DECISION MEMORANDUM

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FROM:SCOTT WOODBURY

DATE:JUNE 18, 1996

RE:CASE NO. WWP-E-96-4

PCA (Rebate)

On May 30, 1996, The Washington Water Power Company (Water Power; Company) in Case No. WWP-E-96-4 filed an Application with the Idaho Public Utilities Commission (Commission) proposing a revision to the Company’s Electric Tariff Schedule 66—Temporary Power Cost Adjustment—Idaho.  Water Power requests that the Commission approve a $2,482,000, 2.34% rebate to Water Power’s Idaho customers (including Sandpoint area).  The rebate 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 three 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

$2,258,000 (2.43%) surcharge beginning September 1, 1995

Water Power is proposing that the requested rebate become effective September 1, 1996 (upon expiration of the current surcharge), and expire August 31, 1997.

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 contract costs incurred pursuant to the Public Utility Regulatory Policies Act of 1978 (PURPA) and the related implementing rules and regulations of the Federal Energy Regulatory Commission (FERC) 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 March 1996.

As represented by Water Power, the net deferral of $2,482,000 in the Company’s PCA balancing account is the result of the sum of (1) total weather-related deferrals of $2,566,000 in the rebate direction and (2) PURPA tracker deferrals of $55,000 in the surcharge direction.  The net deferral amount includes a true-up or correction for prior months of $29,000 in the surcharge direction.  The weather-related and PURPA tracker deferrals are more particularly described as follows:

1.  Weather-related deferrals

As reported by the Company, the weather-related rebate results from exceptional streamflow conditions from November 1995 through March 1996.  The highest generation levels seen in the last fifteen years were recorded at the Company’s hydroelectric plants.

The Company reports that for the months of November 1995 through March 1996 actual hydro generation averaged 221 average megawatts above authorized hydro generation.  For the entire period May 1995 through March 1996, hydro generation was 776 average megawatts above 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 May 1995 through March 1996 was 169% of normal and 315% of normal for November 1995 through March 1996.  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 period May 1995 through March 1996 was 131% of normal, and 302% of normal for the period November 1995 through March 1996.

The Company reports that actual weighted average secondary prices were significantly below those authorized for the months of May 1995 through March 1996 resulting in lower secondary sales revenues than would otherwise be expected if actual secondary prices were closer to normal.  This was due to a combination of events:  above normal streamflows through the region resulting in an over abundance of hydro generation and near record low prices for natural gas used to fire combustion turbines.

2.  PURPA tracker deferrals

Workpapers filed by the Company show deferrals for the PURPA tracker in the rebate direction for the months of June 1995 through September 1995 and deferrals in the surcharge direction for the months of October 1995 through March 1996.  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.  Also in June and July 1995 the Vaagen Bros. Cogeneration Project was off-line for equipment installation resulting in no purchases by WWP.

A $61,000 adjustment to the PCA tracker in March 1996 is a correction for not recognizing the expense of purchasing energy on the secondary market to replace the energy that used to be purchased from Vaagen Bros. Cogeneration Project to that contract expiring in October 1995.

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 decreased by the following amounts:

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| --- | --- | --- |
|  | PresentSch. 66 Surcharge\* (expires 8/31/96) 2.434% | Proposed Sch. 66 Rebate Decrease Per Kilowatt Hour(2.344%) |
| Schedules 1,71 (Residential) | .111¢/kWh | .109¢/kWh |
| Schedules 11, 12,72 (2), 73 (3), 77(General) |  .180¢/kWh | .160¢/kWh |
| Schedules 21, 22,74 (4), 75 (5), 78(Large General) | .117¢/kWh | .111¢/kWh |
| Schedules 25, (8) DAW Forest Products(Extra Large General) | .068¢/kWh | .068¢/kWh |
| Schedules 31, 32, 76 (Pumping) | .152¢/kWh | .101¢/kWh |

\*Note:  recently acquired customers in the Sandpoint area (Sandpoint, Priest River, Hope, East Hope, Clark Fork and Old Town) were not affected by the surcharge.

Flat rate charges for Company-owned or customer-owned street lighting and area lighting service are to be decreased 2.344%.   With the expiration of the present Sch. 66 surcharge, 2.434%, Idaho electric customers will realize an overall electric rate decrease of 4.77%.   The proposed rebate will result in an overall decrease of 2.34% in the Company’s Idaho customer’s rates or $1.13 in the monthly bill of an average residential customer using 1,040 kilowatt hours.  The combined effect of the rebate and the end of the present surcharge on an average residential customer using 1,040 kilowatt hours per month would be a total decrease of $2.28 per month.

Water Power has requested that its rebate be effective September 1, 1996 to coincide with the expiration of the present surcharge.  The Company, as part of its Application, has filed supporting testimony and exhibits.

Commission Decision

Staff recommends that the Company’s Application be processed under Modified Procedure.  Does the Commission agree that Modified Procedure is appropriate?  If not, what is the Commission’s preference?

Scott D. Woodbury

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