DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

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COMMISSIONER SMITH

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WORKING FILE

FROM:SCOTT WOODBURY

DATE:APRIL 27, 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

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 (attached).  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 (attached) 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 Decision

●Should the proposed tariff revisions to the previously approved MOPS II pilot be approved?

●Should expenses be capped at previously authorized levels?

●If not, what is the Commission’s preference?

Scott Woodbury

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