DECISION MEMORANDUM

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FROM:SCOTT WOODBURY

DATE:AUGUST 21, 1997

RE:CASE NO. WWP-E-97-6

PCA-REBATE ($2,966,000)

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 (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 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 (attached).  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.  Staff proposes for administrative purposes that the Schedule 66 tariff sheet be revised and filed so that the Commission Secretary can annotate the tariff sheet with the effective date and the associated Order number.

Commission Decision

▸Does the Commission continue to find Modified Procedure appropriate in Case No. WWP-E-97-6?

▸Should the proposed PCA rebate be approved for an effective date of September 1, 1997?

▸Is the Company’s proposed procedure, i.e., continuation of the PCA rebate which is scheduled to expire August 31, 1997, with subsequent true-up, a reasonable way to pass the rebate on to the Company’s customers?  If not, what is the Commission’s preference?

▸ Should the Company be required to prepare and file an amended tariff?

Scott Woodbury

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