DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

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DON HOWELL

STEPHANIE MILLER

DAVID SCHUNKE

RICK STERLING

BRAD PURDY

GARY RICHARDSON

WORKING FILE

FROM:SCOTT WOODBURY

DATE:JUNE 25, 1996

RE:CASE  NO. WWP-E-95-2

WATER POWER 1995 ELECTRIC INTEGRATED RESOURCE PLAN (IRP)

On April 3, 1995, The Washington Water Power Company (Water Power; Company) 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.  A Notice of Filing in Case No. WWP-E-95-2 was issued by the Commission Secretary on May 16, 1995.

As a result of the Commission’s Order No. 25883 in Water Power Case No. WWP-E-93-10 the Company’s IRP is important and significant in the calculation of avoided costs for qualifying facilities greater than 1 megawatt (MW) in size pursuant to the Public Utility Regulatory Policies Act of 1978 (PURPA).

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.

On July 17, 1995, Idaho Power Company (Idaho Power) filed an Application with the Commission in Case No. IPC-E-95-9 proposing an avoided cost IRP methodology, a proposed procedure and method for utilizing Idaho Power’s IRP for calculating avoided costs.  Because of the generic implications of the filing, The Washington Water Power Company and PacifiCorp dba Utah Power & Light Company were made parties to the proceeding and interested parties were permitted to intervene.  Since Idaho Power’s filing the parties have met both formally and informally in an attempt to achieve understanding, compromise, and a proposed settlement.  They continue in their efforts and the case docket is still open.

On February 8, 1996, the Commission issued a Notice of Scheduling and Modified Procedure in Case No. WWP-E-95-2.  The Commission provided Water Power the opportunity to submit updated data and proposed changes to its IRP so as to facilitate and accommodate its use for calculation of avoided cost rates.  The Commission also established a deadline of April 26, 1996 for filing written comments or protests with respect to Water Power’s 1995 electric IRP.  The Commission Staff (Staff) was the only party to file written comments (attached).

Staff reviewed the Company’s 1995 IRP and recommends that it be accepted for filing.   Staff’s comments can be summarized as follows:

Staff questions the Company’s (and DRI McGraw Hills) assumption that gas prices will escalate at about 5% per year (a rate that is nearly twice the rate of expected inflation of either electric prices or general inflation as measured by the CPI).  Because the Company’s gas price forecast affects its projected demand for electricity for space heating, Staff contends that the Company may have slightly overstated its load forecast.

Regarding the Company’s reliance on DRI and perhaps other subscription services as a source of data, and because Water Power’s IRP will now be used to set avoided cost rates, Staff suggests that Water Power should provide a mechanism for public access and review of the data relied upon.

Regarding Water Power’s resource plan Staff questions further the price of Mid Columbia contract renewals given electric industry restructuring and probable increased competition for available resources.  Staff on hydro relicensing notes that the Company has assumed that all existing hydro facilities will be relicensed yet makes no assumptions about the cost of relicensing or the cost of any related environmental mitigation.  The cost of relicensing Staff contends may potentially influence the selection of future generating resources.

Regarding demand-side management, Staff notes that although Water Power projects no need for additional resources for the next 10 years, the Company for the near term proposes to continue its DSM efforts to maintain DSM capability in the service area, and to continue or enhance market transformation efforts.

Staff believes that the role and format of the IRP, as well as the Company’s Conservation Plan may need to be examined in light of the changes that are occurring within the electric industry.  Staff recommends that this question be addressed by the Commission, by way of Modified Procedure, in a separate proceeding that is initiated as soon as possible after the conclusion of this case and other utilities’ IRP submittal cases.

Staff suggests that the Company include in future IRPs a discussion of its wholesale marketing and brokering activities.  The links between the Company’s resource planning to meet native retail customer load and planning to compete successfully in the wholesale market must be explored.  The Commission and customers, Staff contends, need to be assured that the Company’s wholesale dealings are in the best interest of the customer and that the future supply of low cost, reliable power is not jeopardized.

Since avoided costs for projects greater than 1 megawatt are now determined using the Company’s IRP, and since much of the Company’s future resource acquisitions will be market purchases, Staff contends that it is important for the Company to include market purchases in its integrated resource planning (e.g., assumptions about secondary energy prices, multi era and seasonal market acquisitions).  Staff believes that the actual resource acquisitions of Water Power may be a more accurate indication of the Company’s true avoided costs than resources planned in their IRP which may never actually be acquired.

Noting that Water Power’s coal plant estimates are much higher than those of Idaho Power and PacifiCorp, Staff suggests that although perhaps still within the range of reasonableness, they may need to be  reviewed and updated.

Staff has reviewed the variables included in the Company’s IRP which are used in the calculation of avoided costs.  Staff believes that all of these variables fall within a reasonable range.

The Commission is advised that it has deferred the issue of Water Power’s first deficit year calculation from Water Power’s avoided cost case (WWP-E-93-10) to the Company’s IRP case (WWP-E-95-2).  In Order No. 25883 in Case No. WWP-E-93-10 the Commission directed the Company to recalculate its first deficit year and present the calculation in an amended filing.  In Order No. 26009 the Commission stated the following:

Water Power proposed using a first year deficit year of 2011 as opposed to the first deficit year of 2000 set forth in the Company’s original Application. . . .

Regarding the adjustment of the Company’s first deficit year, we believe that this issue would most efficiently be resolved in the Company’s current Integrated Resource Plan filing (Case No. WWP-E-95-2) and it is so Ordered.

The Commission referenced its direction that the adjustment of Water Power’s first deficit year be resolved in Case No. WWP-E-95-2 again in Order No. 26086.

In Case No. WWP-E-95-2 the Commission in Notice of Filing issued May 16, 1995 stated as follows:

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.

In further notice issued by the Commission in Case No. WWP-E-95-2 on February 8, 1996 the Commission stated:

On April 3, 1995, The Washington Water Power Company (Water Power; Company) filed its 1995 Electric Integrated Resource Plan (IRP).

As a result of the Commission’s Order No. 25883 in Water Power Case No. WWP-E-93-10 the Company’s IRP is important and significant in the calculation of avoided costs  for qualifying facilities greater than 1 megawatt  (MW) in size pursuant to the Public Utility Regulatory Policies Act of 1978 (PURPA).

YOU ARE FURTHER NOTIFIED that pursuant to discussions of the parties in Case No. IPC-E-95-9 and with the consent of the Commission, Water Power is provided the opportunity to submit updated data and propose changes to its IRP so as to facilitate and accommodate its use for calculation of avoided cost rates.  The deadline for such filing is Friday, March 15, 1996.

YOU ARE FURTHER NOTIFIED that the deadline for filing written comments or protests with respect to Water Power’s 1995 electric Integrated Resource Plan . . . is Friday, April 26, 1996.

Commission Decision

1.  Re: WWP 1995 electric Integrated Resource Plan (IRP)

How does the Commission desire to handle the Company’s filing?

Acknowledge filing?  By letter or Minute Entry?

Or does the Commission envision some greater form of approval (see No. 2 below)?

What are the ramifications of approving an IRP by Order regarding future changes in the Company’s plan?

2.  Re:  Avoided Cost Implications

First deficit year – approve by Order?

Re:  QFs greater than 1 MW

3.  Re:  Staff Recommendations

Public review of source data?

Continued role and format of IRP with restructuring of electric industry – initiate a docket to explore same?

Require discussion of wholesale marketing and brokering activities in future IRPs?

What is the Commission’s preference?

Scott D. Woodbury

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