(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 APPROVAL OF PROPOSED TARIFF REVISIONS TO ITS MORE OPTIONS FOR POWER SERVICE (MOPS II) PILOT PROGRAM | )  )  )  )  )  )  ) | CASE NO. WWP-E-98-3  ORDER NO. 27500 |

On February 6, 1998, the Idaho Public Utilities Commission (Commission) in Order No. 27351, Case No. WWP-E-97-11, approved the MOPS II Pilot, a two year program that allows a portion of The Washington Water Power Company’s (Water Power; Company) residential and commercial electric customers in Hayden (including Hayden Lake), Idaho (5,570 customers; 10.6 aMw) to choose from a menu or portfolio of energy service alternatives.

On March 25, 1998, Water Power filed an Application with the Commission requesting approval of proposed revisions to the approved pilot.  Specifically, four revisions are proposed:

First a different rate design for the renewable power option is included.  The “dollar per block” of wind or wood power is proposed to be replaced with a “per kilowatt hour” rate design.  The proposed revisions add four renewable options to new Schedules 3 (residential), 13 (general service), 23 (large general service) and 33 (pumping service).  These options are:

a.25% mix of wood power priced at 0.3425¢/kWh above embedded power costs

b.25% mix of wind power priced at 0.5¢/kWh above embedded power costs

c.100% wood power priced at 1.37¢/kWh above embedded power costs

d.100% wind power priced at 2.0¢/kWh above embedded power costs

The second revision caps the monthly and annual market rate at 2.65¢ per kWh, or approximately 10% above the traditional rate.  This cap is intended to remove some level of customer risk.  The Company reports that short-term electric markets have recently turned upward.  Accordingly, if a customer were to sign up today for either the monthly or annual rate, that customer would have a rate higher than Water Power’s traditional rate.  To remove some level of risk, the Company believes that caps (as contained in adjustable rate mortgages) may offer some degree of customer comfort and, thus, increase participation.  These caps are contained in Special Condition 12 of each monthly and annual market schedule.

The third and fourth revisions are procedural.  Existing Schedule 17 is reformatted into new Schedules 15-18.  Lastly, the Company requests that the implementation date be delayed from May 1, 1998 to July 1, 1998, so as to allow time to administer the above changes, and that the two year ending date and associated accounting time tables be extended from April 30, 2000 to June 30, 2000.

The Company reports that there is no rate change associated with this filing unless elected by participating customers.  Any revenue from the monthly and annual market rates that is above the Company’s embedded production costs, the Company states, will be tracked and used to offset lost margins.  The Company further states that all incremental revenue from the renewable resource rates will be passed on to the underlying generating resource as described in its original MOPS II filing

On April 2, 1998, the Commission issued Notices of Application and Modified Procedure in Case No. WWP-E-98-3.  The deadline for filing written comments was April 24, 1998.  The Commission Staff was the only party to file comments.  Staff continues to express doubts as to the benefits of the proposed pilot and recommends again that the Company not be permitted to pass program costs on to the general body of ratepayers.

The Company in letter response dated April 23 recognizes that the proposed changes have some potential to increase costs and agrees to capping expenses of the MOPS II pilot to the level already authorized by the Commission in its approval of the original MOPS II pilot on January 27, 1998.  Reference Case No. WWP-E-97-11, Order No. 27351.  The Company expresses its continued belief that pilots are a cost-effective tool to gauge customer response, benefit, etc., before possibly expanding offerings system-wide.

COMMISSION FINDINGS

The Commission has reviewed and considered the filings of record in Case No. WWP-E-98-3, including the written comments and recommendation of the Commission Staff and the reply comments of the Company.  We have also reviewed our prior Order No. 27351 in Case No. WWP-E-97-11, our approval of the Company’s original MOPS II filing.

The Commission continues to find it reasonable to process the Company’s Application pursuant to Modified Procedure, i.e, by written submission rather than by hearing.  Reference Commission Rules of Procedure, IDAPA 31.01.01.204.

We find the Company’s proposed revisions to the MOPS II pilot, as outlined above, to be acceptable.  We note Staff’s continued concerns and find no compelling reason to reverse our prior approval of the MOPS II pilot.  Reference Order No. 27351.  We nevertheless accept the Company’s proposal in letter response dated April 23, 1998, to cap MOPS II program cost expense at the amount previously authorized in Order No. 27351.  We find the proposed electric MOPS II Schedules 3, 13, 23, 33 and 15-18 language, rates and charges to be fair, just and reasonable.  Reference Idaho Code §§ 61-301, 61-305, 61-307.

CONCLUSIONS OF LAW

The Commission has jurisdiction over The Washington Water Power Company, an electric utility, and over the issues presented in the Company’s Application in this case pursuant to the authority and jurisdiction granted the Commission under Title 61 of the Idaho Code and pursuant to 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 and qualified above,  the Commission does hereby approve the proposed tariff revisions to the Company’s More Options for Power Service (MOPS II) pilot program, and related electric tariff Schedules 3, 13, 23, 33 and 15-18.

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 April 1998.

                                                                                                                                      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 4, 1998