(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 AUTHORITY TO REVISE ELEC­TRIC TARIFF SCHEDULE 66-TEMPORARY POWER COST ADJUSTMENT-IDAHO AND TO IMPLEMENT A RELATED REBATE. | ))))))) | CASE NO. WWP-E-97-3                          ORDER NO.  26935 |

On April 1, 1997, The Washington Water Power Company (Water Power; Company) in Case No. WWP-E-97-3 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 $2,639,000, 2.42%, rebate to Water Power’s Idaho customers.  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 three 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

$2,482,000, 2.34%, rebate beginning September 1, 1996

The present PCA rate adjustment mechanism, as more particularly described in Order No. 25637, is designed to recover/rebate variances in net power supply expenses incurred by the Company.  The PCA mechanism tracks changes in the Company’s power supply costs associated with changes in 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 Sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA) 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 exceeds $2.2 million, the Company is required to notify the Commission. An application for a related surcharge or rebate normally follows.  As reflected in the Company’s Application, the $2.2 million trigger was reached and exceeded at the end of January 1997.

As represented by Water Power, the net deferral of $2,639,000 in the Company’s PCA balancing account is the result of the sum of (1) total weather-related deferrals of $2,582,000 in the rebate direction and (2) PURPA tracker deferrals of $101,000 in the rebate direction.  The net deferral amount includes a true-up or correction for prior months of $44,420 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 above normal streamflow conditions from April 1996 through January 1997.

The Company reports that for the months of April 1996 through January 1997 actual hydro generation averaged 124.5 average megawatts or 23% above anticipated hydro generation.  The Company reports that actual weighted average secondary prices were significantly below those anticipated for the months of April 1996 through October 1996 resulting in lower secondary sales revenues than would otherwise be expected.  This was due to a combination of events:  above normal streamflows throughout the region resulting in an over abundance of hydro generation and low prices for wholesale power transactions.

2.  PURPA tracker deferrals

Workpapers filed by the Company show a net deferral of $101,000 for the PURPA tracker in the rebate direction for the months of April 1996 through January 1997.

Deferrals in the surcharge direction, 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 and surcharges from WWP’s six small PURPA hydro projects.  The deferrals in the surcharge direction were primarily a result of above normal stream flows which led to increased generation at these projects.

Deferrals in the rebate direction were primarily due to lower costs for the Vaagen Brothers cogeneration project and the Wood Power, Inc., cogeneration project.  The output of the Vaagen Brothers project is valued at secondary prices which leads to costs significantly below authorized costs.  Much of the savings from the Wood Power, Inc. cogeneration project were due to reduced costs from October 1996 through December 1996.  Water Power’s agreement to terminate the power purchase contract with Wood Power, Inc., effective January 1997, contained provisions to lower the rate Water Power paid for the project output for the months October 1996 through December 1996.  Also during that three month period, the Wood Power, Inc. project had reduced output in preparation for a change of ownership of the facility when Water Power’s power purchase contract with Wood Power, Inc. terminated in January 1997.

The mechanics of a PCA rate adjustment are well defined in the Commission’s 1989 PCA Order.  The rate change 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 or rebated.  Any existing difference is to be credited or debited to the balancing account.  The rate change is applied to all customer class rates 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 Rebate (expires 8/31/97) (2.34%) | Proposed Sch. 66 Rebate Decrease Per Kilowatt Hour(2.42%) |
| Schedules 1,71 (Residential) | .109¢/kWh | .114¢/kWh |
| Schedules 2, 3, 11, 12, 72, 73, 77(General) |  .160¢/kWh | .164¢/kWh |
| Schedules 4, 5, 21, 22, 74, 75, 78(Large General) | .111¢/kWh | .112¢/kWh |
| Schedules 8, 25, 26 (Extra Large General) | .068¢/kWh | .073¢/kWh |
| Schedules 31, 32, 76 (Pumping) | .101¢/kWh | .134¢/kWh |

Flat rate charges for Company-owned or customer-owned street lighting and area lighting service (Schedules 6, 7, 9, 41-49, 70 & 79) are to be decreased 2.42%.   The proposed rebate will result in an overall decrease of 2.42% in the Company’s Idaho customer’s rates or $1.16 in the monthly bill of an average residential customer using 1,020 kilowatt hours.  The combined effect of both the existing and proposed rebates is an overall decrease of 4.77%, or $2.27 in the monthly bill of an average residential customer using 1,020 kilowatt hours.  The existing rebate, however, will expire on August 31, 1997.

Water Power has requested that its rebate be effective June 1, 1997, and expire May 31, 1998.  The Company, as part of its Application, has filed supporting testimony and exhibits.

Based on its review of the filings of record in Case No. WWP-E-97-3, the Commission preliminarily determined that the issues raised by the Application could 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.  On April 11, 1997, the Commission issued Notices of Application and Modified Procedure in Case No. WWP-E-97-3.  The deadline for filing written comments was May 16, 1997.  The Commission Staff was the only party to file comments.  Based on its analysis, Staff recommends approval of the Power Cost Adjustment rebate as filed by the Company for an effective date of June 1, 1997.  Staff found the Company’s calculations to be accurate, with the exception of one item.  The one excepted item concerned the treatment of expired contracts in the PCA power supply model.  The Company corrected this item and on May 15, 1997 filed a Notice of Intent to implement another rebate ($2,966,000).  Additionally, Staff agrees with the Company that the Idaho jurisdictional allocation factor should be changed from .3278 to .3140.  The change results from removing the Potlatch special contract from the Idaho jurisdictional load for purposes of the PCA because the Potlatch special contract rates are not subject to PCA adjustment.

Commission Findings

The Commission has reviewed the Company’s Application, proposed tariff, and supporting testimony.  The Commission has also considered Staff’s analysis in this matter.  The Commission continues to find that the issues presented are suitable for processing under Modified Procedure, i.e., by written submission rather than by hearing.  The Commission finds the Company’s proposed revisions to Tariff Schedule 66 and adjustments to be just and reasonable, including the adjustment to Idaho’s jurisdictional allocation factor.  The Commission also finds the proposed implementation date to be reasonable.

As noted above, the Company on May 15, 1997 filed a Notice of Intent to implement another trigger rebate.  Under the Company’s PCA methodology, 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%.  The Company in its May 15 letter proposes that the existing rebate approved by Order No. 26533 in Case No. WWP-E-96-4 dated July 30, 1996, which is scheduled to expire September 1, 1997, be extended for 12 months.  We will address the Company’s proposal when it files a formal application.

CONCLUSION OF LAW

The Idaho Public Utilities Commission has jurisdiction over this matter and The Washington Water Power Company, an electric utility, pursuant to the authority and power granted under Title 61 of the Idaho Code and the Commission’s Rules of Procedure, IDAPA 31.01.01.000 et seq.

O R D E R

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED that the Application of The Washington Water Power Company for authority to implement a $2,639,000, 2.42% rebate to refund amounts accumulated in its Power Cost Adjustment (PCA) balancing account through proposed amended Tariff Schedule 66—Temporary Power Cost Adjustment—Idaho be approved effective June 1, 1997, and to expire on May 31, 1998.

THIS IS A FINAL ORDER.  Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order.  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                  day of May 1997.

                                                                                                                                       DENNIS S. HANSEN, PRESIDENT

                                                                                            RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

May 27, 1997