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IDAHO PUBLIC
UTILITIES COMMISSION

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9 BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION
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11 IN THE MATTER OF THE SUBMISSION OF)
12 THE SCHEDULE 66 PCA STATUS REPORT OF) CASE NO. AVU-E-03-06
13 AVISTA CORPORATION AND APPLICATION)
14 FOR CONTINUATION OF A SCHEDULE 66) REPLY COMMENTS OF
15 POWER COST ADJUSTMENT (PCA)) AVISTA CORPORATION
16 SURCHARGE)
17

18 I. INTRODUCTION

19 Avista Corporation doing business as Avista Utilities (hereinafter Avista or Company), at
20 1411 East Mission Avenue, Spokane, Washington, respectfully files its Reply Comments in the
21 above-entitled matter.

22 II. BACKGROUND

23 On August 11, 2003, Avista filed its Power Cost Adjustment (PCA) Schedule 66 Status
24 Report with the Idaho Public Utilities Commission (Commission) and an Application requesting
25 approved recovery of excess power costs deferred through June 30, 2003 and further continuation
26 of the 19.4% (\$23.6 million) PCA surcharge. The Staff of the Commission submitted its comments
27 on September 30, 2003.

1 **III. REPLY COMMENTS**

2 In comments dated September 30, 2003, Commission Staff has recommended disallowance
3 of approximately \$5.9 million of deferred costs associated with certain natural gas costs for thermal
4 generation. Avista does not agree with Staff's recommendation. The transactions related to the costs
5 at issue were entered into in the spring of 2001, at a time when wholesale electric prices were at
6 unprecedented highs, federal regulators were continuing to refuse to intervene, and Avista was facing
7 the worst hydroelectric conditions in its history. The Company believes that a careful review of the
8 information available at the time the transactions were entered into will show that the decisions were
9 reasonable given the circumstances at the time.

10 The Company requests the opportunity to fully respond to Commission Staff's
11 recommendations through evidentiary hearings. However, following discussions with Staff, Avista
12 and Staff agree that it would be administratively efficient for the Company to respond to Staff's
13 recommendations in its upcoming general rate case, which Avista plans to file in the first quarter of
14 2004. If evidentiary hearings were to proceed in this case, they would likely overlap the general rate
15 case proceedings.

16 In its comments, Staff recommended that the "existing PCA rates be continued until the next
17 PCA regardless of the final decision reached in this case." Approval of continuation of the existing
18 surcharge rates by the Commission until the next PCA (through October 11, 2004) would allow
19 adequate opportunity for the issues in this case to be addressed in the general rate case. Avista would

1 fully respond to the issues raised by Staff in this case, in its pre-filed testimony in the general rate
2 case, to be filed no later than March 31, 2004.¹

3 **IV. REQUEST**

4 Avista respectfully requests that the matters identified in the Staff's comments filed in this
5 case be addressed instead in Avista's upcoming electric general rate case to be filed no later than
6 March 31, 2004. The Company also requests that the Commission approve the continuation of the
7 existing 19.4% surcharge through October 11, 2004.

8 Dated at Spokane, Washington this 8th day of October 2003.

9 AVISTA CORPORATION

10 BY Kelly O. Norwood
11 Kelly O. Norwood

12 Vice-President, State and Federal Regulation
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¹ If the Commission does not accept the proposal to address the issues raised by Staff in the context of the next electric general rate case, then Avista requests the opportunity to fully present its case by means of evidentiary hearings in this case. Modified Procedure would no longer be appropriate.