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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. AVU-E-04-01
OF AVISTA CORPORATION FOR THE)	
AUTHORITY TO INCREASE ITS RATES)	
AND CHARGES FOR ELECTRIC AND)	
NATURAL GAS SERVICE TO ELECTRIC AND)	EXHIBIT NO. 5
NATURAL GAS CUSTOMERS IN THE STATE)	
OF IDAHO)	RICHARD STORRO
_____)	

FOR AVISTA CORPORTATION

(ELECTRIC ONLY)

(SCHEDULE 3 OF THIS EXHIBIT IS CONFIDENTIAL)

CASE NO. AVU-E-04-01

**EXHIBIT NO. 5
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AVISTA'S RESOURCE PLANNING AND POWER OPERATIONS

Company-Owned Resources

The Company owns and operates two hydroelectric projects on the Clark Fork River, and six hydroelectric projects on the Spokane River. These projects are listed below, along with the number of generating units at each project, the dependable capacity of each project, and the estimated amount of energy from each project under both average (normal) streamflow conditions and "critical" streamflow conditions.

Hydroelectric Projects Summary

Generating Project	Units	Dependable Capacity (MW)	Average Energy	
			Average Water ¹ (aMW)	Critical Water ² (aMW)
Clark Fork River				
Noxon Rapids	5	527	206	100
Cabinet Gorge	4	246	123	69
<i>Subtotal</i>	<u>9</u>	<u>773</u>	<u>329</u>	<u>169</u>
Spokane River				
Post Falls	6	18	10	8
Upper Falls	1	10	9	7
Monroe Street	1	15	13	11
Nine Mile	4	25	16	13
Long Lake	4	88	57	46
Little Falls	4	36	23	19
<i>Subtotal</i>	<u>20</u>	<u>192</u>	<u>128</u>	<u>104</u>
Total Hydro	29	965	457	273

¹ Based on NWPP 2002-03 60-year (1928-88) continuous study, adjusted for encroachment.

² Based on NWPP 2002-03 Final Regulation study, which includes reductions in Clark Fork project capacity due to Hungry Horse draft of storage prior to the Nov. 02-Apr. 03 critical period.

In addition, the Company owns or leases six thermal generating projects. Those projects are listed below, including the number of generating units, primary fuel, dependable capacity and estimated amount of energy generated based upon maximum operation with reductions to reflect maintenance outages, emissions operating limits, and unplanned outages.

Thermal Projects Summary - 2005

<u>Generating Project</u>	<u>Units</u>	<u>Primary Fuel</u>	<u>Capacity (MW)</u>	<u>Energy (aMW)</u>
Colstrip ³	2	Coal	222	194
Kettle Falls ⁴	1	Wood waste	53	48
Kettle Falls CT ⁵	1	Gas	7	6
Rathdrum ⁶	2	Gas	176	127
Northeast ⁷	2	Gas	67	10
Coyote Springs 2 ⁸	1	Gas	144	131
Boulder Park ⁹	<u>6</u>	Gas	<u>25</u>	<u>23</u>
Total Thermal	15		704	539

Retail Electric Load Forecast

Each year the Company prepares a ten-year electric retail load forecast. The forecast includes the Company's needs for both energy and capacity to serve its retail

³ Avista owns 15% of Units 3 and 4, which are operated by PP&L Montana.

⁴ Kettle Falls is owned and operated by Avista Utilities.

⁵ Kettle Falls CT is a natural gas turbine that was installed at the site of the existing wood waste project. High temperature exhaust from the CT is used to produce steam in a boiler. The CT boiler steam is added to the steam from the wood-waste boiler in the main plant to increase output.

⁶ Rathdrum was constructed by Avista, but is leased through a sale and lease-back arrangement. Avista operates the project. Air emission restrictions currently limit each unit's operation to 8,424 hours per year per unit.

⁷ Northeast is owned and operated by Avista. Air emission restrictions currently limit each unit's operation to 1700 hours per year. The units are to only operate on natural gas fuel and must operate at 100% output capability.

⁸ Avista owns 50% of the Coyote Springs 2 combined-cycle combustion turbine project, including the duct burner. Avista has contracted with PGE to operate the plant.

⁹ Boulder Park is owned and operated by Avista Utilities.

load requirements. In developing the retail load forecast, the Company uses econometric models to produce kilowatt-hour sales and customer forecasts. The econometric models are systems of algebraic equations that relate past economic growth and development in the geographic communities with the past customer growth and power consumption in those same communities. Each year the forecast incorporates changes that occur in the regional and national economy which affect the Company, such as industrial activity, residential use, population growth and income levels.

The forecasted annual retail load energy figures for years 2005 through 2014 are shown on line 3 on page 8 of this Exhibit. The forecast shows an annual average energy load of 1,062 aMW in 2005, including the Potlatch Lewiston plant load. The Company's retail energy load is forecasted to be 1,294 aMW in 2014, a compound growth rate of 2.22 percent per year.

The forecasted annual retail capacity figures for years 2005 through 2014 are shown on line 3 on page 9 of this Exhibit. The capacity figures include the Potlatch Lewiston plant load. The capacity forecast shows 1570 MW in 2005 including the Potlatch Lewiston plant load. The capacity load is forecasted to be 1915 MW in 2014, yielding a compound growth rate of 2.23 percent per year.

The Company's actual retail energy loads grew from 838 aMW in 1991 to 984 aMW in 2003, a compound annual growth rate of 1.35 percent. The Company's retail

capacity loads grew from 1,479 MW in 1991 to 1509 MW in 2003. The compound annual growth rate was 0.17 percent.¹⁰

Long-Term Loads and Resources Picture

The tables on pages 8 and 9 of this Exhibit show a tabulation of Avista's Loads and Resources (L&R) on an annual basis for the next ten years.

The Energy L&R (Load and Resource) Forecast on page 8 of this Exhibit includes a tabulation of Avista's expected average energy for the twelve-month period for both load requirements and resources.

The Peak (capacity) L&R Forecast on page 9 of this Exhibit shows the highest one-hour forecasted capacity requirement in January of each year. The resource peak numbers represent the maximum available capacity output from the Company's resources to serve the one-hour peak.

The Company's requirements are shown on lines 1-8 on pages 8 and 9. These requirements include the Company's retail native load shown on line 1, Potlatch load obligation on line 2, long-term firm wholesale contract obligations on lines 4-7. The expected reduction in retail native load due to Company demand-side management acquisition programs is included in the load amount on line 1.

Resources available to the Company are shown on lines 9-32 on each of pages 8 and 9. The Company's owned hydroelectric generation on the Clark Fork and Spokane Rivers is included on lines 20 and 21. The "Mid-Columbia" on line 22 includes the contracts Avista has with Douglas, Chelan and Grant County PUDs for a portion of the

¹⁰ These figures represent the actual loads, including losses, experienced by the Company and reflect the actual temperatures that occurred during each of the respective periods, which would affect the calculated annual growth rate.

output from the Wells, Rocky Reach, Wanapum and Priest Rapids hydroelectric projects on the middle section of the Columbia River. It also incorporates a contract extension with Grant County PUD for output from their Priest Rapids and Wanapum projects. The figures for hydroelectric generation in the Energy L&R tabulation reflect energy that could be produced under average water conditions.

Lines 4-19 show the Company's long-term contract rights and obligations. Lines 24-32 show the Company's thermal generating resources.

For long-term planning, the Company shows peaking turbine annual energy output based on the amount those units would be expected to operate on an annual basis to serve load under extreme load or hydroelectric generation conditions. A comparison of the total resources with the total system requirements yields the Company's net position, based on average hydroelectric generation and load conditions, as shown on line 34.

The Company adjusts the net position each year through use of an 80 percent confidence interval that accounts for the combined statistical variation due to abnormal weather and below-average hydroelectric capability. In its 2003 Integrated Resource Plan, the Company explained that use of the 80 percent confidence interval produces results similar to those of critical water planning on an annual basis, but provides better information on a monthly basis. On a monthly basis for 2005, the 80 percent confidence level varies between 96 aMW and 261 aMW. The annual 80 percent confidence interval reduction to the net position under average water conditions is show on line 36 of page 8.

Line 35 of the Energy L&R tabulation shows the amount that Company's net resource position is further reduced by the Company's WNP-3 contract with BPA. That

contract has a return of energy provision equivalent to an annual energy obligation of 31 aMW. Because the contract is most likely exercised only under adverse system conditions, such as high load and/or low hydroelectric generation conditions, the Company reduces its net position by the amount shown on line 35 for essentially the same conditions as those embodied in the 80 percent confidence interval.

The resultant average water net position reduced by the 80 percent confidence interval energy and further reduced by the WNP-3 contract return yields an 80% CI Net Position shown on line 37 of the Energy L&R tabulation. The adjusted net position represents an estimated position that can be expected under most combinations of adverse hydroelectric generation and load variability conditions.

The capacity tabulation provides a view of the Company's forecasted peak loads and peak resources, including capacity reserves. It indicates the maximum hourly load, and the resources available to the Company to meet that load on a firm basis. Values are presented for the month of January, since this is the month during which the Company forecasts its peak to occur. Thermal and hydroelectric resource capabilities are based on their "dependable capacity." Contracts include the peak capability or obligation identified within them.

Reserves, as shown on line 35 of the Peak L&R tabulation, play an integral part in maintaining system reliability to serve firm loads. The planning reserves shown on this tabulation are carried to provide the Company with adequate generating capacity during periods of extreme weather or unexpected plant outages. Included in the reserve component is capacity to meet the contingencies of temperature affects on retail load (cold and hot weather), generator-forced outages, and possible river freeze-up at our

hydroelectric plants. The Company plans for reserves in an amount equal to ten percent of firm peak loads, plus 90 aMW to account for river freeze-ups and forced outages. On a day-to-day operating basis, the Company is required by the Western Electricity Coordinating Council (WECC) to carry operating reserves equal to 7% of the Company's online thermal resources and 5% of its online hydroelectric resources. Planning reserves in the long-term Peak L&R tabulation provide the Company with the necessary operating reserves coverage.

The L&R Tabulations provide an indication of the Company's need for firm capacity and energy resources over the ten-year forecast period and include the following surpluses and deficiencies for the respective years:

Year	Surplus/(Deficiency)	
	Capacity MW	Energy aMW
2005	117	41
2006	47	15
2007	11	(4)
2008	(33)	(27)
2009	(71)	(48)
2010	(159)	(92)
2011	(306)	(232)
2012	(400)	(283)
2013	(441)	(304)
2014	(481)	(333)

The results show an energy deficient beginning in 2007, although the deficit in the first year is very small. The study also shows a need for capacity beginning in 2008.

Energy Loads and Resources (in aMW)

January 23, 2004 Version

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
LOADS											
1	System Load	962	985	1,007	1,034	1,063	1,095	1,122	1,143	1,167	1,190
2	Potlatch Load	<u>100</u>	<u>100</u>	<u>102</u>	<u>102</u>	<u>102</u>	<u>102</u>	<u>104</u>	<u>104</u>	<u>104</u>	<u>104</u>
3	Sub-Total	1,062	1,085	1,109	1,136	1,165	1,197	1,226	1,247	1,271	1,294
CONTRACT OBLIGATIONS											
4	Canadian Entitlement	6	5	5	5	4	3	3	2	2	2
5	Nichols Pumping	7	7	7	10	0	0	0	0	0	0
6	PGE Capacity	<u>48</u>	<u>48</u>	<u>48</u>	<u>48</u>	<u>48</u>	<u>48</u>	<u>48</u>	<u>48</u>	<u>48</u>	<u>48</u>
7	Sub-Total	61	60	60	62	52	51	51	50	50	50
8	TOTAL OBLIGATIONS	1,123	1,145	1,169	1,198	1,217	1,248	1,277	1,297	1,321	1,344
CONTRACT RIGHTS											
9	BP Energy	0	0	25	25	25	25	0	0	0	0
10	Duke Energy	75	75	0	0	0	0	0	0	0	0
11	El Paso	25	25	75	75	75	75	0	0	0	0
12	Grant Displacement	3	20	22	22	22	21	15	0	0	0
13	Haleywest	4	4	4	4	4	4	4	4	4	4
14	PGE Capacity Return	48	48	48	48	48	48	48	48	48	48
15	Potlatch	60	60	60	60	60	60	60	60	60	60
16	Small Power	3	3	3	3	3	3	3	3	3	3
17	Upriver	9	9	9	9	9	9	9	9	9	9
18	WNP-3	<u>42</u>	<u>42</u>	<u>42</u>	<u>41</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>41</u>	<u>42</u>	<u>42</u>
19	Sub-Total	269	286	288	288	288	286	181	165	166	166
HYDRO RESOURCES (Average Water)											
20	Spokane River	129	129	129	129	129	129	129	129	129	129
21	Clark Fork	329	329	329	329	329	329	329	329	329	329
22	Mid-Columbia	<u>92</u>	<u>76</u>	<u>76</u>	<u>75</u>	<u>71</u>	<u>56</u>	<u>52</u>	<u>34</u>	<u>33</u>	<u>33</u>
23	Sub-Total	549	534	533	532	529	513	510	492	491	490
THERMAL RESOURCES (Net Capability)											
24	Boulder Park	23	23	23	23	23	23	23	23	23	23
25	Colstrip	194	187	187	194	194	194	194	194	194	194
26	Coyote Springs 2	122	122	125	120	125	125	122	122	125	120
27	Coyote Springs 2 duct burner	9	9	10	9	10	10	9	9	10	9
28	Kettle Falls	48	48	48	48	48	48	48	48	48	48
29	Kettle Falls CT	6	6	6	6	6	6	6	6	6	6
30	Northeast	10	10	10	10	10	10	10	10	10	10
31	Rathdrum	<u>127</u>	<u>127</u>	<u>127</u>	<u>127</u>	<u>127</u>	<u>127</u>	<u>127</u>	<u>127</u>	<u>127</u>	<u>127</u>
32	Sub-Total	539	532	535	538	543	543	539	539	543	538
33	TOTAL RESOURCES	1,358	1,351	1,356	1,358	1,359	1,342	1,230	1,196	1,199	1,193
34	NET POSITION	235	206	187	159	142	94	(46)	(101)	(121)	(150)
35	WNP-3 Obligation	31	31	31	31	31	31	31	31	31	31
36	80% Confidence Interval	163	160	160	160	159	155	155	151	151	151
37	80% CI Net Position	41	15	(4)	(32)	(48)	(92)	(232)	(283)	(304)	(333)

Peak Loads and Resources (in MW)

January 23, 2004 Version

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
LOADS											
1	System Load	1,468	1,504	1,537	1,576	1,620	1,667	1,707	1,740	1,775	1,809
2	Potlatch Load	<u>102</u>	<u>102</u>	<u>104</u>	<u>104</u>	<u>104</u>	<u>104</u>	<u>106</u>	<u>106</u>	<u>106</u>	<u>106</u>
3	Sub-Total	1,570	1,606	1,641	1,680	1,724	1,771	1,813	1,846	1,881	1,915
CONTRACT OBLIGATIONS											
4	Canadian Entitlement	12	8	8	8	8	6	6	4	4	4
5	Nichols Pumping	10	10	10	10	0	0	0	0	0	0
6	PGE Capacity	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>
7	Sub-Total	172	168	168	168	158	156	156	154	154	154
8	TOTAL OBLIGATIONS	1,742	1,774	1,809	1,848	1,882	1,927	1,969	2,000	2,035	2,069
CONTRACT RIGHTS											
9	BP Energy	0	0	25	25	25	25	0	0	0	0
10	Duke Energy	75	75	0	0	0	0	0	0	0	0
11	El Paso	25	25	75	75	75	75	0	0	0	0
12	Grant Displacement	0	20	22	22	22	21	21	0	0	0
13	Haleywest	4	4	4	4	4	4	4	4	4	4
14	PGE Capacity Return	0	0	0	0	0	0	0	0	0	0
15	Potlatch	60	60	60	60	60	60	60	60	60	60
16	Small Power	4	4	4	4	4	4	4	4	4	4
17	Upriver	4	4	4	4	4	4	4	4	4	4
18	WNP-3	<u>82</u>	<u>82</u>	<u>82</u>	<u>82</u>	<u>82</u>	<u>82</u>	<u>82</u>	<u>82</u>	<u>82</u>	<u>82</u>
19	Sub-Total	254	274	276	276	276	275	175	154	154	154
HYDRO RESOURCES											
20	Spokane River	192	192	192	192	192	192	192	192	192	192
21	Clark Fork	773	773	773	773	773	773	773	773	773	773
22	Mid-Columbia	<u>195</u>	<u>140</u>	<u>140</u>	<u>140</u>	<u>140</u>	<u>103</u>	<u>102</u>	<u>63</u>	<u>61</u>	<u>59</u>
23	Sub-Total	1,160	1,105	1,105	1,105	1,105	1,068	1,067	1,028	1,026	1,024
THERMAL RESOURCES											
24	Boulder Park	25	25	25	25	25	25	25	25	25	25
25	Colstrip	222	222	222	222	222	222	222	222	222	222
26	Coyote Springs 2	134	134	134	134	134	134	134	134	134	134
27	Coyote Springs 2 duct burner	10	10	10	10	10	10	10	10	10	10
28	Kettle Falls	53	53	53	53	53	53	53	53	53	53
29	Kettle Falls CT	7	7	7	7	7	7	7	7	7	7
30	Northeast	67	67	67	67	67	67	67	67	67	67
31	Rathdrum	<u>176</u>	<u>176</u>	<u>176</u>	<u>176</u>	<u>176</u>	<u>176</u>	<u>176</u>	<u>176</u>	<u>176</u>	<u>176</u>
32	Sub-Total	693	693	693	693	693	693	693	693	693	693
33	TOTAL RESOURCES	2,106	2,072	2,074	2,074	2,074	2,036	1,934	1,874	1,872	1,870
34	NET POSITION	364	298	265	225	192	108	(35)	(126)	(163)	(199)
35	Planning Reserves	247	251	254	258	262	267	271	275	278	282
36	Net Position with Reserves	117	47	11	(33)	(71)	(159)	(306)	(400)	(441)	(481)

Schedule No. 2
R. Storro
Avista Corporation

Colored photo – of Cabinet Gorge
Hydroelectric Project -- will not scan
see Case File

CONFIDENTIAL

Energy Resources Risk Policy

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