

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	CASE NO. WWP-E-96-8
THE WASHINGTON WATER POWER COM-)	
PANY FOR AN ORDER APPROVING)	
ACCOUNTING AND RATE MAKING TREAT-)	
MENT OF WOOD POWER, INC. TERMINA-)	ORDER NO. 26751
TION COSTS.)	
)	

On November 27, 1996, The Washington Water Power Company (Water Power; Company) filed an Application with the Commission for an order approving accounting and ratemaking treatment pertaining to Water Power's costs relating to the termination of a power sales agreement between Wood Power, Inc. (Wood Power) and the Company.

Wood Power operates a wood waste powered generation facility pursuant to the Public Utility Regulatory Policies Act of 1978 (PURPA) at Plummer, Idaho. Water Power entered into a power sales agreement with Wood Power on August 19, 1982 to purchase the energy and capacity from that facility.

Rayonier operates a timber mill adjacent to the Wood Power facility. Wood Power provides steam to Rayonier for manufacturing purposes in exchange for which Rayonier provides wood waste fuel to Wood Power. On September 30, 1996, Water Power entered into an agreement with Wood Power and Rayonier terminating the power sales agreement subject to an order by this Commission approving the proposed accounting treatment and the issuance of a permit to Rayonier by the Idaho Department of Environmental Quality to operate the Wood Power facility at Plummer.

In exchange for Wood Power's termination of the power sales agreement, the Company shall pay a total of \$9.5 million to Wood Power within seven working days following consummation of the above noted contingencies. According to Water Power, the price paid by the Company for power from the Plummer facility exceeds the current and expected market prices for electric power. The Company argues, therefore, that the termination of the power sales agreement through the agreed upon single payment would produce substantial benefits to the Company's electric customers over time. Water Power contends that the net present value of the estimated savings from buying replacement power at

expected market prices compared to those contained in the power sales agreement over its remaining term exceeds \$19 million. Thus, the Company asserts that the agreed upon single payment amount of \$9.5 million represents half of the calculated net present value of the above market portion of the power purchases.

The total costs associated with the acquisition of energy from Wood Power are included in the Company's purchase power expense and, therefore, are a component of Water Power's PCA mechanism. The Company proposes that all elements of the power sales agreement be eliminated from the PCA tracking mechanism and that the Company be allowed to defer and then amortize the single payment of \$9.5 million over an eight year period. This amortization period was determined by calculating when the net present value of savings and costs offset each other on an accumulative basis. In year nine, following the termination of the power sales agreement, annual net purchased savings would begin flowing through to operations, the Company contends.

Water Power requests that the accounting order be issued on or before January 6, 1997 to coincide with an agreement previously entered into between Water Power and Wood Power.

On December 17, 1996, the Commission issued a Notice of Modified Procedure soliciting comments in response to the Company's Application. As expected, Rayonier and Wood Power, Inc. support Water Power's Application. In addition, the Commission Staff filed comments also recommending approval of the Company's Application. According to Staff, in terms of present value, the Company's analysis indicates that Water Power can buy out the Wood Power contract for 50¢ on the dollar, which Staff contends is beneficial to the Company and its customers. Staff recommends acceptance of the proposed accounting and ratemaking treatment related to the buyout costs contending that deferral and amortization over eight years is reasonable.

FINDINGS

We hereby approve Water Power's Application for proposed accounting and rate making treatment regarding the buy out of the Wood Power contract. Given that there was no opposition to the Application, as well as the fact that the buy out of a firm power purchase agreement at 50¢ on the dollar would clearly be in the best interest of the Company and its ratepayers, we find that the Company's request is reasonable and should be approved. In addition, we find that the deferral and amortization of the buy out over eight years is reasonable.

ORDER

IT IS HEREBY ORDERED that the Application of The Washington Water Power Company for proposed rate making and accounting treatment of the buy out of the Wood Power, Inc. contract. IT IS HEREBY approved as set forth herein.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. WWP-E-96-8 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. WWP-E-96-8. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

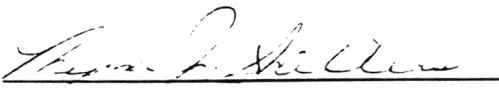
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 3rd day of January 1997.


RALPH NELSON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER

Commissioner Hansen was out of
the office on this date.
DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Myrna J. Walters
Commission Secretary

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