energy and to provide more flexibility for customers who wish to customize their energy pricing.  The proposed, revised Schedule 20 maintains both the daily and monthly market price options as well as the embedded fixed price option. Unlike the energy prices included under the original Schedule 20, the energy prices under the revised schedule do not include any adders.  Customers utilizing both the daily and monthly market price options can designate on a monthly basis the amount of load to be priced under each option.

Under the daily option, energy designated will be priced using the Dow Jones mid- Columbia Index (“mid-C” Index) rather than the DJ COB Index.  The mid-C index is more representative of the northwest regional market prices than is the DJ COB Index.  In addition, the mid-C Index is now published in the Wall Street Journal, providing customers with easy access to pricing information.

Regarding the monthly option, rather than utilizing the settlement price of futures contracts traded at NYMEX for establishing the month ahead price, the revised Schedule 20 will include actual price quotes provided by the Company’s energy marketers.  The Company will post indicative prices on a daily basis through a password protected Internet site.  Customers can accept the desired price quote for any month or months quoted.  Should a customer fail to make a monthly price commitment for any load designated under the monthly price option, the default price will be the mid-C Index.

Finally, under the fixed price option, no changes have been made to the original Schedule 20 other than updating the price to reflect the current PCA.

Under the revised Schedule 20, Idaho Power will impose a demand charge of $4.64 per kW of billing demand.  This charge will provide customers with transmission service, load following, generating reserves and A&G.  The demand charge also includes a component for above-market CSPP, DSM and other regulatory related costs.

Energy sales priced under Schedule 20 will not be subject to Idaho Power’s PCA mechanism other than during the first contract year.  During that year, the true-up component of the PCA will apply to all energy sales priced using a market-based option.  Subsequent to the first contract year, no component of the PCA will apply.

Formal comments were filed by the Commission Staff and the Industrial Customers of Idaho Power (ICIP).  In addition, Idaho Power relayed a letter it received from the J.R. Simplot Company relating to Schedule 20.

Commission Staff

Staff recommends approval of the revised Schedule 20 pilot program.  Staff supports the program because (1) eligible Schedule 19 customers continue to have the option of staying on Schedule 19, (2) the Commission has encouraged this type of experimentation, and (3) the customers, the Company and the Commission all have the opportunity to gain some experience with a market-based pricing option.  Staff also believes that a small amount of useful information is obtained from such offerings even if no customers choose to participate.

ICIP

The ICIP is highly critical of Idaho Power’s original and modified Schedule 20 noting that “anything short of full market access for the commodity of electric power would fall short of the ICIP’s ultimate goal.”  The ICIP alleges that Idaho Power “has attempted to forestall discussion of substantive aspects of its Application” referring to the Company’s proposal to not unbundle the costs associated with providing Schedule 20 services nor to put the specific cost components inherent in the demand charge under scrutiny because the program is voluntary and alternative service is available under the Company’s other schedules.

The ICIP characterizes the Commission’s original approval of Schedule 20 in 1997 as “perfunctory” and Idaho Power’s proposal in this case as an “exercise in futility.”  The ICIP goes further to “emphasize that Idaho Power’s Schedule 20 should not be represented to outside observers (for example, the Idaho Legislature) to be anything approaching a valid experiment mimicking a restructured electric utility industry.”  The ICIP argues that the failure of the original Schedule 20 can be “found in the failure of the Company and the Commission to incorporate the initial suggestions offered by the ICIP.”

In conclusion, the ICIP is “indifferent on whether or not the Commission should approve Idaho Power’s Application for modification of Schedule 20 because of the take-it-or-leave-it approach taken by the Company and because of the Commission’s apparent desire to a hands-off approach to the entire issue of electric utility industry restructuring.”  The ICIP suggests that the Commission should convene a workshop or a hearing process to investigate a means to implement customer choice in electricity supply.

J.R. Simplot Company

In a letter from the J.R. Simplot Company to Idaho Power, Simplot asserts that “there are benefits to Idaho Power’s efforts in this area.”  Simplot believes that the revised Schedule 20 is a step in the right direction and is in favor of Idaho Power offering it as an option to its customers.  Simplot believes that Idaho Power’s willingness to change the benchmark pricing indicator to the mid-C Index and to offer a daily price option rather than just a monthly option along with the removal of the adders is important.  Simplot characterizes the ICIP comments filed in this case as being “designed to cause the Commission and others to better understand where industrial customers want to go in the deregulation of generation resources.”  Simplot states that it looks forward to continuing discussions regarding unbundling and restructuring but, in the meantime, supports Idaho Power’s efforts with respect to Schedule 20.

FINDINGS

We hereby approve Idaho Power’s Schedule 20.  When we first approved Schedule 20 in Case No. IPC-E-96-25, Order No. 26872 issued April 7, 1997, we rejected several proposed modifications to Schedule 20 that were recommended by the ICIP but not accepted by Idaho Power Company.  We recognized the “need of Idaho’s regulated electric utilities to satisfy customers’ demands in terms of pricing and service” and chose to defer to Idaho Power’s best judgment in terms of crafting Schedule 20 to meet its own customers’ needs.  The fact that no customers chose to take service under Schedule 20 does indeed suggest that modifications to Schedule 20 are advisable, if the Company wishes to continue offering alternative pricing service to its larger customers.  According to Idaho Power’s Application in this case, the Company has communicated with those customers who might have an interest in Schedule 20 and attempted to modify it so that it would better meet their requirements.  Some of the modifications incorporate suggestions made by ICIP. The criticisms of the ICIP notwithstanding, we are willing to allow the Company to fashion a service offering that it believes will meet the needs of its customers.  Consequently, for the same reasons that we initially approved Schedule 20, we approve it now.  We note that this is a continuing process and all parties concerned, including Idaho Power, are gaining valuable experience as that process evolves.

O R D E R

IT IS HEREBY ORDERED that Idaho Power’s Tariff Schedule 20, as modified, is approved effective as of the date of this Order.

THIS IS A FINAL ORDER.  Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. IPC-E-98-9  may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. IPC-E-98-9 .  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 September 1998.

                                                                                                                                      DENNIS S. HANSEN, PRESIDENT

                                                                                           RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

vld/O:IPC-E-98-9.bp

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

September 3, 1998