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Spokane, Washington 99220-3727
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AVISTA
Corp.

June 25, 2002

State of Idaho
Idaho Public Utilities Commission
Statehouse
Boise, ID 83720

Attn: Ms. Jean Jewell, Secretary

RE: Application For Order Revising Avoided Cost Rates

Provided herein is an original and seven (7) copies of Avista Corporation's ("Avista") Application For an Order Revising Avoided Cost Rates. With this application, Avista is requesting an order revising avoided cost rates on an immediate interim basis applicable to power purchased from qualifying facilities by Avista, within the State of Idaho.

Avista makes this request solely to protect its customers in the interim during which Avista will propose general changes to the avoided cost assumptions and methodology to twenty (20) year contracts for qualifying facilities with generation capacities up to five (5) megawatts.

In addition, Avista has enclosed a Motion For Order Allowing Association of Counsel which, if approved, will allow R. Blair Strong to appear on Avista's behalf.

Please direct any questions regarding this filing to Mr. Bill Johnson at 509-495-4046

Respectfully,

Kelly Norwood

Kelly Norwood
Vice President, Rates & Regulation

Enc.

R. Blair Strong
Tom DeBoer
PAINE, HAMBLEN, COFFIN, BROOKE & MILLER LLP
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ATTORNEYS FOR AVISTA CORPORATION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF AVISTA CORPORATION FOR AN ORDER REVISING AVOIDED COST RATES	CASE NO. AVU-E-02-_____ APPLICATION OF AVISTA CORPORATION FOR AN ORDER REVISING AVOIDED COST RATES

Avista Corporation ("Avista" and/or "Company"), by and through its undersigned attorneys, respectfully submits this Application for an order revising avoided cost rates on an immediate interim basis applicable to power purchased from qualifying facilities by Avista within the State of Idaho. Avista makes this requests solely to protect its customers in the interim during which Avista will propose general changes to the avoided cost assumptions and methodology. If interim rates are not adopted, its customers will be exposed to potential upward rate pressure resulting from the application of the existing avoided cost rate methodology to 20 year contracts for qualifying facilities with generation capacities up to five megawatts

The potential magnitude of this problem is illustrated by the fact that purchasing 10 MW of power under 20 year contracts under the existing avoided cost methodology using current assumptions would result in costs to Avista's retail customers of $2.7

million per year (levelized) over the costs that would be incurred, if the avoided cost rates are calculated under the existing avoided cost methodology using a revised gas price assumption that is based on current gas price forecasts. *See* Testimony of Clint Kalich, attached hereto. While no generating facility output has been offered for sale to Avista within Idaho since the adoption of Order 29029 in Case No.GNR-E-02-1, the Company is aware of several potential projects that could offer to sell their generation output to Avista. *See* Testimony of Richard L. Storro, attached hereto.

The Company submits that the proposed interim rates are fair and reasonable and represent the cost of power if the Company were to build a facility or purchase equivalent power at market rates. Moreover, ordering into effect the proposed interim avoided cost rates on an interim basis will protect Avista's customers from potentially excessive costs while the Commission considers proposals for revisions to the methodology.

The Commission has the authority to order into effect an interim avoided cost rate. Analogous authority is conferred on the courts of Idaho by the Idaho Rules of Civil Procedure, which allows temporary restraining orders to be granted without written or oral notice to adverse parties if, "it clearly appears from specific facts shown by affidavit, or by the verified complaint that immediate and irreparable injury, loss, or damage will result to the applicant before the adverse party or the party's attorney can be heard in opposition." ICRP 65(b). Because Avista has received no offers from Idaho developers since the issuance of Order 29029, Avista is not aware of any potentially adverse party that would be prejudiced by reason of an interim rate. However, Avista's customers will be irreparably injured if developers are encouraged during the time that the Commission considers changes to the avoided cost assumptions and methodology to offer their project output for twenty years to Avista in reliance on the assumptions underlying natural gas prices presently incorporated in avoided cost rates.

In support of its Application, Avista states as follows:

I. JURISDICTION

Avista is a combination electric and natural gas distribution utility providing electric service to approximately 315,000 customers primarily located in the States of Washington and Idaho. Avista is subject to the jurisdiction of this Commission as to its rates, charges, services and practices. In addition, the Commission has authority under the Public Utility Regulatory Policies Act of 1978 ("PURPA") and implementing regulations of the Federal Regulatory Commission ("FERC") to establish avoided cost rates applicable to the purchase of energy from qualifying co-generation and small power production facilities ("QF's"). Avista's headquarters is located at 1411 East Mission Avenue, Spokane, Washington 99202. Avista is organized under the laws of the State of Washington and has on file with the Commission a certified copy of its Articles of Incorporation.

II. APPEARANCES

The representatives appearing on behalf of Avista with respect to this Application, and upon whom all service of documents and other communications should be made, are as follows:

R. Blair Strong
Paine, Hamblen, Coffin, Brooke & Miller LLP
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Richard L. Storro
Manager or Power Supply
Avista Corporation
P.O. Box 3727
Spokane, Washington 99220-3727
Telephone: (509) 495-8080
Facsimile: (509) 495-8856
E-mail: dick.storro@avistacorp.com

III. REQUEST FOR APPROVAL OF REVISED AVOIDED COST RATES ON AN INTERIM BASIS

Avista requests the Commission to immediately approve upon an interim basis the avoided cost rates set forth in Exhibit No. 1 of Mr. Kalich's testimony which is attached to this Application and testimony. For the reasons set forth in the testimony, Avista submits that there is good cause for the Commission to immediately approve on an interim basis changes in its avoided cost rates.

IV. APPROVAL OF RATES ON A FINAL BASIS

Avista intends file a comprehensive proposal respecting calculation of avoided costs rates no later than September 13, 2002. Avista expects that its proposal will continue to be based upon the use of a Combined Cycle Combustion Turbine ("CCCT") as the surrogate avoided resource and published market price indices. However, Avista also believes that more current information is available concerning the capital costs of such a facility. Avista will also adjust its own load-resource calculations.

V. NATURE OF THE EVIDENCE PRESENTED

In support of its Application, Avista is filing herewith direct testimony and accompanying exhibits of the following witnesses:

Richard Storro. As Avista's policy witness, Mr. Storro recommends that the Commission adopt the Company's proposed interim avoided cost rates. Mr. Storro states that the Company intends to make a general proposal respecting the avoided cost methodology no later than September 13, 2002. He also says that Avista makes this request to avoid potential upward rate pressure on Avista's customers. For instance, purchasing ten megawatts for 20 years at avoided cost rates calculated under the existing avoided cost methodology would increase costs to customers by $2.7 million per year (levelized) over what Avista proposes as interim avoided cost rates.. The Company is aware of several potential projects that could seek contracts at rates calculated under the existing avoided cost methodology. Avista believes that the proposed interim rates are fair and reasonable and represent the cost of power if the Company were to build a facility or purchase equivalent power at market rates. Mr. Storro states the Company's intention that project developers who execute contracts pursuant to the interim rates have the option to elect to receive the final rates as approved by the Commission.

Mr. Clint Kalich. Mr. Kalich describes how the interim avoided cost rates proposed by Avista were calculated. The Company proposes to change only the assumption regarding the price of natural gas for purposes of determining the interim avoided cost rate and use the gas price assumption employed in the recent Northwest Power Planning Council gas price forecast. Mr. Kalich also demonstrates how purchasing 10 megawatts of power from qualifying facilities for 20 years at avoided cost rates calculated under the existing avoided cost methodology would result in additional costs of $2.7 million per year (levelized) over what they would pay under Avista's proposed interim rates.

VI. SUMMARY

Avista requests the Commission to order an immediate revision of avoided cost rates on an interim basis utilizing the same methodology and assumptions that were utilized in determining Avista published avoided cost rates in Idaho prior to the filing of this Application, with the exception of a revision to the fuel cost, to reflect more accurate and current estimates. Interim rates are proposed to remain in effect until the Commission acts upon proposals to revise the avoided cost assumptions and methodology. The radical difference between the surrogate fuel cost as determined pursuant to the 1995 methodology and fuel cost estimates currently utilized justify the adoption of interim avoided cost rates.

WHEREFORE, for the foregoing reasons, Avista respectfully requests that the Commission take the following action:

On an interim basis immediately approve avoided cost rates set forth in Exhibit 1 of Mr. Kalich's testimony applicable to the purchase of power from qualifying facilities with a generating capacity of less than 5 megawatts until such time as a final order is issued upon an application of Avista to revise the avoided cost assumptions and methodology, or completion of a generic proceeding addressing the assumptions and methodology for determining avoided costs for jurisdictional utilities in Idaho. Avista stands ready for immediately consideration of its Application.

RESPECTFULLY SUBMITTED this 25st day of June, 2002.

Paine, Hamblen, Coffin,
Brooke & Miller LLP

By: R. Blair Strong

R. Blair Strong
Tom DeBoer, ID Bar No. 5761
Attorneys for Avista Corporation

STATE OF WASHINGTON)
) ss
COUNTY OF SPOKANE)

Richard L. Storro, being first duly sworn on oath, deposes and says:

That he is the Manager of Power Supply for Avista Corporation named in the above and foregoing Application; that he has read the said document, approves of the same and to the best of his knowledge believes it to be a true and correct statement.

Richard L Storro

SIGNED AND SWORN to before me on June 25, 2002, by Richard L. Storro.

R. Blair Strong

R. BLAIR STRONG
Notary Public in and for the State of
Washington, residing at Spokane.
My Commission expires: March 30, 2004.

R. BLAIR STRONG
Commission Expires
NOTARY
PUBLIC
MAR 30, 2004
STATE OF WASHINGTON

00050797.DOC

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. _______

DIRECT TESTIMONY OF RICHARD L. STORRO

REPRESENTING AVISTA CORPORATION

Q. Please state your name, business address, and present position with Avista Corporation.

A. My name is Richard L. Storro. My business address is East 1411 Mission Avenue, Spokane, Washington, and the Company employs me as Manager of Power Supply.

Q. What is your educational background?

A. I graduated from the College of Idaho in 1973 with a Bachelor of Science Degree in Physics. I also obtained an Electrical Engineering Degree from the University of Idaho in 1973.

Q. How long have you been employed by the company?

A. I started working for Avista in 1973 as a distribution engineer. I have worked in various engineering positions, and have held management positions in line and gas operations, system operations, hydro production and construction, and transmission. I joined the Energy Resources Department as a Power Marketer in 1997 and became Manager of Power Supply in 2001. My primary responsibilities involve the oversight of both the short-term and long-term planning and acquisition of power supply resources for the Company.

Q. What is the scope of your testimony?

A. My testimony will recommend that the Commission immediately adopt the Company's proposed interim avoided cost rates. The Company intends to make a filing with respect to all aspects of the avoided cost calculations no later than September 13, 2002. As an alternative to an Avista filing on avoided costs the Commission could open a new generic docket to consider changing variables in the avoided cost calculation. In either event, I propose that the Company's interim avoided costs remain in effect until the Commission issues a final order in a new docket, initiated by either the Commission or the Company. In the event that the Company enters into a new contract with a qualifying facility under the proposed interim avoided costs, the Company would grant the developer of the contracted qualifying facility the option to stay with the interim avoided cost or adopt final avoided costs rates resulting from future proceedings.

Q. Why are you requesting immediate approval of interim avoided cost rates?

A. If the Commission does not issue an order staying those portions of Order No. 29029 which could be construed to establish entitlement to existing published rates, then absent interim avoided cost rates, the Company's customers could be required to pay costs that they might not otherwise have incurred. Avista makes this application for interim rates on the basis that Avista's current published avoided cost rates are not a fair, reasonable and accurate representation of the costs of the surrogate avoided resource ("SAR"), i.e., combined cycle combustion turbine ("CCCT") over a 20-year period. Published rates over a 20-year period are much higher than Avista's current estimates of the costs associated with operating a CCCT. For example, should the Company enter into contracts for 10 average megawatts beginning in 2005 under existing published avoided cost rates, the Company's customers could pay $2.7 million per year more than what the Company believes they should pay based on the proposed interim avoided cost rates. Therefore, the Commission should grant the Company's request for interim avoided cost rates before qualifying facilities are entitled to 20-year contracts.

Q. Can you summarize the basis for the Company's proposed interim avoided cost rates?

A. Yes. The proposed interim avoided cost rates are based upon the Commission's currently accepted methodology with an updated estimate of natural gas costs used in calculating the Company's avoided cost. The update to the natural gas costs used in the avoided cost calculations is explained in detail in Mr. Kalich's testimony. Based upon the existing avoided cost methodology using natural gas costs as adjusted by Mr. Kalich, the Company's proposed interim avoided cost rates for a levelized 20-year contracts range from $38.59/MWh to $47.99/MWh for contract beginning in the year 2002 and 2007 respectively.

Q. Does the Company anticipate qualifying facilities being proposed at the existing published avoided cost rates rates?

A. Yes we do. The Company believes there are several projects, totaling up to 35 average megawatts, that may be proposed to Avista at existing published avoided cost rates. Because of the potential controversy and litigation that could arise regarding entitlement to particular avoided cost rates the Company is requesting that its proposed interim avoided costs be adopted immediately before qualifying facilities are entitled to 20-year contracts.

Q. Is the Company currently in negotiations to purchase the generation from any new qualifying facilities?

A. No, not at this time. However, with avoided cost rates of up to almost $90/MWh for a 20-year contract I believe there is a strong possibility that many projects may be proposed. What I don't want to see is a rush of developers bringing in proposals because they perceive that there is a once in a lifetime short-term opportunity to take advantage of some very high avoided cost rates. I believe that further investigation into the avoided cost methodology and assumptions will result in significantly lower rates, and it would be better for all parties, particularly customers whom ultimately must pay for any new high prices resources, to not create a potentially contentious situation resulting from a short window of time where avoided cost rates are set too high. Putting in place interim rates until the avoided cost methodology and assumptions can be investigated will eliminate this problem.

Q. In conclusion, what actions are you requesting the Commission to take?

A. First, I am requesting that the Commission immediately adopt interim avoided cost rates based on the information presented in my and Mr. Kalich's testimony. Second, the Company intends to make a filing with respect to all aspects of the avoided cost calculations no later than September 13, 2002. As an alternative to an Avista filing on avoided costs the Commission could open a new generic docket to consider changing variables in the avoided cost calculation. In either event, I propose that the Company's interim avoided cost rates remain in effect until the conclusion of a new docket, initiated by either the Commission or the Company, determines appropriate final avoided cost rates. In the event that the Company enters into a new contract with a qualifying facility under the proposed interim avoided costs, the Company would grant the developer of the contracted qualifying facility the option to stay with the interim avoided cost or adopt final avoided costs rates resulting from future proceedings.

Q. Does that conclude your direct testimony?

A. Yes.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. ______

DIRECT TESTIMONY OF CLINT KALICH
REPRESENTING AVISTA CORPORATION

I. INTRODUCTION

Q. Please state your name, the name of your employer, and your business address.

A. My name is Clint Kalich. The Avista Corporation employs me at its corporate offices located at 1411 East Mission Avenue in Spokane, Washington.

Q. In what capacity are you employed?

A. I am the Manager of Resource Planning and Analysis working in the Energy Resources Department of Avista Utilities.

Q. Please state your educational background and professional experience.

A. I graduated from Central Washington University in 1991 with a Bachelor of Science Degree in Business Economics. Shortly after graduation I accepted an analyst position with Economic and Engineering Services, Inc. (now EES Consulting, Inc.), a leading northwest management-consulting firm located in Bellevue, Washington. Working primarily for municipalities, public utility districts, and cooperatives in the area of electric utility management, my specific areas of focus were economic analyses concerning new resource development, rate case proceedings in front of the Bonneville Power Administration, integrated (least-cost) resource planning, and demand-side management program development. In late 1995 I left Economic and Engineering Services, Inc. to join Tacoma Power in Tacoma, Washington. First as a Utilities Economist, then as a Senior Utilities Economist, and finally promoted to the position of Power Analyst with the municipality, I provided key analytical and policy support in the areas of resource development, procurement, and optimization, hydroelectric operations and re-licensing, unbundled power supply rate-making, contract negotiations, and system operations. I helped develop, and ultimately managed, Tacoma Power's industrial market access program serving one-quarter of the company's retail load. In mid-2000 I joined Avista Utilities as a Senior Power Resource Analyst. Early in 2001 I was promoted to my current capacity. I assist the company in the areas of resource analyses, integrated resource planning, dispatch modeling, resource procurement, and various regulatory proceedings.

Q. What is the scope of your testimony in this proceeding?

A. My testimony will describe how I modified Commission staff's avoided cost model to generate the interim avoided cost rates ("Interim Rates") proposed by the Company. I will show that the natural gas prices used in the avoided cost rates scheduled for implementation on July 1, 2002 ("New Rates") are too high. I will propose using a gas price forecast prepared recently by the Northwest Power Planning Council ("NWPPC"), and contrast its forecast against those recently prepared by various other agencies and organizations. My testimony will explain that because the New Rates are based on a natural gas price forecast that is too high, they are as much as 86.5 percent higher than what the rate should be. I will explain the financial impact of signing two twenty-year, five-megawatt PURPA contracts under the New Rates. Finally, my testimony will explain how the Company and its customers' exposure to improperly calculated avoided cost rates prior to Commission Order No. 29029 was much lower.

Q. Are you sponsoring any exhibits in this proceeding?

A. Yes. I am sponsoring one six-page exhibit marked as Exhibit No. ___ (CGK-1). All information contained in the exhibit was prepared under my supervision and direction.

Q. Please explain how you arrived at the proposed Interim Rates.

A. Using the spreadsheet model employed by Commission staff to calculate the New Rates, I adjusted only the natural gas price assumptions to arrive at the interim rates found on page one of my exhibit. No other changes were made for the analysis. I used the latest forecast prepared by the NWPPC. This forecast was prepared for use in its forthcoming 5th Power Plan.

Q. Does the NWPPC forecast compare well to other available natural gas price forecasts?

A. Yes. On page two of my exhibit I display historical northwest natural gas prices, as collected by the NWPPC, and five longer-term price forecasts, including the one prepared by the NWPPC. Besides the NWPPC forecast, I have included the natural gas base price forecast from the Company's 2001 IRP (April 2001), the latest Energy Information Administration natural gas price forecast (December 2001), the latest California Energy Commission forecast (June 2002), and a forecast based upon future natural gas price escalation assumed by DRI/WEFA in its *Review of the US Economy*, Spring 2002. For comparative purposes I also have graphed the implied natural gas prices underlying the New Rates presently before this Commission. All gas prices are presented in real 2002 dollars. The NWPPC forecast is similar to each of the other forecasts, excepting only the natural gas prices used in developing the New Rates.

Q. Do you consider the price forecast prepared by the NWPPC to be a reasonable forecast of future natural gas prices?

A. Yes. I believe that the natural gas price forecast prepared by the NWPPC is a reasonable long-term forecast for use in this proceeding. The NWPPC forecast used a collaborative process coordinated by NWPPC staff. The NWPPC invited a variety of northwest industry experts to discuss the future of natural gas supply and prices. The results of these meetings became the NWPPC natural gas price forecast. Because of its unique collaborative process, the NWPPC forecast presents a level of quality and review often not present in such forecasts. Additionally, the forecast values falls within forecasts made by its peers at the EIA, the California Energy Commission, DRI/WEFA, and this Company.

Q. More specifically, how does the NWPPC forecast compare with the forecast used in setting the New Rates?

A. The forecast used to determine the New Rates differs from the NWPPC forecast in two key ways: a higher starting price in 2002 based upon a recent historical annual price of electricity, and a higher average annual escalation rate. The 2002 price assumed for New Rates is $5.876 per decatherm. The NWPPC price for 2002 is $2.837. The New Rates gas price in 2002 is therefore 2.07 times higher than the NWPPC price. The New Rates natural gas escalation factor is six percent annually. This rate is much higher than the NWPPC 3.4 percent average annual rate of growth between 2002 and 2026. The combination of a higher starting point and escalation rate generates a very large difference in price through time. By 2026 the implied gas price underlying the New Rates is 3.8 time higher than the NWPPC price.

It is important to remember that the methodology presently used for setting avoided costs rates was developed in a 1995 proceeding. Gas prices at that time were comparatively less volatile and expected to rise faster in real terms. The methodology of that time does not provide a reasonable long-term forecast for setting avoided cost rates today.

Q. Does the use of the NWPPC natural gas price forecast generate avoided cost values that are more representative of expected future company costs?

A. Yes. The Interim Rates presented on page one of my exhibit present a more accurate estimate of future avoided costs.

Q. On a dollars per megawatt-hour basis, how do your Company's proposed Interim Rates compare to those presently before the Commission?

A. Page three of my exhibit illustrates the percentage at which the New Rates exceed the Interim Rates by as much as 86.5 percent.

Q. Have you estimated the impact to the Company were this Commission to not adopt your Interim Rates as filed?

A. Yes. The Interim Rates are substantially lower when applied to 20-year contracts. To better illustrate the financial impact on the Company and its customers, I prepared an analysis where the Company enters into two 20-year contracts for five megawatts each beginning in 2005. At a total of ten megawatts, this level of PURPA purchases would represent only a fraction of the projects discussed by Company witness Storro. The results are presented on page four of my exhibit. The impact to customers of 10 megawatts of PURPA purchases beginning in 2005 would be a net present value overpayment of $23.5 million in real 2002 dollars. This amounts to a levelized cost of $2.7 million per year beginning in 2005. Were these contracts to start in 2007, the impact would be approximately one-third larger, or $31.3 million. The values for a 20-year contract beginning in 2007 are shown on page five of my exhibit.

Q. Was the Company or its customers at a similar risk prior to Order No. 29029?

A. No. Prior to Order No. 29029, the Company was obligated to sign contracts with terms for pricing not to exceed five years and for no more than one megawatt. The first five years of interim avoided cost rates are the same as the proposed avoided cost rates except for projects begins after the year 2005. This is because the Company at this time is not proposing to change any assumptions besides the price of natural gas. And because the Company is not deficit until 2010, a 5-year contract doesn't extend beyond 2010 unless it starts after 2005. In the worst case, then, where the contracts were to begin in 2007, the overpayment would be $4 million net present value (2002$) for 10 MW, or 12.8 percent of the level for a 20-year contract beginning in 2007. Page six of my exhibit provides these calculations for a 5-year contract beginning in 2007 and extending for five years under New Rates.

Q. Does this conclude your pre-filed direct testimony?

A. Yes, it does.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

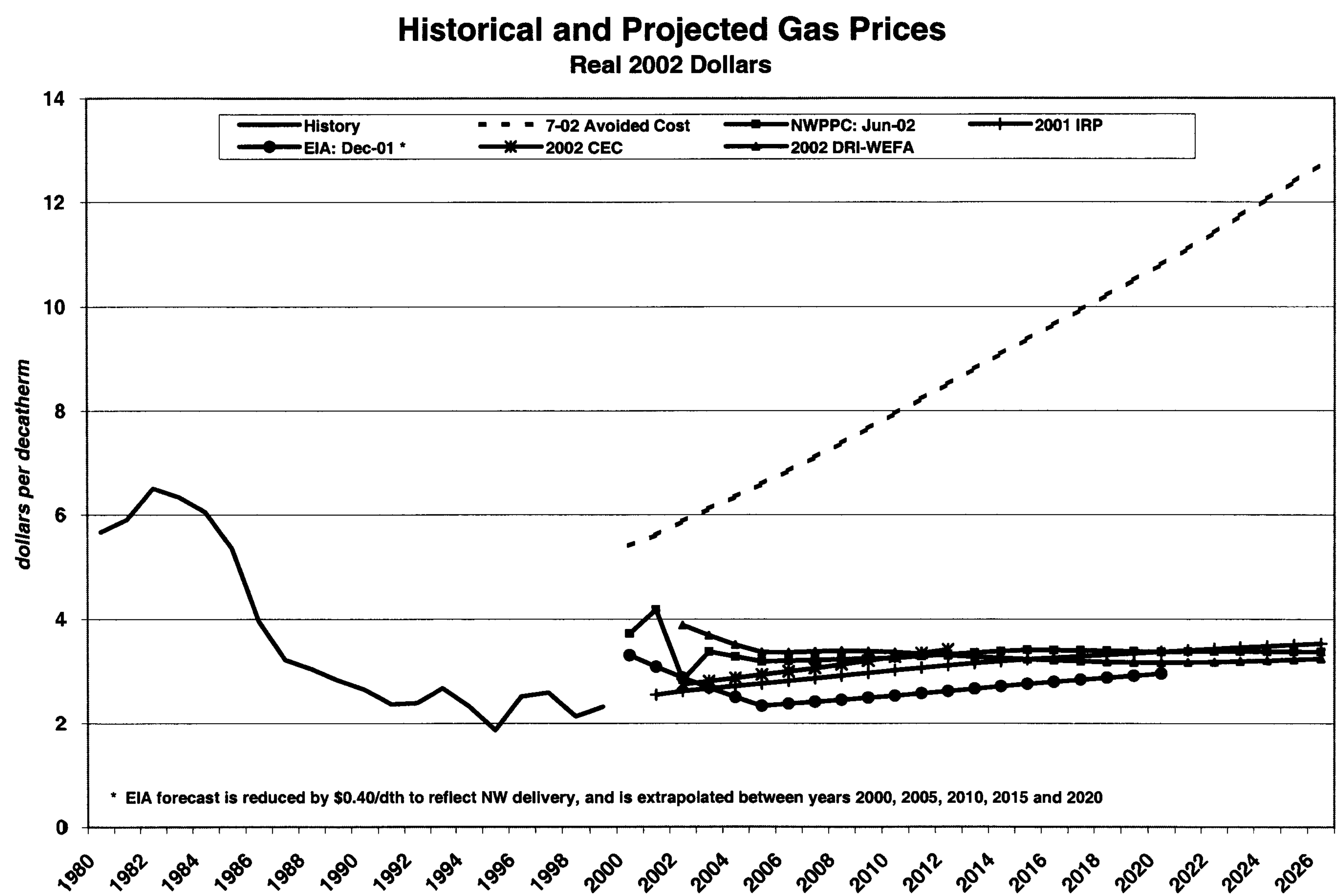
CASE NO. ________

EXHIBIT NO. 1

WITNESS: CLINT KALICH, AVISTA CORPORATION

AVISTA UTILITIES
AVOIDED COST RATES FOR NON-FUELED PROJECTS — *INTERIM PROPOSED RATES*
SMALLER THAN FIVE MEGAWATTS
July 1, 2002 - June 30, 2003
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2002	2003	2004	2005	2006	2007		
1	27.02	28.24	29.51	30.83	32.22	33.67	2002	27.02
2	27.60	28.84	30.14	31.50	32.92	34.40	2003	28.24
3	28.18	29.45	30.78	32.16	33.61	35.12	2004	29.51
4	28.76	30.06	31.41	32.82	34.30	36.83	2005	30.83
5	29.34	30.66	32.04	33.48	35.74	38.10	2006	32.22
6	29.92	31.26	32.67	34.74	36.90	39.15	2007	33.67
7	30.49	31.86	33.79	35.79	37.89	40.07	2008	35.19
8	31.06	32.87	34.75	36.72	38.77	40.90	2009	36.77
9	31.97	33.76	35.62	37.55	39.57	41.68	2010	42.93
10	32.79	34.56	36.40	38.33	40.33	42.39	2011	44.43
11	33.55	35.30	37.14	39.05	41.02	43.07	2012	45.99
12	34.24	36.00	37.83	39.72	41.68	43.70	2013	47.60
13	34.90	36.65	38.47	40.35	42.30	44.31	2014	49.26
14	35.52	37.26	39.07	40.95	42.88	44.88	2015	50.99
15	36.10	37.84	39.65	41.51	43.44	45.44	2016	52.56
16	36.65	38.39	40.19	42.05	43.99	45.98	2017	54.17
17	37.17	38.91	40.71	42.57	44.51	46.51	2018	55.84
18	37.66	39.40	41.21	43.08	45.01	47.02	2019	57.56
19	38.13	39.88	41.69	43.56	45.50	47.51	2020	59.33
20	38.59	40.34	42.15	44.03	45.98	47.99	2021	61.27
							2022	63.28
							2023	65.35
							2024	67.49
							2025	69.70
							2026	71.98
							2027	74.34



Historical and Projected Gas Prices
Real 2002 Dollars
History
7-02 Avoided Cost
NWPPC: Jun-02
2001 IRP
EIA: Dec-01 *
2002 CEC
2002 DRI-WEFA
dollars per decatherm
0
2
4
6
8
10
12
14
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026
* EIA forecast is reduced by $0.40/dth to reflect NW delivery, and is extrapolated between years 2000, 2005, 2010, 2015 and 2020

(2)

AVISTA UTILITIES
AVOIDED COST RATES FOR FUELED PROJECTS
SMALLER THAN FIVE MEGAWATTS
July 1, 2002 - June 30, 2003
Percent Difference When Compared to Proposed Interim Rates

CONTRACT LENGTH (YEARS)	ON-LINE YEAR					
	2002	2003	2004	2005	2006	2007
1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
4	0.0%	0.0%	0.0%	0.0%	0.0%	20.4%
5	0.0%	0.0%	0.0%	0.0%	16.1%	32.7%
6	0.0%	0.0%	0.0%	13.2%	26.9%	41.2%
7	0.0%	0.0%	11.1%	22.7%	34.8%	47.6%
8	0.0%	9.5%	19.5%	30.0%	41.1%	52.7%
9	8.3%	17.0%	26.2%	35.9%	46.2%	57.0%
10	15.0%	23.1%	31.7%	40.9%	50.5%	60.7%
11	20.6%	28.3%	36.5%	45.1%	54.3%	64.1%
12	25.5%	32.8%	40.6%	48.9%	57.8%	67.2%
13	29.7%	36.8%	44.3%	52.4%	60.9%	70.1%
14	33.5%	40.4%	47.7%	55.5%	63.9%	72.8%
15	36.9%	43.7%	50.8%	58.5%	66.6%	75.3%
16	40.1%	46.7%	53.7%	61.2%	69.2%	77.7%
17	43.1%	49.6%	56.5%	63.8%	71.7%	80.0%
18	45.8%	52.2%	59.1%	66.3%	74.0%	82.2%
19	48.5%	54.8%	61.5%	68.7%	76.3%	84.4%
20	50.9%	57.2%	63.8%	70.9%	78.5%	86.5%

PURPA Avoided Cost Comparison
2005 Start Date, 20-Year Contract
Present versus Interim Avoided Cost Rates

	Avoided Rates		Project Cost			
Year	Present ($/MWh)	Interim ($/MWh)	Present ($000s)	Interim ($000s)	Difference ($000s)	Difference (percent)
2005	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2006	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2007	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2008	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2009	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2010	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2011	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2012	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2013	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2014	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2015	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2016	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2017	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2018	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2019	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2020	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2021	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2022	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2023	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
2024	75.26	44.03	6,592.7	3,857.1	2,735.6	-41.5%
NPV ($2002)			56,702.5	33,174.2	23,528.3	
Levelized Cost			6,202.3	3,628.7	2,573.6	
per MW			620.2	362.9	257.4	

PURPA Avoided Cost Comparison
2007 Start Date, 20-Year Contract
Present versus Interim Avoided Cost Rates

	Avoided Rates		Project Cost			
Year	Present ($/MWh)	Interim ($/MWh)	Present ($000s)	Interim ($000s)	Difference ($000s)	Difference (percent)
2005	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2006	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2007	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2008	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2009	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2010	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2011	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2012	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2013	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2014	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2015	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2016	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2017	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2018	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2019	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2020	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2021	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2022	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2023	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
2024	89.48	47.99	7,838.8	4,204.1	3,634.8	-46.4%
NPV ($2002)			67,420.0	36,158.2	31,261.8	
Levelized Cost			7,374.6	3,955.1	3,419.5	
per MW			737.5	395.5	342.0	

PURPA Avoided Cost Comparison
2007 Start Date, 5-Year Contract
Present versus Interim Avoided Cost Rates

	Avoided Rates		Project Cost			
Year	Present ($/MWh)	Interim ($/MWh)	Present ($000s)	Interim ($000s)	Difference ($000s)	Difference (percent)
2007	50.57	38.10	4,429.8	3,337.5	1,092.3	-24.7%
2008	50.57	38.10	4,429.8	3,337.5	1,092.3	-24.7%
2009	50.57	38.10	4,429.8	3,337.5	1,092.3	-24.7%
2010	50.57	38.10	4,429.8	3,337.5	1,092.3	-24.7%
2011	50.57	38.10	4,429.8	3,337.5	1,092.3	-24.7%
NPV ($2002)			16,218.7	12,219.5	3,999.2	
Levelized Cost			4,167.4	3,139.8	1,027.6	
per MW			416.7	314.0	102.8	