DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

KEITH HESSING

TERRI CARLOCK

GARY RICHARDSON

WORKING FILE

FROM:SCOTT WOODBURY

DATE:MAY 16, 1996

RE:CASE NO. WWP-E-96-2

SCHEDULE 26–EXPERIMENTAL DIRECT ACCESS DELIVERY SERVICE

On May 7, 1996, The Washington Water Power Company (Water Power; Company; WWP) filed an Application with the Idaho Public Utilities Commission (Commission) for approval of a proposed Schedule 26, Experimental Direct Access Delivery Service tariff.  The proposed tariff, the Company contends, is a controlled program of limited duration which would provide valuable experience on how customer choice and competition will affect all stakeholders.

The Schedule 26 tariff will provide the Company’s Schedule 25 extra large general service customers the opportunity to voluntarily transfer up to one-third of their load from Schedule 25 to Schedule 26, and to choose an alternate supplier to provide capacity and energy services for that portion of their load.  The Company reports that it has 11 Idaho customers on Schedule 25 with loads ranging from 1.3 to 7.8 average megawatts (aMw), and a total load of 33 aMw.  This represents approximately 14% of Water Power’s Idaho electric retail load.

As proposed, the Schedule 26 tariff would not affect the rates for other customer classes during or after the experimental period (July 1, 1996 – August 31, 1998).  The Company is not requesting any special accounting treatment associated with the proposed tariff.  During the experimental period, the Company is proposing to absorb all the lost margin associated with loads being served on Schedule 26.  Following the experimental period, the Company will provide an evaluation report to the Commission.

The proposed Schedule 26 tariff includes the following major elements:

•effective dates – July 1, 1996 through August 31, 1998

•60 day prior written notice requirement to initiate/terminate service

•minimum 90-day service term

•termination of Schedule 26 service ends eligibility for remainder of experimental period

•capacity and energy amounts may be changed after 12-months of service

•capacity and energy amounts may not exceed one-third of the customers average peak demand and total energy as billed under Schedule 25 during the period July 1995 – June 1996.

•scheduling and delivery information, including load shape

•amount of energy and capacity delivered by alternate supplier would be deemed “first through the meter” for monthly billing purposes

•WWP to provide all ancillary services necessary to provide uninterrupted service to customer (incl. scheduling, balancing, load following, and generating reserves)

•pricing and termination provisions re:  nondelivery of contractual capacity and energy by alternate supplier

Water Power is proposing a Schedule 26 tariff rate of 1.430¢/kWh.  This rate provides the customer with transmission, distribution, A&G, scheduling, balancing, load following and generating reserves.  These costs and services will be referred to by the Company as “delivery costs” and “delivery services.”  The Company’s filing details the derivative components of the Schedule 26 rate.  Per Company calculation, the average Schedule 25 customer who takes service under the Schedule 26 tariff will reduce their power bill to the extent that they can purchase capacity and energy from an alternate supplier for less than 1.546¢/kWh.

Commission Decision

Water Power proposes that the Schedule 26 tariff be approved without protracted hearings or litigation.  Staff recommends that the Company’s filing be processed under Modified Procedure.  What is the Commission’s preference?

Scott Woodbury

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