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IDAHO PUBLIC
UTILITIES COMMISSION

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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE REVISION AND)
UPDATED CALCULATION OF THE AVOIDED)
COST RATES FOR AVISTA CORPORATION)
DBA AVISTA UTILITIES, FOR IDAHO POWER)
COMPANY AND FOR PACIFICORP DBA UTAH)
POWER AND LIGHT COMPANY.)
)
)
)
CASE NO. AVU-E-04-5
IPC-E-04-25
PAC-E-04-5
COMMENTS OF THE
COMMISSION STAFF

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to Order No. 29628, Notice of Avoided Cost Recalculations, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on November 4, 2004 in Case Nos. AVU-E-04-5, IPC-E-04-25 and PAC-E-04-5, submits the following comments.

BACKGROUND

Pursuant to the Public Utility Regulatory Policies Act of 1978 (PURPA) and the implementing regulations of the Federal Energy Regulatory Commission (FERC), the Idaho Public Utilities Commission (Commission) has approved a methodology for calculation of the avoided cost rates paid to PURPA qualifying cogeneration and small power production facilities (QFs) by Idaho

Power Company, Avista Corporation and PacifiCorp. Avoided cost rates are the purchase price paid to QFs for purchases of QF capacity and energy.

Three recent events have triggered consideration of computation of new PURPA avoided cost rates, i.e., the conclusion of general rate cases for Idaho Power and Avista, and the release of a new natural gas price forecast by the Northwest Power and Conservation Council (NPCC)¹. The conclusion of a general rate case affects avoided cost rates because cost of capital figures are used in avoided cost computations in accordance with the approved methodology. The Commission, in Order No. 29628, found that the appropriate time to incorporate new cost of capital figures is following a general rate case. A final Order in Idaho Power's general rate case was issued on May 25, 2004 (Order No. 29505) and a Reconsideration Order was issued on September 28, 2004 (Order No. 29601). A final Order in Avista's general rate case was issued on October 8, 2004 (Order No. 29602).

On September 24, 2004, the Northwest Power and Conservation Council released a new natural gas price forecast. Because the new forecast was released at about the same time as the Idaho Power and Avista rate cases were concluded, the Commission has found that both the new cost of capital figures and the new natural gas prices should be incorporated in the computation of new avoided cost rates. Reference Order No. 29628. The Commission is not proposing to revise the cost of capital figures used for PacifiCorp.

The practice of updating avoided cost rates due to new fuel price forecasts can be traced to Commission Order No. 29124, Case No. GNR-E-02-1. In that Order, the Commission adopted a fuel price forecast from the draft Fifth Northwest Conservation and Electric Power Plan, April 25, 2002 of the Northwest Power Planning Council (NWPPC) as a reasonable method for calculating a starting gas price in the avoided cost methodology. In doing so, the Commission expressed confidence in the source and the use of a medium forecast, which it continues to believe is reasonable. In Order No. 29124, the Commission stated that "natural gas prices can be updated when a new NWPPC forecast becomes available." The Commission has since approved updated gas prices based on an April 22, 2003 NWPPC forecast in December 2003. Order No. 29391.

¹ Formerly the Northwest Power Planning Council (NWPPC).

STAFF REVIEW

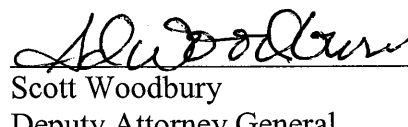
Staff has computed new rates using the Council's September 24, 2004 natural gas price forecast and Idaho Power's and Avista's revised costs of capital. The new rates are approximately 5 mills/kWh higher than the rates currently in effect for all three utilities. Computation of the rates is a ministerial task done in accordance with prior Commission orders; nevertheless, Staff's computation of the rates has been reviewed by the utilities to insure mathematical accuracy.

In its review of the draft rate computations, Idaho Power pointed out to Staff that an updated general inflation rate of 2.9% had been used in the spreadsheet that calculates the initial gas price and the gas price escalation rate. Idaho Power contends that updating the general inflation rate is outside the scope of the fuel price and cost of capital changes outlined by the Commission in establishing these dockets. Moreover, the general inflation rate is also one of many other variables used in the avoided cost spreadsheet, yet none of those other variables are being updated in these proceedings. Staff agrees with Idaho Power that the general inflation rate should not have been changed. Staff has re-computed the avoided cost rates using a general inflation rate of 2.7%, which was used previously and as established in Order No. 29124. A copy of the re-computed avoided cost rates is attached for each of the three utilities. No other errors or corrections were identified or recommended by any of the utilities following their reviews.

RECOMMENDATION

Staff recommends that the Commission adopt the avoided cost rates that are attached to these comments. These rates reflect incorporation of the NPCC's September 24, 2004 natural gas price forecast, in addition to the newly adopted cost of capital figures for Idaho Power and Avista as determined in their recently concluded rate cases.

Respectfully submitted this 23rd day of November 2004.


Scott Woodbury
Deputy Attorney General

Technical Staff: Rick Sterling

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AVISTA UTILITIES
AVOIDED COST RATES FOR NON-FUELED PROJECTS
SMALLER THAN TEN MEGAWATTS
December 1, 2004
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2004	2005	2006	2007	2008	2009		
1	50.21	51.36	52.54	53.75	54.99	56.25	2004	50.21
2	50.76	51.92	53.12	54.34	55.59	56.87	2005	51.36
3	51.30	52.48	53.69	54.92	56.18	57.48	2006	52.54
4	51.83	53.03	54.25	55.49	56.77	58.08	2007	53.75
5	52.36	53.56	54.79	56.05	57.34	58.66	2008	54.99
6	52.87	54.09	55.33	56.60	57.91	59.24	2009	56.25
7	53.38	54.60	55.86	57.14	58.46	59.80	2010	57.54
8	53.87	55.11	56.38	57.67	59.00	60.36	2011	58.87
9	54.35	55.60	56.88	58.19	59.53	60.90	2012	60.22
10	54.82	56.09	57.38	58.70	60.05	61.43	2013	61.61
11	55.29	56.56	57.86	59.19	60.55	61.94	2014	63.03
12	55.73	57.02	58.33	59.67	61.04	62.45	2015	64.48
13	56.17	57.47	58.79	60.14	61.52	62.94	2016	65.96
14	56.60	57.90	59.23	60.60	61.99	63.42	2017	67.48
15	57.01	58.33	59.67	61.04	62.45	63.88	2018	69.03
16	57.42	58.74	60.09	61.47	62.89	64.34	2019	70.62
17	57.81	59.14	60.50	61.89	63.32	64.77	2020	72.25
18	58.19	59.53	60.90	62.30	63.73	65.20	2021	73.91
19	58.56	59.91	61.29	62.70	64.14	65.61	2022	75.61
20	58.92	60.27	61.66	63.08	64.53	66.02	2023	77.35
							2024	79.14
							2025	80.96
							2026	82.82
							2027	84.73
							2028	86.68
							2029	88.68

AVISTA UTILITIES
AVOIDED COST RATES FOR FUELED PROJECTS
SMALLER THAN TEN MEGAWATTS
December 1, 2004
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2004	2005	2006	2007	2008	2009		
1	14.00	14.32	14.65	14.98	15.33	15.68	2004	14.00
2	14.15	14.47	14.81	15.15	15.50	15.85	2005	14.32
3	14.30	14.63	14.97	15.31	15.66	16.02	2006	14.65
4	14.45	14.78	15.12	15.47	15.82	16.19	2007	14.98
5	14.60	14.93	15.27	15.63	15.98	16.35	2008	15.33
6	14.74	15.08	15.42	15.78	16.14	16.51	2009	15.68
7	14.88	15.22	15.57	15.93	16.30	16.67	2010	16.04
8	15.02	15.36	15.72	16.08	16.45	16.83	2011	16.41
9	15.15	15.50	15.86	16.22	16.59	16.98	2012	16.79
10	15.28	15.63	15.99	16.36	16.74	17.12	2013	17.17
11	15.41	15.77	16.13	16.50	16.88	17.27	2014	17.57
12	15.54	15.89	16.26	16.63	17.02	17.41	2015	17.98
13	15.66	16.02	16.39	16.77	17.15	17.55	2016	18.39
14	15.78	16.14	16.51	16.89	17.28	17.68	2017	18.81
15	15.89	16.26	16.63	17.02	17.41	17.81	2018	19.25
16	16.01	16.38	16.75	17.14	17.53	17.94	2019	19.69
17	16.12	16.49	16.87	17.26	17.65	18.06	2020	20.15
18	16.22	16.60	16.98	17.37	17.77	18.18	2021	20.61
19	16.33	16.70	17.09	17.48	17.88	18.29	2022	21.09
20	16.43	16.80	17.19	17.59	17.99	18.41	2023	21.58
							2024	22.07
							2025	22.58
							2026	23.11
							2027	23.64
							2028	24.19
							2029	24.75

EFFECTIVE DATE	ADJUSTABLE COMPONENT
12/1/2004	36.21

The total avoided cost rate in each year is the sum of the adjustable component and the fixed component from either of the tables above.

Example 1. A 20-year levelized contract with a 2005 on-line date would receive the following rates:

Years	Rate
1	16.80 + 36.42
2-20	16.80 + Adjustable component in each year

Example 2. A 4-year non-levelized contract with a 2005 on-line date would receive the following rates:

Years	Rate
1	14.32 + 36.42
2	14.65 + Adjustable component in year 2006
3	14.98 + Adjustable component in year 2007
4	15.33 + Adjustable component in year 2008

IDAHO POWER COMPANY
AVOIDED COST RATES FOR NON-FUELED PROJECTS
SMALLER THAN TEN MEGAWATTS
December 1, 2004
mills/kWh

		LEVELIZED					NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2004	2005	2006	2007	2008	2009		
1	49.21	50.34	51.50	52.69	53.90	55.14	2004	49.21
2	49.75	50.90	52.07	53.27	54.50	55.75	2005	50.34
3	50.29	51.45	52.64	53.85	55.09	56.36	2006	51.50
4	50.82	52.00	53.19	54.42	55.67	56.96	2007	52.69
5	51.35	52.53	53.74	54.98	56.25	57.54	2008	53.90
6	51.87	53.06	54.29	55.54	56.82	58.13	2009	55.14
7	52.38	53.59	54.82	56.09	57.38	58.70	2010	56.41
8	52.88	54.10	55.35	56.63	57.93	59.27	2011	57.71
9	53.38	54.61	55.87	57.16	58.47	59.82	2012	59.04
10	53.87	55.11	56.38	57.68	59.01	60.37	2013	60.40
11	54.35	55.60	56.88	58.19	59.53	60.91	2014	61.80
12	54.82	56.08	57.38	58.70	60.05	61.44	2015	63.22
13	55.28	56.56	57.86	59.19	60.56	61.96	2016	64.68
14	55.74	57.02	58.34	59.68	61.06	62.46	2017	66.17
15	56.18	57.48	58.80	60.16	61.55	62.96	2018	67.70
16	56.62	57.93	59.26	60.63	62.02	63.45	2019	69.26
17	57.05	58.36	59.71	61.08	62.49	63.93	2020	70.85
18	57.47	58.79	60.15	61.53	62.95	64.40	2021	72.49
19	57.88	59.21	60.57	61.97	63.40	64.86	2022	74.16
20	58.27	59.62	60.99	62.40	63.84	65.31	2023	75.87
							2024	77.62
							2025	79.41
							2026	81.25
							2027	83.12
							2028	85.04
							2029	87.00

**IDAHO POWER COMPANY
 AVOIDED COST RATES FOR FUELED PROJECTS
 SMALLER THAN TEN MEGAWATTS
 December 1, 2004
 mills/kWh**

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2004	2005	2006	2007	2008	2009		
1	13.00	13.30	13.61	13.92	14.24	14.57	2004	13.00
2	13.14	13.45	13.76	14.08	14.40	14.73	2005	13.30
3	13.29	13.59	13.91	14.23	14.56	14.90	2006	13.61
4	13.43	13.74	14.05	14.38	14.71	15.05	2007	13.92
5	13.57	13.88	14.20	14.53	14.87	15.21	2008	14.24
6	13.70	14.02	14.35	14.68	15.02	15.37	2009	14.57
7	13.84	14.16	14.49	14.82	15.17	15.52	2010	14.91
8	13.97	14.30	14.63	14.97	15.31	15.67	2011	15.26
9	14.11	14.43	14.77	15.11	15.46	15.82	2012	15.61
10	14.23	14.56	14.90	15.25	15.60	15.96	2013	15.97
11	14.36	14.69	15.04	15.38	15.74	16.11	2014	16.34
12	14.49	14.82	15.17	15.52	15.88	16.25	2015	16.72
13	14.61	14.95	15.30	15.65	16.01	16.38	2016	17.11
14	14.73	15.07	15.42	15.78	16.15	16.52	2017	17.51
15	14.85	15.19	15.55	15.91	16.28	16.65	2018	17.91
16	14.97	15.31	15.67	16.03	16.40	16.78	2019	18.33
17	15.08	15.43	15.79	16.15	16.53	16.91	2020	18.75
18	15.19	15.54	15.90	16.27	16.65	17.04	2021	19.19
19	15.30	15.65	16.02	16.39	16.77	17.16	2022	19.64
20	15.41	15.76	16.13	16.50	16.89	17.28	2023	20.09
							2024	20.56
							2025	21.04
							2026	21.53
							2027	22.03
							2028	22.54
							2029	23.07

EFFECTIVE DATE	ADJUSTABLE COMPONENT
12/1/2004	36.21

The total avoided cost rate in each year is the sum of the adjustable component and the fixed component from either of the tables above.

Example 1. A 20-year levelized contract with a 2005 on-line date would receive the following rates:

Years	Rate
1	15.76 + 36.42
2-20	15.76 + Adjustable component in each year

Example 2. A 4-year non-levelized contract with a 2005 on-line date would receive the following rates:

Years	Rate
1	13.30 + 36.42
2	13.61 + Adjustable component in year 2006
3	13.92 + Adjustable component in year 2007
4	14.24 + Adjustable component in year 2008

PACIFICORP
AVOIDED COST RATES FOR NON-FUELED PROJECTS
SMALLER THAN TEN MEGAWATTS
December 1, 2004
mills/kWh

		LEVELIZED					NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2004	2005	2006	2007	2008	2009		
1	50.25	51.41	52.59	53.80	55.03	56.30	2004	50.25
2	50.80	51.97	53.16	54.38	55.64	56.91	2005	51.41
3	51.34	52.52	53.73	54.96	56.23	57.52	2006	52.59
4	51.87	53.06	54.28	55.53	56.80	58.11	2007	53.80
5	52.38	53.59	54.82	56.08	57.37	58.69	2008	55.03
6	52.89	54.10	55.35	56.62	57.92	59.25	2009	56.30
7	53.38	54.61	55.86	57.15	58.46	59.81	2010	57.59
8	53.86	55.10	56.36	57.66	58.99	60.34	2011	58.92
9	54.33	55.57	56.85	58.16	59.50	60.87	2012	60.27
10	54.78	56.04	57.33	58.65	60.00	61.38	2013	61.66
11	55.22	56.49	57.79	59.12	60.48	61.87	2014	63.08
12	55.65	56.93	58.24	59.58	60.95	62.35	2015	64.53
13	56.06	57.35	58.67	60.02	61.40	62.82	2016	66.02
14	56.47	57.77	59.09	60.45	61.84	63.27	2017	67.54
15	56.86	58.16	59.50	60.87	62.27	63.70	2018	69.09
16	57.23	58.55	59.89	61.27	62.68	64.12	2019	70.68
17	57.59	58.92	60.27	61.66	63.08	64.53	2020	72.31
18	57.94	59.28	60.64	62.04	63.46	64.92	2021	73.97
19	58.28	59.62	60.99	62.40	63.83	65.30	2022	75.68
20	58.60	59.95	61.33	62.74	64.19	65.66	2023	77.42
							2024	79.20
							2025	81.03
							2026	82.89
							2027	84.80
							2028	86.76
							2029	88.76

PACIFICORP
AVOIDED COST RATES FOR FUELED PROJECTS
SMALLER THAN TEN MEGAWATTS
December 1, 2004
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2004	2005	2006	2007	2008	2009		
1	14.04	14.36	14.69	15.03	15.38	15.73	2004	14.04
2	14.19	14.52	14.85	15.19	15.54	15.90	2005	14.36
3	14.34	14.67	15.01	15.36	15.71	16.07	2006	14.69
4	14.49	14.82	15.16	15.51	15.87	16.23	2007	15.03
5	14.64	14.97	15.32	15.67	16.03	16.40	2008	15.38
6	14.78	15.12	15.46	15.82	16.18	16.55	2009	15.73
7	14.91	15.26	15.61	15.97	16.33	16.71	2010	16.09
8	15.05	15.39	15.75	16.11	16.48	16.86	2011	16.46
9	15.18	15.53	15.88	16.25	16.62	17.01	2012	16.84
10	15.30	15.66	16.02	16.39	16.76	17.15	2013	17.23
11	15.43	15.78	16.15	16.52	16.90	17.29	2014	17.62
12	15.55	15.91	16.27	16.65	17.03	17.42	2015	18.03
13	15.66	16.02	16.39	16.77	17.16	17.55	2016	18.45
14	15.78	16.14	16.51	16.89	17.28	17.68	2017	18.87
15	15.89	16.25	16.62	17.01	17.40	17.80	2018	19.31
16	15.99	16.36	16.73	17.12	17.51	17.92	2019	19.75
17	16.09	16.46	16.84	17.23	17.63	18.03	2020	20.21
18	16.19	16.56	16.94	17.33	17.73	18.14	2021	20.67
19	16.28	16.66	17.04	17.43	17.84	18.25	2022	21.15
20	16.37	16.75	17.14	17.53	17.94	18.35	2023	21.64
							2024	22.14
							2025	22.65
							2026	23.18
							2027	23.71
							2028	24.26
							2029	24.82

EFFECTIVE DATE	ADJUSTABLE COMPONENT
12/1/2004	36.21

The total avoided cost rate in each year is the sum of the adjustable component and the fixed component from either of the tables above.

Example 1. A 20-year levelized contract with a 2005 on-line date would receive the following rates:

Years	Rate
1	16.75 + 36.42
2-20	16.75 + Adjustable component in each year

Example 2. A 4-year non-levelized contract with a 2005 on-line date would receive the following rates:

Years	Rate
1	14.36 + 36.42
2	14.69 + Adjustable component in year 2006
3	15.03 + Adjustable component in year 2007
4	15.38 + Adjustable component in year 2008

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 23RD DAY OF NOVEMBER 2004, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NOS. AVU-E-04-05/IPC-E-04-25/PAC-E-04-05, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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