

Office of the Secretary

Service Date

May 16, 1995

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)

IDAHO POWER COMPANY FOR AUTHORITY) CASE NO. IPC-E-95-2

TO IMPLEMENT THE POWER COST AD-)

JUSTMENT RATE FOR ELECTRIC SERVICE)

TO CUSTOMERS IN THE STATE OF IDAHO) ORDER NO. 26013

FOR THE PERIOD MAY 16, 1995 THROUGH)

MAY 15, 1996.)

)

On April 14, 1995, Idaho Power Company filed an Application for approval of Tariff Schedule No. 55 and related tariffs implementing a power cost adjustment (PCA). The Company proposed a PCA rate of 0.0834¢ per kWh for the period May 16, 1995 through May 15, 1996. On April 19, 1995, the Commission issued a Notice of Application and Notice of Modified Procedure inviting interested persons to file comments concerning Idaho Power's PCA proposal. Only the Commission Staff and the Company filed comments. As explained in greater detail below, the parties recommended that the Commission adopt a PCA rate of .0755¢ per kWh. Based upon these comments, we approve the Company's modified PCA rate.

BACKGROUND

In March 1993, the Commission first approved implementation of a PCA for Idaho Power to track the Company's power supply costs which vary significantly from year-to-year due to changes in streamflow. *See* Order No. 24806. In low water years, Idaho Power's PCA rate will increase to reflect the fact that the Company has less, relatively cheap, hydropower available to serve its firm loads. Conversely, during high water years, the Company's PCA rate will be adjusted downward. In this Application, Idaho Power is requesting its third PCA.

Idaho Power's PCA is based upon a forecast of power supply costs over a 12-month period. The PCA contains two elements: the power supply forecast and a true-up of the previous year's forecast.

Forecast:

Idaho Power's power supply costs are forecasted using streamflow estimates obtained from the National Weather Service River Forecast Center, and a logarithmic modeling technique approved by the Commission in Order No. 24806. Idaho Power forecasts that its power supply costs for the period April 1, 1995 through March 31, 1996 will be \$71,839,740. This amount is \$1,024,182 higher than the \$70,815,558 normalized level of PCA expenses approved in the Company's recent rate case, Case No. IPC-E-94-5.

The normalized base power supply costs of \$70,815,558 were divided by the normalized system firm load of 13,900,443 megawatt hours to arrive at the normalized base power cost of 0.5094¢ per kWh. For the period April 1, 1995 through March 31, 1996, the projected power supply costs will be 0.5168¢ per kWh which is computed by dividing the projected power supply cost expense of \$71,839,740 by the 13,900,443 megawatt hour normalized system firm load. In Order No. 24806, the Commission ruled that the Company may recover 60% of the difference between the

projected cost of serving firm loads (0.5168¢ per kWh) and the normalized cost of serving firm loads (0.5094¢ per kWh). In Case No. IPC-E-94-5, the 60% sharing threshold was increased to 90%. Therefore, the adjustment is $0.5168 - 0.5094 \times 90\% = 0.0067\text{¢}$ per kWh. Order No. 25880.

After auditing the Application, Commission Staff filed comments concurring with the Company's 1995-96 power supply forecast.

True-up:

In its Application, Idaho Power stated that it undercollected \$10,664,407 during the previous PCA period. The Staff commented that its audit of the true-up revealed different results for the February and March 1995 true-up deferrals. After bringing this difference to the Company's attention, the Company agreed with the Staff's calculations. The Staff calculated that the correct annual deferred balance is \$9,561,995.40 which is approximately \$1,100,000 less than initially calculated by the Company.

In comments filed on May 10, 1995, Idaho Power agreed with the Staff's calculations and amended the undercollection amount to \$9,561,995. The \$9,561,995 divided by the normalized system firm load of 13,900,443 megawatt hours equals 0.0688¢ per kWh.

Calculating the 1995-96 PCA Rate:

Idaho Power's proposed PCA rate for the period May 16, 1995 through May 15, 1996 is 0.0755¢ per kWh as modified by its comments filed May 10, 1995. This rate is comprised of the 0.0067¢ per kWh adjustment for 1995-96 projected power supply costs and the 0.0688¢ per kWh for the 1994-95 true-up. Based upon the normalized Idaho jurisdictional firm sales of 11,804,081 megawatt hours, the PCA is estimated to generate \$8,907,360 of additional revenue above the normalized level. This constitutes an overall increase of 2.2% above normalized base revenue as established in Case No. IPC-E-94-5 and Order No. 25880.

While adoption of this PCA rate represents an increase over normalized rates, the Staff observed in its comments that adoption of the .0755¢ per kWh is a decrease from the present PCA rate of .1449¢ per kWh. Accordingly, customers will experience a rate decrease if the Commission adopts the recommended PCA rate of .0755¢ per kWh.

FINDINGS

Based upon the comments and the lack of any objection, we find a PCA of 0.0755¢ per kWh for the period May 16, 1995 through May 15, 1996 is appropriate. We find that with the correction included in its May 10, 1995 comments the Company accurately calculated the two elements of the PCA (i.e., the forecast and true-up), and has otherwise complied with Order No. 24806 and subsequent PCA Orders.

Finally, Order No. 24806 states that in the event a PCA exceeds 7% of the Company's normalized base revenues for the Idaho jurisdiction in any given year, the Company shall make a filing with the Commission for the purpose of determining whether a means to defer a percentage of that year's power supply cost recovery should be investigated. We find that the proposed 1995-96 PCA constitutes approximately a 2.2% increase and, therefore, it is not necessary to defer any portion of the PCA for the coming period.

ORDER

IT IS HEREBY ORDERED that Idaho Power's Application for a PCA rate of .0755¢ per kWh is approved. The PCA shall be effective May 16, 1995 through May 15, 1996. The Company shall file its tariffs consistent with the terms and conditions of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. IPC-E-95-2 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. IPC-E-95-2. 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 May 1995.

RALPH NELSON, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

JR\O-IPC-E-95-2.DH