DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

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DON HOWELL

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DAVID SCHUNKE

KEITH HESSING

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WORKING FILE

FROM:SCOTT WOODBURY

DATE:MARCH  26, 1998

RE:CASE NO. WWP-E-98-3

MOPS II PILOT—PROPOSED TARIFF REVISIONS

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.

The Company requests that the Commission approve the proposed tariff changes to be effective upon 30 days notice.

COMMISSION DECISION:

Staff recommends that the Company’s Application be processed pursuant to Modified Procedure, i.e., by written submission rather than by hearing.  Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.  Staff notes that it does not intend to support the Company’s Application.  Staff recommends that the proposed implementation date be suspended to allow for the procedural processing of this Application.  Alternatively, Staff suggests that the comment period could be reduced from 21 days to 14 days.  What is the Commission’s preference?

Scott D. Woodbury

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