BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE WASHINGTON WATER POWER COMPANY’S 1995 ELECTRIC INTEGRATED RESOURCE  PLAN. | )  )  )  )  )  )  ) | CASE NO. WWP-E-95-2  NOTICE OF FILING |

YOU ARE HEREBY NOTIFIED that The Washington Water Power Company (Water Power; WWP; Company) on April 3, 1995 filed its 1995 electric Integrated Resource Plan (IRP) with the Idaho Public Utilities Commission (Commission).  The Company’s filing complies with the Commission’s direction in Order No. 22299 issued January 27, 1989 which requires Water Power to file a biennial resource management report (now IRP) describing the status of the Company’s electric resource planning.

YOU ARE FURTHER NOTIFIED that the Company’s IRP will have greater importance in the calculation of avoided costs for qualifying facilities greater than 1 MW in size pursuant to the Public Utility Regulatory Policies Act of 1978 (PURPA).

In Case No. WWP-E-93-10 the Commission in Order No. 25883 stated:

Methodology for Larger Projects

Idaho Power proposes a methodology for establishing rates for larger QF's which is based on Idaho Power's Integrated Resource Plan.  Although neither PacifiCorp nor Water Power originally proposed a least cost planning based methodology for larger projects, both utilities have subsequently indicated their support for Idaho Power's proposal.

Water Power, Idaho Power and PacifiCorp all file least cost plans every two years.  These plans are referred to using a number of different names.  For example, Water Power refers to its plan as "Managing Electrical Resource Options for the Future."  Idaho Power refers to its plan as the “Integrated Resource Report” (IRP).  PacifiCorp refers to its plan as the "Resource and Market Planning Program." (RAMPP).  The Commission has generally referred to these plans as “Resource Management’ Reports (RMR's).  Regardless of how they are identified, they all refer to the same process by which utilities plan for the acquisition of generation and demand side resources, using a modeling technique, in the most cost effective manner.  For ease of discussion, we will henceforth refer to the process as "least cost planning."

As proposed, this methodology would operate as follows.  First, the utility would determine through its least cost planning model the cost of meeting load over the next 20 years.  Whenever a proposed QF project were offered to the utility, it would insert the generation and capacity of that project into the model and determine what costs would be avoided over the 20 year period.  That avoided cost would be the rate available to the developer.

The Intervenors oppose the least cost planning methodology contending that it places too much control over the avoided cost process into the hands of the utilities.  They further argue that it will render the least cost planning process more contentious.  The Commission Staff expressed support for the least cost planning concept but cautioned against adopting something which is not clearly defined.

We Find:

We believe that adoption of the least cost planning methodology is consistent with our goal of maintaining a regulatory climate that allows our electric utilities to retain their advantageous posture in a marketplace that is likely to become increasingly competitive.  This will ultimately work to the advantage of ratepayers in the form of rates lower than they would otherwise be in effect.  By treating QF's in the same manner as utility acquired resources, we are further removing the shelter that has been constructed around the QF industry.  Requiring those projects to prove their viability by market standards ensures that utilities will not be required to acquire resources priced higher than would result from a least cost planning process.  Ratepayers will not be disadvantaged and QF's will be treated fairly and consistently with the requirements and goals of PURPA.

We appreciate the concerns of the Intervenors that the avoided cost process remain open to public scrutiny.  We will not allow our adoption of the least cost planning methodology to create a "black box" out of which the utilities pull a rate for a given project.  The least cost planning methodology, as proposed by Idaho Power, still needs further definition.  We expect the Company to include with its 1995 IRP filing, a more detailed proposal of how the least cost planning avoided cost methodology will operate.  We will treat that filing as a generic discussion of the issue and expect all interested parties, including the other utilities, to intervene and participate at that time so that all issues may be resolved and the methodology can be refined.

We intend to carefully scrutinize the process as it develops to ensure that utilities do not abuse the methodology or give undue preference to their own projects.  We also intend to critically examine "non-deferrable" utility projects for possible exclusion from the least cost plan if they are not cost effective and fail to provide other, off-setting system benefits.

We expect, as the Intervenors posit, that the least cost planning process will become more contentious.  Indeed, it is our intention that become the forum in which to litigate generic avoided cost issues for projects 1 MW or larger.  Our current process has certainly not eliminated litigation of these issues.  No process could entirely eliminate dispute over the setting of avoided cost rates.  In our opinion, however, the least cost planning process will provide the most logical, consistent and frequent review of the avoided cost rates for larger projects and the issues that are raised in setting those rates.  Each utility is required to file its least cost plan every two years.  This ensures that all parties will have frequent and predictable opportunities to challenge the existing methodology.

To assist us in the least cost planning process, the utilities are directed to include in their least cost plan filings a schedule of existing on-line QF and contract resources including each project's name, size, location, estimated annual generation and on-line date.

As noted, Water Power did not propose a least cost planning methodology in its original proposal although it subsequently indicated support for the concept.  If the Company acquiesces in the findings set forth in this Order, it may so state in an amended filing.  If it wishes to make a different proposal, it may do that as well.  In any event, all issues pertaining to the adoption and refinement of the least cost planning methodology will be addressed and resolved when Idaho Power Company files its 1995 IRP.

While our adoption of the least cost planning methodology for QFs 1 MW or larger is effective immediately, we must tailor our decision to the upcoming filing dates of the least cost plans of the respective utilities.  Water Power's next least cost plan will be filed with the Commission in late 1995.  During the interim between the effective date of this Order and the resolution of the Company's 1995 least cost plan, Water Power is instructed to continue with the existing methodology, i.e., use the published rates as the starting point for negotiation for projects 1 MW or larger.  Upon the resolution of each utility's least cost plan filing, the least cost planning methodology ultimately adopted by the Commission will be implemented.

Pursuant to the Commission’s direction and invitation, Water Power on March 13, 1995 in Case No. WWP-E-93-10 submitted updated data and proposed changes to the manner in which it calculates its avoided cost rates pursuant to PURPA.  One of the proposed modifications was to change the Company’s first deficit year to 2011.  Addressing this proposed change the Commission in Order No. 26009 stated:

Regarding the adjustment of the Company’s first deficit year, we believe that this issue would most effectively be resolved in the Company’s current Integrated Resource Plan filing (Case No. WWP-E-95-2) and it is so ordered. . . . It is our intention to use the first deficit year of 2000 originally proposed by the Company [in Case No. WWP-E-93-10] until the matter is finally resolved.

The Commission further stated:

For projects 1MW or larger, WWP will be instructed to use the published rates as a starting point for negotiations until the Commission finalizes the least cost planning methodology discussed in Order No. 25883 at page 6.  The establishment of that methodology has been tied to the filing of Idaho Power’s least cost plan.

The Commission is advised that Idaho Power Company intends to file its 1995 Integrated Resource Plan with the Commission on or prior to June 1, 1995 and its related avoided cost IRP methodology on or prior to July 1, 1995.

YOU ARE FURTHER NOTIFIED that the Company’s electric IRP may be viewed during regular business hours at the offices of the Idaho Public Utilities Commission, 472 West Washington Street, Boise, Idaho and at the Idaho offices of The Washington Water Power Company.

DATED at Boise, Idaho this              day of May 1995.

Myrna J. Walters

Commission Secretary

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