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

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| IN THE MATTER OF THE APPLICATION OF 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-97-3NOTICE OF APPLICATIONNOTICE OF MODIFIED          PROCEDURENOTICE OF COMMENT/ PROTEST DEADLINE  |

YOU ARE HEREBY NOTIFIED that 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 abnormal 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 the Public Utility Regulatory Policies Act of 1978 (PURPA) and the related implementing rules and regulations of the Federal Energy Regulatory Commission (FERC) 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 exceed $2.2 million, the Company may request authority to implement a surcharge or rebate.  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.  Effective January 1997, the Wood Power, Inc. cogeneration project is no longer included in the authorized PCA costs.

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.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filings of record in Case No. WWP-E-97-3.  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 the deadline for filing written comments orprotests with respect to the Application and the Commission’s use of Modified Procedure in Case No. WWP-E-97-3 is FRIDAY, MAY 16, 1997.  Persons desiring a hearing must specifically request a hearing in their written protests or 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-97-3 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 83720WASHINGTON WATER POWER CO.

BOISE, IDAHO  83720-0074PO BOX 3727

SPOKANE, WA 99220

Street Address for Express Mail:

472 W WASHINGTON ST

BOISE, IDAHO  83702-5983

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-97-3 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 April 1997.

Myrna J. Walters

Commission Secretary

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**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

April 11, 1997