

SCOTT WOODBURY
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0320
BAR NO. 1895

Street Address for Express Mail:
472 W. WASHINGTON
BOISE, IDAHO 83702-5983

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE SUBMISSION OF)
THE STATUS REPORT OF AVISTA) **CASE NO. AVU-E-02-6**
CORPORATION AND APPLICATION FOR A)
CONTINUATION OF A POWER COST)
ADJUSTMENT (PCA) SURCHARGE.) **SUPPLEMENTAL REPLY**
) **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, submits the following reply comments.

On August 9, 2002, Avista Corporation doing business as Avista Utilities (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting a continuation of the electric Schedule 66 Power Cost Adjustment (PCA) surcharge of 19.4% (\$23.6 million) currently scheduled to expire on October 11, 2002. As reflected in this filing, Avista states that the current status of the unrecovered PCA deferral balance as of June 30, 2002, is \$45,600,228 for its Idaho jurisdiction. Avista is requesting that the Commission continue the PCA surcharge for an additional 12 months, through October 11, 2003.

Staff's original comments were filed on September 20, 2002. Responses to production requests received September 24, 2002 along with subsequent conversations with Avista have revealed additional details that necessitate supplemental reply comments.

Consistent with the original comments, Staff takes the position that capital costs are not variable fuel costs and should not be recovered through the PCA. Staff originally proposed to exclude capital costs associated with the Kettle Falls project in the amount of \$56,598.

Subsequent to receiving the production request responses, and after additional contact with the Company, Staff has identified additional capital costs for the Devil's Gap and Othello projects that were included in the PCA deferral balance. Staff recommends the removal of all capital costs associated with the Kettle Falls, Devil's Gap and Othello projects and the interest associated with these capital costs.

In addition to the Kettle Falls capital costs of \$56,598, Staff proposes to exclude \$96,743 associated with the Devil's Gap project and \$744,884 associated with the Othello project. Attached is revised Attachment A showing these changes with the interest impact. These adjustments do not change the proposed surcharge rate.

Respectively submitted this day of September 2001.

Scott Woodbury
Deputy Attorney General

Technical Staff: Kathy Stockton

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