(text box: 1)BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF THE WASHINGTON WATER POWER COM­PANY FOR AN ORDER APPROVING ACCOUNT­ING AND RATEMAKING TREAT­MENT OF WOOD POWER, INC.  TERMINA­TION COSTS. | ))))))) | CASE NO. WWP-E-96-8NOTICE OF APPLICATIONNOTICE OF MODIFIED          PROCEDURE |

YOU ARE HEREBY NOTIFIED that 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.

YOU ARE FURTHER NOTIFIED that the Application together with supporting workpapers, testimonies and exhibits, have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and that the Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 et seq.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filings of record in Case No. WWP-E-96-8.  The Commission has preliminarily determined that the public interest may not require a hearing to consider the issues presented and that the issues raised by the Application may be processed under Modified Procedure, i.e., by written submission rather than by hearing.  Reference Commission Rules of Procedure, IDAPA 31.01.01.201-.204.

YOU ARE FURTHER NOTIFIED that the Commission may not hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used.  Reference IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission by December 30, 1996.  The comment must contain a statement of reasons supporting the comment.  Persons desiring a hearing must specifically request a hearing in their written comments. .

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the deadline, the Commission will consider the matter on its merits and enter its Order without a formal hearing.  If comments or protests are filed within the deadline, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order on the basis of the written positions before it.  Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that written comments concerning Case No. WWP-E-96-8 should be mailed to the Commission and the Company at the addresses reflected below:

COMMISSION SECRETARYTHOMAS D. DUKICH, MANAGER

IDAHO PUBLIC UTILITIES COMMISSIONRATES & TARIFF ADMINISTRATION

PO BOX 83720THE WASHINGTON WATER POWER CO.

BOISE, IDAHO  83720-0074PO BOX 3727

SPOKANE, WA 99220

Street Address for Express Mail:

R.  BLAIR STRONG

472 W WASHINGTON STPAINE, HAMBLEN, COFFIN, BROOKE &

BOISE, IDAHO  83702-5983       MILLER

717 W SPRAGUE, Ste. 1200

SPOKANE, WA 99204

All comments should contain the case caption and case number shown on the first page of this document.

YOU ARE FURTHER NOTIFIED that the Application in Case No. WWP-E-96-8 can be reviewed at the Commission’s office and at the Idaho offices of The Washington Water Power Company during regular business hours.

DATED at Boise, Idaho this                  day of December 1996.

Myrna J. Walters

Commission Secretary

vld/N:WWP-E-96-8.bp

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

December 17, 1996