DECISION MEMORANDUM

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FROM:SCOTT WOODBURY

DATE:JULY 18, 1995

RE:CASE NO.  WWP-E-95-4

$2,258,000 PCA SURCHARGE

On June 30, 1995 The Washington Water Power Company (Water Power; Company) in Case No. WWP-E-95-4 filed an Application with the Idaho Public Utilities Commission (Commission) proposing a revision to the Company’s Electric Tariff Schedule 66—Temporary Power Cost Adjustments—Idaho.  Water Power requests that the Commission approve a $2,258,000, 2.43% surcharge to Water Power’s Idaho customers.(footnote: 1)  The surcharge is being requested as a result of the “trigger” being reached and exceeded in Water Power’s Power Cost Adjustment (PCA) balancing account as established in Case No. WWP-E-88-3, Order No. 22816 issued October 31, 1989, extended in Case No. WWP-E-93-3, Order No. 24874, and extended and modified in Case No. WWP-E-94-4, Order No. 25637.  Since the inception of the PCA in October 1989, the Company’s customers in the state of Idaho have received two rebates and two surcharges:

$2,247,000 (2.45%) rebate beginning May 1, 1990

$2,314,000 (2.51%) rebate beginning May 1, 1991

$2,272,000 (2.59%) surcharge beginning November 1, 1992

$2,239,000 (2.54%) surcharge beginning January 1, 1995

Water Power is proposing that the requested surcharge become effective September 1, 1995, and expire August 31, 1996.

The present PCA rate adjustment mechanism, as more particularly described in Order No. 25637, is designed to recover/rebate abnormal net power supply expenses incurred by the Company.  The PCA mechanism tracks changes in the Company’s power supply costs associated with abnormal weather and streamflows.  (The weather related portion of the PCA tracks 100% of the variation in hydro generation from the hydro generation authorized.  It also tracks 80% of the variation in secondary prices from those authorized, and the related variation in thermal generation.)  The PCA is also designed to recover PURPA contract costs beyond the level included in the Company’s general revenue requirement.  PURPA contract costs are the result of the Company’s federally mandated obligation to purchase the output of qualifying small power and cogeneration facilities and, therefore, are largely outside the control of Water Power.  (The PCA tracks 100% of the changes in costs associated with PURPA contracts.)  The Company is allowed to record the difference between actual power supply costs and the level of those costs authorized by the Commission.  When the total difference in costs exceed $2.2 million, the Company may request authority to implement a surcharge or rebate.  As reflected in the Company’s Application, the $2.2 million trigger was reached and exceeded at the end of April, 1995.

In this case, a net deferral of $2,258,000 in the PCA balancing account results from the sum of (1) total weather-related deferrals of $2,161,000 in the surcharge direction and (2) PURPA tracker deferrals of $97,000 in the surcharge direction.  The net deferral amount includes a true-up or correction for prior months of $56,000 in the surcharge direction.

1.  Weather-related deferrals

As reported by the Company, the weather-related surcharge results primarily from low streamflow conditions from September 1994 through April 1995.  These low streamflow conditions resulted in lower than normal generation from the Company’s hydroelectric plants.  The Company had to operate more expensive thermal generation plants or purchase power from other utilities to meet customer loads, which caused the Company’s power supply costs to be higher than the level authorized by the Commission.

The Company reports that in September 1994 the actual hydro generation was 194 average megawatts below authorized and in April 1994 was 174 average megawatts below authorized.  For the entire period, hydro generation was 672 average megawatts below authorized.  Natural flow for the Spokane River where Water Power owns and operates six hydroelectric projects (18% of Company system hydro capability) during the period September 1994 through April 1995 was 134% of normal.  During this time period, however, the Company reports that natural flow was below normal four out of the eight months, and for the months of September 1994 through November 1994 was 75% of normal.  Natural flow for the Clark Fork River where the Company’s two largest electric projects are located (82% of Company system hydro capability) during the same period was 94% of normal, but was below normal six out of the eight months and for the months of September 1994 through January 1995 was 69% of normal.

The Company reports that actual weighted average secondary prices were significantly above those authorized for the months of September 1994 through January 1995 when natural flows were below normal, thus causing Water Power to purchase power at prices higher than authorized.  In April 1995, actual weighted average secondary prices were below authorized prices when flows again dropped below normal, resulting in a level of secondary sales significantly below authorized.

2.  PURPA tracker deferrals

Workpapers filed by the Company show deferrals for the PURPA tracker in the rebate direction for the months of September 1994 through November 1994 and deferrals in the surcharge direction for the months of December 1994 through April 1995.  These deferrals, the Company reports were due mainly to Water Power’s contract with the City of Spokane for energy purchased from their Upriver Hydro Project located on the Spokane River.

The mechanics of a surcharge are well defined in the Commission’s 1989 PCA Order.  The surcharge is to take place over a period of 12 months at the end of which time Water Power is to file a report indicating the total amount collected.  Any existing difference is to be credited (debited) to the balancing account.  The surcharge is to be spread to all customer classes on a uniform percentage basis and recovered on the energy component of each schedule except for lighting schedules where recovery is to be on a flat rate uniform percentage basis.  PCA related rate changes are limited to no more than two consecutive surcharges or rebates during any 12-month period, July 1 to June 30, and the annual rate change during any 12-month period is limited to 5%.

Under the Company’s proposal in this case, the monthly energy charges of the individual rate schedules are to be increased by the following amounts:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Increase Per  Kilowatt Hour | Present  Sch. 66 Surcharge  (expires 12/31/95) | Proposed  Sch. 66 Surcharge |
| Schedule 1 (Residential) | .111¢/kWh | .111¢/kWh | .222¢/kWh |
| Schedules 11 & 12 | .180¢/kWh | .174¢/kWh | .354¢/kWh |
| Schedules 21 & 22 | .117¢/kWh | .118¢/kWh | .235¢/kWh |
| Schedule 25 | .068¢/kWh | .075¢/kWh | .143¢/kWh |
| Schedules 31 & 32 (pumping) | .152¢/kWh | .128¢/kWh | .281¢/kWh |

Flat rate charges for Company-owned or customer-owned street lighting and area lighting service are to be increased an additional 2.434% over the present 2.54% for an overall proposed Schedule 66 surcharge of 4.971%.  The effect of the surcharge on an average Schedule 1 residential customer using 1,071 kilowatt hours per month would be an increase of $1.19 per month for a total effective property Schedule 66 surcharge of $2.46 per month.

STAFF ANALYSIS

Based on its preliminary investigation Staff has reason to believe that the Company has included expenses associated with a non-PURPA project (i.e., the Upriver Hydro Project) in its PURPA tracker deferral.  Pursuant to conversations with Water Power it appears that the Upriver Project was never presented to Water Power as a PURPA project, and that the City of Spokane did not follow FERC procedures for obtaining QF status (reference 18 C.F.R. § 292.207).  It can therefore be reasonably argued that the project was a voluntary and not a federally obligated purchase.  Pursuant to conversations with Water Power, Staff believes that if the deferral item in question were eliminated from the Company’s filing that the trigger would not be reached in April 1995 as indicated, but instead May of 1995.  In that event an amended filing with an additional month of deferrals would be required to satisfy the trigger and justify a surcharge.  Staff will continue with its investigation.  The Company desires to have this matter processed as filed.

Commission Decision

The Company has requested an effective date of September 1, 1995.  Staff recommends that this filing be initially processed under Modified Procedure, i.e., by written submission rather than by hearing.  What is the Commission’s preference?

vld/M-WWP-E-95-4.swScott Woodbury

**FOOTNOTES**

1:

 As proposed by the Company, the increase will not affect recently acquired customers in the Sandpoint area.  The Company began serving those customers on January 1, 1995.  At that time, the balance in the PCP deferral account was $1,360,000 of the $2,258,000 surcharge proposed in this filing.