(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 EXTEND AN EXISTING REBATE UNDER ELECTRIC TARIFF SCHEDULE 66—TEMPORARY POWER COST ADJUSTMENT—IDAHO. | ))))))) | CASE NO. WWP-E-97-6ORDER NO.  27117 |

On June 30, 1997, The Washington Water Power Company (Water Power; Company) in Case No. WWP-E-97-6 filed an Application with the Idaho Public Utilities Commission (Commission) proposing a twelve month extension of the Power Cost Adjustment (PCA) rebate approved by Order No. 26533 dated July 30, 1996 in Case No. WWP-E-96-4 which is presently scheduled to expire August 31, 1997. Reference Water Power Electric Tariff  Schedule 66—Temporary Power Cost Adjustment—Idaho. Water Power apprises the Commission that its request addresses an error in the calculation of PCA deferrals for the period July 1995 through March 1997.  A correction entry was recorded by the Company in April 1997 amounting to $2,966,000 in the rebate direction.  Extending the existing rebate for twelve months will pass on to customers a rebate of approximately $2,562,000 and will minimize the number of rate changes to customers.  The rebate extension is being requested as a result of the “trigger” being reached and exceeded in Water Power’s Power Cost Adjustment  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 four 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

$2,639,000, 2.42%, rebate beginning June 1, 1997

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.

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%.

The error correction implemented by the Company in its PCA balancing account and specifically noted by the Commission in prior Order No. 26935 in Case No. WWP-E-97-3 reflects the Company’s treatment of expired contracts (Chelan plant energy ($2,924,000) & Wood Power Inc. contract energy rights ($42,000)) in the PCA power supply model and related adjustments to system resources in the PCA deferral calculation.

Under the Company’s proposal in this case, the monthly energy charges of the individual rate schedules will continue to be decreased beginning September 1, 1997 through August 31, 1998 by the following amounts:

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|  | Sch. 66 Rebate Decrease per Kilowatt Hour  (2.34%) |
| Schedules 1,71 & 81 (Residential) | .109¢/kWh |
| Schedules 2, 3, 11, 12, 72, 73, 77 &  82(General) |  .160¢/kWh |
| Schedules 4, 5, 21, 22, 74, 75, 78 & 83(Large General) | .111¢/kWh |
| Schedules 8, 25, 26 (Extra Large General) | .068¢/kWh |
| Schedules 31, 32, 76 & 84  (Pumping) | .101¢/kWh |

Flat rate charges for Company-owned or customer-owned street lighting and area lighting service (Schedules 6, 7, 9, 41-49, 70 & 79) will continue to be decreased 2.34%.  Continuation of the rebate will result in the currently effective rebate rates simply being extended.  The combined effect of the recently approved rebate and proposed rebate continuation is an overall decrease of 4.77%, or $2.27 in the monthly bill of an average residential customer using 1,020 kilowatt hours.

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

Commission Notices of Application and Modified Procedure issued on July 31, 1997.  The deadline for filing written comments or protests was August 21, 1997.  The Commission Staff was the only party to file comments.  Staff agrees that the filed Application corrects the error associated with the PCA treatment of the Chelan and Wood Power Inc. contracts. Staff recommends approval of the Power Cost Adjustment rebate as filed by the Company for an effective date September 1, 1997.

COMMISSION FINDINGS

The Commission has reviewed the Company’s Application, supporting testimony and exhibits in Case No. WWP-E-97-6.  The Commission has also considered Staff’s comments 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 that the Company’s Application addresses and corrects the $2,966,000 identified error in calculation of PCA balancing account deferrals.  The Commission finds the Company’s proposal to refund the $2,966,000 by extending for twelve months the previously authorized 2.34% electric tariff Schedule 66 rebate scheduled to expire August 31, 1997, to be reasonable.  (Reference Case No. WWP-E-96-4, Order No. 26533).  The Commission accordingly finds the proposed September 1, 1997, implementation date to be reasonable.

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 extend a previously approved 2.34% Power Cost Adjustment (PCA) —electric tariff Schedule 66 rebate which is scheduled to expire August 31, 1997 (reference Order No. 26533) is approved as a reasonable method with subsequent true-up for refunding the $2,966,000 error correction in the Company’s PCA balancing account.  The 12-month extension that we approve is effective September 1, 1997, and will  expire on August 31, 1998.  Reference Washington Water Power electric tariff Schedule 66-Temporary Power Cost Adjustment-Idaho.

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 August 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

August 29, 1997