DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVID SCHUNKE

RICK STERLING

DAVID SCOTT

WORKING FILE

FROM:SCOTT WOODBURY

DATE:JUNE 20, 1997

RE:CASE NOS. WWP-E-97-5; IPC-E-97-7; UPL-E-97-3

ANNUAL REVISION–ADJUSTABLE PORTION OF ADVOIDED COST RATE

On May 27, 1997, The Washington Water Power Company filed with the Idaho Public Utilities Commission a revised and updated calculation of the adjustable portion of its avoided cost rate.  The adjustable portion under the previous SAR methodology, as you will recall, is based on the variable costs associated with the operation of Colstrip, a coal-fired generating facility in southeast Montana.  The same calculated rate revision under the avoided cost methodology is used by WWP, PacifiCorp dba UP&L and IPCo.  As computed by WWP, the adjustable rate for WWP, PCp and IPCo will change from 10.86 mill/kWh to 12.00 mill/kWh.  This change in the variable rate affects existing contracts under the previous SAR methodology.

The adjustable portion of the avoided cost rates under the present methodology is based on annual average gas prices indexed at Sumas, Washington.  As reported by WWP, the indexed gas prices have increased by $0.26/mmbtu.  The approved gas price of $1.74/mmbtu plus the $0.26/mmbtu increase results in a gas price of $2.00/mmbtu for the 1997-98 year.  This equates to a “SAR fuel cost of 14.70 mill/kWh as used in the model.”

Commission Staff prepared and distributed a new schedule of rates and a detailed sheet of variables for and to the respective utilities.  Each utility by letter has indicated its approval (attached).  Accompanying this memo is a proposed Order for Commission consideration and signature.

Commission Decision:

Is the proposed Order acceptable?

Scott D. Woodbury

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