May 26, 1998

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RE: Case Nos.  WWP-E-98-7, IPC-E-98-8, UPL-E-98-2

On May 20, 1998, The Washington Water Power Company filed with the Idaho Public Utilities Commissiona revised and updated calculation of the adjustable portion of its avoided cost rate.  The adjustable portion under the previous SAR methodology, as you will recall, is based on the variable costs associated with the operation of Colstrip, a coal-fired generating facility in southeast Montana.  The same calculated rate revision under the avoided cost methodology is used by WWP, PacifiCorp dba UP&L and IPCo.  As computed by WWP, the adjustable rate for WWP, PCP and IPCo will change from 12.00 mill/kWh to 10.00 mill/kWh.  This change in the variable rate affects existing contracts under the previous SAR methodology.

The adjustable portion of the avoided cost rates under the present methodology is based on annual average gas prices indexed at Sumas, Washington.  As reported by WWP, the indexed gas prices have increased by $0.35/mmbtu.  The approved gas price of $2.00/mmbtu plus the $0.35/mmbtu incresae results in a gas price of $2.35/mmbtu for the 1998-99 year.  This equates to a “SAR” fuel cost of 17.27 mill/kWh as used in the model.

By now you have all had the opportunity to review the calculations and supporting documentation.  Enclosed you will find prepared by Staff Engineer Rick Sterling, a new schedule of rates under the present methodolgy and a detailed sheet of variables for your respective utility.  If after reviewing same, you accept the new schedule as accurate, please indicate your approval by letter (or other filing) directed to the Commission in the reserved case docket numbers identified above.  The case heading in this matter will read as follows:

IN THE MATTER OF THE ANNUAL REVISION AND UPDATED CALCULATION OF THE ADJUSTABLE PORTION OF THE AVOIDED COST RATES FOR THE WASH­ING­TON WATER POWER COMPANY, FOR IDAHO POWER COMPANY, AND FOR PACIFICORP DBA UTAH POWER & LIGHT COMPANY.

Please file your respective responses with the Commission on or prior to June 17, 1998.  The effective date for the new adjustable rate will be July 1, 1998.

Thank you for your cooperation, please feel free to contact me or Rick Sterling if you have any questions.

Sincerely,

Scott D.  Woodbury

Deputy Attorney General

SDW/vld:L:wwpipcpc.sw

Enclosure

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