SCOTT WOODBURY

DEPUTY ATTORNEY GENERAL

IDAHO PUBLIC UTILITIES COMMISSION

472 WEST WASHINGTON STREET

PO BOX 83720

BOISE,  IDAHO  83720-0074

(208) 334-0320

Street Address for Express Mail:

472 W WASHINGTON

BOISE ID  83702-5983

Attorney for the Commission Staff

BEFORE  THE  IDAHO  PUBLIC  UTILITIES  COMMISSION

IN THE MATTER OF THE APPLICATION)

OF THE  WASHINGTON WATER POWER )CASE  NO.  WWP-E-95-4 COMPANY FOR AUTHORITY TO REVISE)

ELECTRIC TARIFF SCHEDULE 66- )

TEMPORARY POWER COST ADJUST-)COMMENTS OF

MENT-IDAHO AND TO IMPLEMENT)THE COMMISSION

A RELATED SURCHARGE.)STAFF

)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_)

COMES  NOW  the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and submits the following  comments for the Commission’s consideration in Case No. WWP-E-95-4.

The Washington Water Power Company's (WWP or Company) Electric Tariff Schedule 66 - Temporary Power Cost Adjustment - Idaho (PCA) was initially authorized by the Idaho Public Utilities Commission (Commission; IPUC) in Case No. WWP-E-88-3 by Order No. 22816 dated October 30, 1989.  The purpose of the PCA is to moderate the effect of the use of "normalization" by the Commission when establishing base electric rates.  The normalization concept assumes that future conditions affecting the Company's operations will be equal to the historical average conditions.  Daily temperatures, precipitation and

streamflows through the Company's hydro generation facilities constitute the majority of these "average" conditions.

The weather related part of the PCA mechanism provides for the deferral of a portion of the difference between two power supply model runs, the normalizing run used to establish base conditions and the actual condition model run using actual hydro generation and actual non-firm prices.  The contract tracker part of the PCA mechanism (no longer in effect as explained below) provided for the deferral of a portion of the difference between actual contract costs experienced by the Company and "normal" contract costs assumed when setting base rates.  The total monthly deferral can go in either direction, i.e. costs can be either higher or lower than "normal".  The deferral of these differences provides some protection to the customer from large "emergency surcharges" such as those experienced in 1977 and provides some financial protection to the Company from extraordinary costs.  The deferrals, as costs swing above and below normal, smooth out the Company's earnings.  The Company's rates are only affected when these costs swing outside of the established band resulting in either a surcharge or a refund to customers.

Since the inception of the PCA mechanism, WWP has twice refunded money to it's customers and twice surcharged it's customers.  Attached is a historical synopsis of the Company's PCA since its inception to, and including, the current application.  The request before the Commission in this case is for a $2,258,000, 2.43% surcharge to be in effect

from September 1, 1995 to August 31, 1996.  If approved, this surcharge and the previously authorized surcharge will be concurrently in effect from September 1, 1995 to

December 1, 1995.  During the period of concurrency, total surcharges will equal 4.97%, 0.03% below the PCA limit of 5%.

By its Order No. 25637 in Case No. WWP-E-94-4 dated July 18, 1994, the Commission authorized continuation of the Company's PCA mechanism for an indefinite period of time.  By that order, the Commission also authorized a modification to the calculation of the amount of deferred costs recorded by the Company.  Effective August 1994, the non-PURPA contract tracker portion of the PCA was eliminated.  This change affected account 555, purchased power; account 447, sales for resale; account 565, wheeling expenses; and account 456, wheeling revenues.

The Commission's Order No. 25637 also updated the weather related portion and the PURPA contract tracker portion of the PCA to reflect the impact of operational changes, such as firm contract rights and obligations, on the Company's load/resource balance and updated the numbers that represent the base conditions.  Regarding the continuation of the PURPA contract portion of the PCA, the Commission stated:

Water Power’s proposal to maintain the 100% pass-through of PURPA

contract costs is reasonable.  These costs are the result of the Company’s

federally mandated obligation to purchase the output of qualifying facilities

and, therefore, are largely outside the control of Water Power.

Order No. 25637, p 4.

Based on information provided to Commission Staff by the Company, it appears that four of the PURPA contracts listed in the PCA are Washington-sited projects that have never obtained FERC Qualifying Facility (QF) Status Certification.  Reference 18 CFR §292.207 Procedures for obtaining qualifying status.  These projects are:  Upriver Hydro Project, Phillips Hydro Project, Gordon Foster Hydro Project, and Ribic (small wind).  It can be reasonably argued that a QF under PURPA must apply for QF status in order to trigger the utility’s federal obligation to purchase.  QF certification (formal or self-certifying) has been a factor in complaint actions before the Idaho Commission.  The regulatory Commission in Washington (WUTC) does not require PURPA QF power producers to obtain PURPA certification as a prerequisite to contracting with Washington-based utilities, nor does the WUTC require that power purchase contracts filed with the WUTC be identified as PURPA contracts.  Despite the difference in the regulatory requirements of the WUTC and the IPUC, it is Staff’s belief that these facilities have been, and are still being, treated in the PCA in a manner consistent with the intent of FERC and Commission rulings.  The Company represents that all of the identified projects satisfy the eligibility criteria for a qualifying facility (i.e. 18 CFR §292.203—.206).  The Company states that it is encouraging the identified project owners to file notices of QF status with FERC.

The Commission Staff has reviewed the Company's filing and determined that it is consistent with Commission Order No. 22816, which established the PCA, and Commission Order No. 25637, which modified the initial PCA.  The PCA mechanism continues to function as it was intended.  The calculations and accounting entries as presented by the Company in its application appear to be accurate and in compliance with prior Commission orders.

DATED  at Boise, Idaho, this            day of August, 1994.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Scott Woodbury

Deputy Attorney General

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Tony Jones

Economist

cm/wwpe954.sw/umisc/gdk