DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

STEPHANIE MILLER

DAVE SCHUNKE

RANDY LOBB

TONYA CLARK

GARY RICHARDSON

WORKING FILE

FROM:SCOTT WOODBURY

DATE:JUNE 23, 1995

RE:ANNUAL REVISION OF VARIABLE RATE—AVOIDED COST

CASE NOS. WWP-E-95-3, IPC-E-95-7, UPL-E-95-2

The Washington Water Power Company (Water Power; WWP) on May 30, 1995 filed with the Idaho Public Utilities Commission (Commission) a revised and updated calculation of the adjustable portion of its avoided cost rates.  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.  The adjustable portion under the previous SAR methodology (applicable to existing contracts) 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 (WWP), Order No. 23357 (Idaho Power Company; IPCo), and Order No. 23358 (PacifiCorp; PCP).  The adjustable portion under the current SAR methodology is based on annual average gas prices indexed at Sumas, Washington.  An annual filing is required by Order No. 25883 \*WWP), Order No. 25884 (Idaho Power Company), and Order No. 25882 (PacifiCorp).  By this Order, we change the variable rate for existing contracts under the previous SAR methodology (Colstrip) and the adjustable portion under the present methodology (Sumas).

Adjustable Rates–Colstrip

By Order No. 23738 in case Nos. WWP-E-91-6, IPC-E-91-16, and UPL-E-91-1/ PPL-E-91-1 issued June 17, 1991, the Commission approved the methodology utilized by WWP as appropriate for use in future annual adjustable avoided cost rate submittals.  We also indicated that future adjustable rate updates should require only a single filing by The Washington Water Power Company, with copies and party status provided to IPCo and PCP.  We further ordered 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.  By this Order we recognize the revised updated calculation set forth in the May 30, 1995 WWP filing as being submitted also for approval for Idaho Power Company and PacifiCorp dba Utah Power & Light Company.

After analysis we find that the methodology utilized by WWP in its filing related to Colstrip is the methodology approved in Order Nos. 23349, 23738 and 23967.  We find that the methodology approved for determining the variable components of the avoided cost rate is a relatively simple arithmetic recalculation.  We further find based on our review of the calculation and supporting documentation that the resulting adjustable rate is fair, just and reasonable.  We further find based on our review of the record and Water Power’s Certificate of Service, that a copy of WWP’s calculation and supporting workpapers were served on all participants in the 1991 adjustable rate hearing.  We accordingly find it appropriate to process this essentially administrative matter in an expedited fashion without further notice of public hearing.  The Commission therefore finds it reasonable on the basis of the annual revised calculation to update the Colstrip related adjustable (or variable) rate for existing contracts under the previous SAR methodology for WWP, PCP, and IPCo from 10.89 mills/kWh to 10.17 mills/kWh for an approved effective date of July 1, 1995.  A new schedule of rates and a detailed sheet of variables for each utility has been prepared by Staff and reviewed by the utilities.

Adjustable Rates–Sumas

The Colstrip related adjustable portion of the avoided cost rate for existing contracts for WWP, PCP and IPCo be changed from 10.89 mills/kWh to 10.17 mills/kWh for an effective date of July 1, 1995.

The Sumas related adjustable portion of the avoided cost rates for WWP, PCP and IPCo be changed as outlined in the attached schedules for an effective date of July 1, 1995.

By Order No. 25883 in Case No. WWP-E-93-10, 25884 in Case No. IPC-E-93-28, and 25882 in Case Nos. UPL-E-93-3/UPL-E-93-7 issued January 31, 1995, the Commission approved the existing avoided cost methodology and the methodology utilized by WWP as appropriate for use in future annual adjustable avoided cost rate submittals.  Under the present methodology, the adjustable portion is based on annual average gas prices indexed at Sumas, Washington.  After analysis, we find that Water Power has followed the approved methodology.  The indexed prices are verifiable.  As with the Colstrip variable, we find the resultant recalculation of the variable rate under present methodology to be a relatively simple procedure.

As reported by WWP, the 1993 and 1994 annual average gas prices indexed at Sumas, Washington as published in “Inside FERC” was $1.86/MMBtu and $1.57/MMBtu respectively, resulting in a reduction of $0.29/MMBtu.  The approved gas price of $2.51/MMBtu less the $0.29/MMBtu reduction results in a gas price of $2.22/MMBtu for the 1995-96 year.  This equates to an “SAR” fuel cost of 16.32 mills/kWh as used in the model.

A new schedule of rates and a detailed sheet of variables for each utility has been prepared by Staff and reviewed by the utilities.  We find the resulting adjustable rate to be fair, just and reasonable.  We further find based on our review of the record and Water Power’s Certificate of Service, that the Company’s calculation and supporting workpapers were served on all participants in the present avoided cost methodology case.  We accordingly find it appropriate to process this essentially administrative matter in an expedited fashion without further notice of public hearing.  We find it reasonable on the basis of the annual revised calculation to update the Sumas related adjustable rate under the present avoided cost methodology for WWP, PCP and IPCo for an approved effective date of July 1, 1995.

COMMISSION DECISION

Scott D. Woodbury

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