DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

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RANDY LOBB

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DAVID SCOTT

WORKING FILE

FROM:BRAD PURDY

DATE:JUNE 23, 1998

RE:CASE NO. IPC-E-98-9

APPLICATION OF IDAHO POWER COMPANY FOR APPROVAL OF AN EXTENSION OF ITS SCHEDULE 20 “MARKET-BASED PRICING SERVICE PILOT PROGRAM” FOR CUSTOMERS WHO CONTRACT FOR FIVE TO TEN MEGAWATTS OF FIRM LOAD

On June 19, 1998, the Idaho Power Company (Idaho Power; Company) filed an Application for authority to revise its Schedule 20 Pilot Program, extending the time during which customers may participate in the program.  The Company notes that on April 7, 1997, this Commission approved, through Order No. 26872, Idaho Power’s Application for Schedule 20, known as the “Market-Based Pricing Service Pilot Program.”  Schedule 20, as approved by the Commission, was available on a voluntary basis to customers with 5 to 10 megawatts of load.  It was designed to provide customers the opportunity to choose between the fixed prices offered under Schedule 19 and the variable prices tied to the energy market.  Through Schedule 20, customers were given two market-based options for energy pricing while continuing to be served solely by the Company.  Customers who opted for the service were required to enter into a three year agreement.  As part of the service provisions under Schedule 20, no new contracts for service were available after December 31, 1997.  The Company notes that as of that date, no customers had entered into service agreements with the Company.

Idaho Power states that over the course of the past 18 months, it has had discussions with customers concerning perceived shortfalls of the then existing Schedule 20.  The Company now proposes to make modifications to its Market-Based Service Pilot Program as a result of those discussions.

As originally approved, Schedule 20 utilized the DJ-COB index and the COB NYMEX futures as the proxies for market daily and monthly prices, respectively.  In addition, Schedule 20 required customers to nominate at the beginning of the contract year the proportion of load to be priced under the market option; changes to customers’ designations were not permitted at any other time.  The Company’s proposed revisions to Schedule 20 revamp the market proxies used to price energy and to provide more flexibility for customers who wish to customize their energy pricing.

ENERGY PRICING

The proposed, revised Schedule 20 maintains both the daily and monthly market price options as well as the embedded fixed price option.  As with the original Schedule 20, customers are able to designate the amount of load to be priced under either or both of the market priced options with a minimum of at least one third of their load designated to be priced on the market.  The means for establishing the market-based prices, however, has been modified as described below.  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.

Daily Option

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

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.  On a daily basis, the Company will post indicative prices on a password protected site on the Internet.  Customers who want to receive an actual price quote based on the indicative prices can call the Company between 8:00 a.m. and 5:00 p.m., Mountain Time, Monday through Friday.  Quotes will be provided for flat prices, on-peak prices and, when available, off-peak  prices.  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 price.

Fixed Price Option

No changes, other than updating the price to reflect the current PCA, are proposed for the fixed price option.  As before, customers must designate the amount of load to be priced under the fixed price option at the time they enter into the Schedule 20 agreement.  The amount designated cannot be changed during the term of the agreement.

DEMAND AND CUSTOMER CHARGES

Under the pilot program, the Company 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.  For purposes of this pilot program, Idaho Power is not unbundling the costs associated with providing these services nor is it requesting approval of the specific cost components inherent in the demand charge since service under the program is voluntary and alternative service is available under the Company’s traditional tariff schedules.

No changes are being made to the basic charge or customer charge currently included in the original Schedule 20.  The basic charge will remain at $1.60 for the secondary service, $1.06 for primary service and $0.33 for transmission service.  The customer charge remains at $400 per month.

PCA TREATMENT

Energy sales priced under the market-based options will not be subject to the Power Cost Adjustment (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.

No adjustments will be made to the PCA as a result of Schedule 20.  All energy consumed by customers taking service under Schedule 20 will continue to be treated as firm load and will flow through the PCA calculations.  However, the per kWh PCA rate calculated will simply not apply to the energy taken under Schedule 20.

Idaho Power has requested that this matter be handled under Modified Procedure.  The Commission Staff agrees.

Commission Decision

Does the Commission wish to process Idaho Power’s Application under Modified Procedure?

Brad Purdy

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