SCOTT WOODBURY

DEPUTY ATTORNEY GENERAL

IDAHO PUBLIC UTILITIES COMMISSION

PO BOX 83720

BOISE,  IDAHO  83720-0074

(208) 334-0320

Street Address for Express Mail:

472 W WASHINGTON

BOISE ID  83702-5983

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF THE WASHINGTON WATER POWER COMPANY FOR APPROVAL OF A PILOT PROGRAM TO ALLOW A PORTION OF THE COMPANY’S RESIDENTIAL AND COMMERCIAL ELECTRIC CUSTOMERS DIRECT ACCESS TO ALTERNATE ENERGY SUPPLIERS. | )  )  )  )  )  )  )  )  ) | CASE NO. WWP-E-97-1  COMMENTS OF THE  COMMISSION STAFF |

COMES  NOW  the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Application, Modified Procedure and Comment/Protest Deadline in Case No. WWP-E-97-1 issued on March 5, 1997, submits the following comments.

On February 10, 1997, The Washington Water Power Company filed an Application with the Idaho Public Utilities Commission (IPUC) for an experimental direct access pilot program.  The Company revised its filing on March 5, 1997.  The proposed pilot will allow a sample of Residential, Commercial and Pumping customers the opportunity to choose alternative energy providers for a two year experiment beginning July 1, 1997.  The proposed program is called More Options for Power Service (MOPS) and complements a similar and previously approved direct access program for industrial customers called Direct Access Delivery Service (DADS).

The main features of the proposed program are:

a)The program is optional for those who are selected in a random sampling process.  Selected customers can choose not to participate and keep service and rates under their current rate schedules.  If a selected customer chooses to participate and later changes its mind, it can return to its previous service.

b)A MOPS customer’s service would not be interrupted if its alternate supplier did not deliver energy to Washington Water Power.

c)Alternate energy providers are required to register with and provide specific information to the Commission.  They will also be required to adhere to Marketing Rules contained in proposed Schedule 88.  Suppliers who fail to abide by the terms contained in Schedule 88 may upon complaint made to the Commission be excluded from further participation in the pilot.

d)Alternate suppliers are free to establish their own credit and applicant-screening policies.

e)Washington Water Power will bill for the alternate energy provider at its request or allow the alternate provider to bill for energy service while Water Power bills separately for delivery service.  If the alternate energy provider elects to have Water Power bill customers on its behalf, the IPUC’s Utility Customer Relations Rules will apply to all transactions.  If an alternate energy provider chooses to bill customers directly for energy service, the supplier will establish its own billing and collection policies without regard to IPUC rules.

f)The goal for participation in Idaho is approximately 900 customers.  Participants will be approximately 1% of each of the following customer classes; Residential, Small Commercial, Large Commercial, and Pumping Service.

g)At FERC’s direction, Washington Water Power proposes to unbundle and separately itemize the transmission rate.  The rate will be calculated using FERC methodology.

h)Water Power proposes to recapture one-half of several different items by including them in its delivery service charges.  The items are:  lost generation margin, PURPA costs, and the difference between the unbundled State and Federal transmission charges.

i)MOPS program costs are to be deferred and recovered from all ratepayers since the Company contends that all ratepayers will benefit from the experience obtained with this program whether they directly participate or not.  Recoverable program costs are capped at $758,500.

j)Water Power proposes that in order for those utilities who directly supply retail customers to participate, the utilities must open their customers to service by alternative providers as Water Power is proposing to do.  (Reciprocity)

k)Water Power proposes to provide all of the FERC identified “ancillary services” for 2 mills/kWh.

l)Water Power proposes to report quarterly to the IPUC concerning the experiment.

STAFF COMMENTS AND RECOMMENDATIONS

The Commission Staff strongly supports Washington Water Power’s MOPS pilot program.  In DADS comments filed in Case No. WWP-E-96-2, Staff requested a retail direct access experiment, similar to the DADS program, for Washington Water Power’s smaller customers.  At that time the Company was not prepared to make such a filing.  Staff views this filing as a response to that request.

Staff is uncomfortable with the likelihood that alternate energy providers will have billing, credit and collection policies that differ significantly from those adopted by the IPUC.  Although customers of alternate suppliers that bill through Washington Water Power will receive the basic protections afforded Water Power’s own energy service customers, it is possible that most or all alternate energy providers will do their own billing and collection.  However, since the nature of the pilot is to expose willing customers to the potential risks as well as the rewards of the energy marketplace, Staff is willing to accept the proposal’s terms for the purposes of experimentation.

Staff also has some concern about the reciprocity provision included in the Company’s Application.  Staff believes that it is unclear whether or not the Commission can enforce such a provision.  It appears that the provision may be easily circumvented when a traditional utility sells to a broker who in turn sells to participating Water Power customers.  It is Staff’s position that the reciprocity provision should not be a requirement for alternate supplier participation in the experiment.

The Company proposes to defer program costs up to a cap of $758,500 on a system basis and to accrue a return on the deferrals for a maximum of three years which would end June 30, 2000.  After three years, if the Company has not had a rate case and dealt with the issue, the Company would discontinue accrual of the return and begin amortizing the balance over a three year period.  Staff does not disagree with the deferral of program costs, the accrual of a return on such deferrals, or the amortization of deferrals over three years.  Staff takes exception, however, with the date proposed for amortization to begin.  Staff proposes that amortization begin no later than July 1, 1998 and be completed by July 1, 2001.  These dates better match open access proposals at national and regional levels and recovery beyond these dates would be highly speculative.

Staff recommends that the Company be required to provide the participating customer upon request with a monthly calculation of what that customer’s total bill would have been under the customer’s previous rate schedule if the customer had not chosen to participate in the MOPS pilot.

Staff proposes that alternate suppliers previously certified to participate in the DADS experiment only be required to agree in writing to the Schedule 88 proposed rules of conduct in order to be certified by the Commission to participate in the MOPS pilot since their DADS certification included all other MOPS certification requirements.

The nature and degree of interaction between the Staff and alternate energy providers has yet to be determined.  At a minimum, Staff foresees the need to establish communication channels for the resolution of consumer disputes.  Therefore, Staff recommends that the Commission require cooperation by alternate suppliers with the Staff as a part of IPUC registration.

Still under development are standard form contracts to be signed by Water Power and its participating customers.  Also under development is a bill format and billing system that itemizes and tracks specified unbundled components pertinent to this pilot as well as other information.  Providing customers with information about the pilot itself as well as how to choose a supplier will be critical to the experiment’s success.  Water Power has agreed to involve Staff in the development process and to provide final billing format, copies of forms and consumer education materials used in conjunction with the pilot.

Staff’s support of this filing might be materially different if the proposal applied to all customers on a permanent basis.  However, the insights to be gained from this experiment merit Staff’s recommendation for approval.  There are other direct access experiments being conducted within the United States that allow small customers the opportunity to participate.  However, Staff is not aware of any such program for utility customers on a system with costs as low as Washington Water Powers.  The results of this experiment pertain to and will benefit restructuring efforts in the extremely low cost hydro power systems of the northwest.

DATED  at Boise, Idaho, this              day of March 1997.

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Scott Woodbury

Deputy Attorney General

Technical Staff:Keith Hessing

Bev Barker

Terri Carlock

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