Office of the Secretary
Service Date
June 21, 2001

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE ANNUAL REVISION AND UPDATED CALCULATION OF THE ADJUSTABLE PORTION OF THE AVOIDED COST RATES FOR AVISTA CORPORATION DBA AVISTA UTILITIES—WASHINGTON WATER POWER DIVISION, IDAHO POWER COMPANY AND PACIFICORP DBA UTAH POWER & LIGHT COMPANY.	)	**CASE NOS. AVU-E-01-8 IPC-E-01-17 UPL-E-01-1** **ORDER NO. 28758**

On April 18, 2001, Avista Corporation dba Avista Utilities—Washington Water Power Division (Avista; Water Power) filed with the Idaho Public Utilities Commission its annual revised and updated calculations for the adjustable portion of avoided cost rates for gas at Sumas. The Sumas adjustments apply to all contracts for projects, 1 MW and less, executed since January 31, 1995. The annual adjustable rate calculation based on Sumas rates was addressed in Order Nos. 25883 and 26086, issued in Case No. WWP-E-93-10.

Commission Staff calculated the annual revised and updated calculation for the adjustable portion of avoided cost rates for coal using Colstrip. The Colstrip adjustments apply only to contracts executed between September 28, 1990 and January 30, 1995. The annual adjustable rate calculation based on Colstrip costs was calculated pursuant to a new methodology approved by the Commission in recent Order No. 28708, Case No. GNR-E-99-01.

Adjustable Rates–Colstrip

The adjustable portion under the previous coal-fired Surrogate Avoided Resource (SAR) methodology established in Case No. U-1500-170 is based on the variable costs associated with the operation of Colstrip, a coal-fired generating facility in southeast Montana. An annual filing is required for each jurisdictional utility under specific orders for each. (Order No. 23349, Water Power; Order No. 23357, Idaho Power; and Order No. 23358, PacifiCorp.) Pursuant to the Commission's administrative determination of avoided cost rates, the adjustable portion of avoided cost rates is the same for all of Idaho's major electric utilities.

The Idaho Public Utilities Commission in recent Order No. 28708, Case No. GNR-E-99-1, established a new methodology for the annual adjustable rate portion of avoided costs for those

QF contracts using variable costs associated with Colstrip, a coal-fired generating facility in southeast Montana. For those QF contracts with Colstrip-related fuel costs and variable O&M, future Colstrip variable cost adjustments are to be calculated by using FERC Form 1 Colstrip Unit Coal Costs per megawatt hour (MWh) and adding $2.00/MWh (the average variable O&M cost of Colstrip plus 20¢/MWh for generation taxes plus a five percent (5%) adjustment for line loss). As computed by Commission Staff the Colstrip related adjustable rate will change from 10.51 mill/kWh to 9.72 mill/kWh. The same calculated rate revision under the avoided cost methodology is used by Avista, PacifiCorp dba UP&L and Idaho Power Company. This change in the variable rate affects existing contracts under the previous SAR methodology.

Commission Staff calculates that the Colstrip adjusted avoided cost rate calculated on actual 2000 costs changed from 10.51 mill/kWh to 9.72 mill/kWh.

By prior Commission Order No. 23738 annual updates require only a single filing by Avista, with copies and party status provided to Idaho Power and PacifiCorp. All applications for annual updates are to be filed by June 1 with the effective date for the new adjustable rate to be July 1. Under the established practice, the revised updated calculations set forth in Avista's April 18, 2001 filing and Staff's calculated change in Colstrip adjustable rates are recognized as being submitted also for approval for Idaho Power and PacifiCorp dba Utah Power & Light Company.

Adjustable Rates–Sumas

By Order Nos. 25883, 25884 and 25882 issued in Case Nos. WWP-E-93-10, IPC-E-93-28 and UPL-E-93-3/UPL-E-93-7 on January 31, 1995, respectively, the Commission determined that the adjustable portion of avoided cost rates for future projects should be based on annual average gas prices indexed at Sumas, Washington. The purpose of including an adjustable component in the avoided cost rates is to capture annual changes in natural gas fuel costs. Under the Commission approved SAR avoided cost methodology, the adjustable portion of avoided cost rates is the same for all of Idaho's major electric utilities and an annual filing is required.

Water Power (now Avista), in consultation with the Commission Staff, devised a methodology for making annual adjustments, which was accepted by the Commission in Order No. 26135 in Case Nos. WWP-E-95-3/IPC-E-95-7/UPL-E-95-2. As reported by Avista in its annual filing of April 18, 2001, the 2000 annual average gas price indexed at Sumas, Washington was $4.82/mmBtu resulting in an increase of $2.02/mmBtu. The previously approved base gas price of $2.80/mmBtu plus the $2.02/mmBtu increase results in a gas price of $4.82/mmBtu for 2001-2002 year. This by Staff's calculation, equates to an SAR fuel cost of 35.43 mills/kWh as used in the model. The difference in the Sumas average price and the new base gas price is the result of a timing difference and the use of a trailing average. A proposed schedule of revised rates and a detailed sheet of variables for each utility was prepared by Staff and reviewed by the utilities. As reflected in letters filed with the Commission, all utilities concur with Staff's variable adjustment calculations.

COMMISSION FINDINGS

The Commission has reviewed and considered the filings of record in Case Nos. AVU-E-99-3, IPC-E-99-5 and UPL-E-99-2. We find that the accuracy of the variable rate methodology figures submitted by Avista based on Sumas and calculated by Staff based on Colstrip has not been challenged.

The methodology that this Commission has approved for determining the variable components of the avoided cost rate is a relatively simple arithmetic recalculation. We find, based upon our review of the calculations of both the Colstrip and Sumas updates, that the resulting adjustable rates are fair, just and reasonable. Attached to this Order as Appendices A, B and C are the tables showing the adjustable rates as updated by Avista's filing for Avista, Idaho Power and PacifiCorp, respectively.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Avista Corporation dba Avista Utilities—Washington Water Power Division, Idaho Power Company and PacifiCorp dba Utah Power & Light Company, electric utilities, pursuant to the authority and power granted it under Title 61 of the Idaho Code, and the Public Utility Regulatory Policies Act of 1978 (PURPA).

The Commission has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission (FERC) to set avoided costs, to order electric utilities to enter into fixed term obligations for the purchase of energy from qualified facilities, and to implement FERC rules.

O R D E R

In consideration of the foregoing and as more particularly described, IT IS HEREBY ORDERED that the Colstrip related adjustable portion of the avoided cost rate for existing contracts and the Sumas related adjustable portion of the avoided cost rates for Avista, Idaho Power and

PacifiCorp dba Utah Power & Light Company are changed effective July 1, 2001, as outlined in the attached schedules.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. 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 June 2001.

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PAUL KJELLANDER, PRESIDENT

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MARSHA H. SMITH, COMMISSIONER

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DENNIS S. HANSEN, COMMISSIONER

ATTEST:

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Jean D. Jewell
Commission Secretary

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