DECISION MEMORANDUM

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FROM:SCOTT WOODBURY

DATE:MAY 22, 1998

RE:CASE NO. WWP-E-98-6

APPLICATION TO EXTEND AN EXISTING PCA REBATE

On April 22, 1998, The Washington Water Power Company (Water Power; Company) in Case No. WWP-E-98-6 filed an Application with the Idaho Public Utilities Commission (Commission) proposing a 12-month extension of the existing 2.42% Power Cost Adjustment (PCA) rebate approved by Order No. 26935 in Case No. WWP-E-97-3 and which is presently scheduled to expire May 31, 1998.  Reference Water Power Electric Tariff Schedule 66—Temporary Power Cost Adjustment—Idaho.

Water Power apprises the Commission that the PCA deferral for the month of September 1997 increased the rebate balance in the Company’s PCA balancing account to $3,026,000, thus reaching and exceeding the $2,200,000 “trigger” amount under the PCA methodology.  However, since there were already two rebates in effect and because the PCA rules do not allow for more than two rebates or two surcharges to be in effect at the same time, the Company notes that it was not required to make a contemporaneous filing.  Extending the expiring rebate for 12 months will pass onto customers a rebate of approximately $2,717,000 and will minimize the number of rate changes to customers.

The rebate extension being requested is a result of the “trigger” being reached and exceeded in Water Power’s PCA balance account.  Water Power’s PCA mechanism was first established in Case No. WWP-E-88-3, Order No. 22816 issued on October 31, 1989, and has been extended, modified and clarified in a number of subsequent cases.  Since the inception of the PCA, the Company’s customers have received five rebates (total $12,244,000) and three surcharges (total $6,769,000).  Two of the rebates are currently in effect (June 1, 1997—$2,639,000; September 1, 1997—$2,562,000).

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 Company is not filing a tariff revision in connection with the proposed rebate extension.  The rates related to the rebate which is scheduled to expire May 31, 1998, are currently reflected in Ninth Revision of Schedule 66—Temporary Power Cost Adjustment.  If the Commission approves the rebate extension proposal, the currently effective rebate rates would simply be extended.  As calculated by the Company, implementing the rebate extension will result in a monthly bill $1.16 lower than it would have been without the rebate extension for an average Idaho residential customer using 1,020 kWh.  The next change in PCA rates is expected to occur when the other existing rebate expires on August 31, 1998.

The Company reminds the Commission and its customers that in separate Case No. WWP-E-98-4 the Company has requested an Order terminating its Power Cost Adjustment mechanism.  A prehearing conference in Case No. WWP-E-98-4 was held on May 12, 1998.

Commission Notices of Application and Modified Procedure in Case No. WWP-E-98-6 were issued on April 30, 1998.  The deadline for filing written comments was May 21, 1998.  Commission Staff was the only party to file comments.  (Attached).  Staff recommends that the Company’s proposal to extend the existing 2.42% rebate be approved.  Staff notes that below normal water conditions on rivers that feed the Company’s hydro power system are beginning to reduce the remaining deferred rebate amounts and make another rebate this year unlikely.

Commission Decision

Does the Commission agree that Water Power’s proposal to extend the existing 2.42% PCA rebate scheduled to expire May 31, 1998, should be approved?  If not, what is the Commission’s preference?

Scott Woodbury

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