DECISION MEMORANDUM

TO:COMMISSIONER NELSON

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WORKING FILE

FROM:SCOTT WOODBURY

DATE:MARCH 13, 1997

RE:CASE NO.  WWP-E-97-1 (MOPS)

WATER POWER AMENDED FILING

On February 10, 1997, The Washington Water Power Company (Water Power; Company; WWP) filed an Application with the Idaho Public Utilities Commission (Commission) for approval of a proposed pilot program which will allow a portion of the Company’s residential and commercial electric customers the opportunity to choose alternative energy providers for a limited duration of two years beginning July 1, 1997.  The proposed program is called More Options for Power Service (MOPS) and complements a similar and previously approved direct access pilot  for industrial customers (reference WWP Electric Schedule 26 experimental Direct Access Delivery Service (DADS)).

On March 5, 1997, the Commission in Case No. WWP-E-97-1 issued Order No. 26825 and a Notice of Application and Modified Procedure (attached).  The Commission directed Water Power to file comments on or prior to March 13 regarding the recent February 25, 1997, Order of FERC which rejected Water Power’s retail wheeling pilot (Sch 26 Direct Access Delivery Service tariff) for industrial customers for not complying with FERC’s Order 888 Open Access Transmission Tariff Requirements.  The scheduled deadline for filing written comments or protests in Case No. WWP-E-97-1 with respect to the Application and the Commission’s use of Modified Procedure is March 25, 1997.  The Company has requested an effective date of March 31, 1997.

On March 12, 1997, Water Power made an Amended Filing in Case No. WWP-E-97-1.  As reflected in the Company’s cover letter, the changes in the amended filing include the following:

1.The costs associated with the existing investment in demand-side management and the PURPA costs in excess of market were removed from delivery costs, and 50% of the lost margins associated with these cost items are included in the delivery rate.  These calculations are not intended to set precedent for any future determination of stranded cost recovery.

2.The transmission component was removed from the bundled delivery service rate and is listed as a separately stated charge.  This adjustment is in response to the recent Order from the Federal Energy Regulatory Commission related to unbundled retail rates.

3.A provision was added to the filing such that if at any time the Company does not have the necessary state and federal authorizations for service under the MOPS tariff, and it becomes necessary to terminate the pilot, service under the MOPS tariff would terminate 60 days following approval of termination of the pilot by the IPUC, or at such other time as determined by the IPUC.

4.Additional clarifying language was included in the filing based on discussions with the WUTC and IPUC staff and other parties.

Water Power contends that the amended filing affects only two items included in the Commission’s Notice of Application issued March 5, 1997.  The last paragraph on page 4 of the Notice makes reference to delivery service charges including PURPA costs in excess of market, and costs associated with prior demand side management investment.  As described in Item 1 above, an adjustment has been made in the amended filing reducing the resulting delivery charge to participating customers.  The Company maintains that this is a benefit to participating customers and has no effect on non-participating customers.

The second Notice item affected by the amended filing relates to the third paragraph on page 5 of the Commission’s Notice, as well as the required comments to be filed by the Company, regarding FERC’s recent Order related to unbundling of retail transmission service for the DADS experiment.  In the amended filing, the Company notes that it has separated the transmission component from the remaining delivery service components, and set the transmission rate based on the revenue requirement associated with the Company’s open access transmission tariffs.  As explained in the amended filing, the use of transmission charges based on the Company’s open access transmission tariffs is not intended, in any way, to resolve any issues related to state or federal jurisdiction over transmission pricing under direct access, or to set precedent for the future determination of transmission pricing under retail direct access.

The Company continues to request that the Commission approve the proposed MOPS pilot program to be effective March 31, 1997.

Commission Decision

Staff recommends that an Amended Notice of Application be issued and that all other scheduling in Case No. WWP-E-97-1 remain the same.  Does the Commission agree?  If not, what is the Commission’s preference?  If comment dates must be slipped, the proposed March 31, 1997, effective date will have to be suspended.

Scott Woodbury

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