

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 NOS. AVU-E-03-8
IPC-E-03-15
PAC-E-03-12**

ORDER NO. 29391

The Idaho Public Utilities Commission in Order No. 29124, Case No. GNR-E-02-1 ordered several changes to the variables and manner in which avoided cost rates are to be computed for projects smaller than 10 MW. Among the ordered changes were abandonment of the utility first deficit year, changes in cost variables associated with a combined cycle combustion turbine and changes in the manner in which fuel costs are determined.

More specifically for fuel costs, the Commission chose to adopt the medium fuel price forecast prepared by the Northwest Power and Conservation Council (formerly the Northwest Power Planning Council) along with the method for establishing the starting year gas price and escalation rate proposed by the Idaho Independent Energy Producers. Order No. 29124 states that natural gas prices can be updated when a new Northwest Power and Conservation Council forecast becomes available.

A new fuel price forecast was prepared by the Council on April 22, 2003. Staff has used this forecast to compute new avoided cost rates for projects smaller than 10 MW according to the revised methodology spelled out in Order No. 29124. A copy of the revised fuel price forecast, computation of starting year gas price and escalation rate, and Staff computation of the resultant avoided cost rates was provided to PacifiCorp, Idaho Power and Avista for their review. All utilities by letter accept the calculated rate schedules as accurate.

Under the revised fuel price forecast of the Northwest Power & Conservation Council, the starting gas price increases from \$3.75/mmbtu to \$4.40/mmbtu; the fuel escalation rate decreases from 2.6% to 2.4%.

Commission Findings

The Commission has reviewed the filings of record in Case Nos. AVU-E-03-8, IPC-E-03-15, and PAC-E-03-12. We have also reviewed our prior Order No. 29124. Pursuant to Commission approved avoided cost methodology (Order No. 29124) natural gas prices are to be updated when a new Northwest Power & Conservation Council forecast becomes available. We find that the medium fuel price forecast prepared by the Northwest Power & Conservation Council has changed. We find that the resultant change in avoided cost rates is a simple arithmetic calculation. The new forecast includes a new starting gas price and fuel escalation rate. The Commission has reviewed and finds the Staff calculated changes in the avoided cost rates for Idaho Power, Avista and PacifiCorp (see attached) to be accurate. We find it reasonable to approve the change in avoided cost rates for an effective date of December 15, 2003.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Avista Corporation dba Avista Utilities, Idaho Power Company and PacifiCorp dba Utah Power & Light Company, electric utilities, pursuant to the authority and power granted it under Title 61 of the Idaho Code, and the Public Utility Regulatory Policies Act of 1978 (PURPA).

The Commission has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission (FERC) to set avoided costs, to order electric utilities to enter into fixed term obligations for the purchase of energy from qualified facilities, and to implement FERC rules.

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby approve the revised starting year gas price and escalation rate as set forth in the April 22, 2003 medium fuel price forecast prepared by the Northwest Power & Conservation Council.

IT IS FURTHER ORDERED and the Commission with the changes approved above does hereby approve the resultant fueled and non-fueled avoided cost rates for Avista Corporation, Idaho Power Company, and PacifiCorp as detailed in Attachments A, B and C to this Order for an effective date of December 15, 2003.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 5th day of December 2003.



PAUL KJELLANDER, PRESIDENT

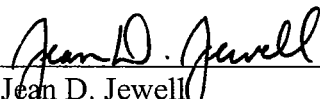


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

bls/O:AVUE0308_IPCE0315_PACE0312_sw

AVISTA UTILITIES
 AVOIDED COST RATES FOR NON-FUELED PROJECTS
 SMALLER THAN TEN MEGAWATTS
 December 15, 2003
 mills/kWh

		LEVELIZED					NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2003	2004	2005	2006	2007	2008		
1	44.27	45.32	46.39	47.49	48.62	49.77	2003	44.27
2	44.77	45.83	46.92	48.03	49.17	50.34	2004	45.32
3	45.26	46.34	47.44	48.56	49.72	50.90	2005	46.39
4	45.75	46.84	47.95	49.09	50.25	51.44	2006	47.49
5	46.23	47.33	48.45	49.60	50.78	51.98	2007	48.62
6	46.70	47.81	48.95	50.11	51.30	52.51	2008	49.77
7	47.17	48.28	49.43	50.60	51.80	53.03	2009	50.96
8	47.62	48.75	49.91	51.09	52.30	53.55	2010	52.17
9	48.06	49.20	50.37	51.57	52.79	54.05	2011	53.40
10	48.50	49.65	50.83	52.04	53.27	54.54	2012	54.67
11	48.92	50.09	51.27	52.49	53.74	55.01	2013	55.97
12	49.34	50.51	51.71	52.94	54.20	55.48	2014	57.30
13	49.75	50.93	52.14	53.38	54.64	55.94	2015	58.66
14	50.14	51.33	52.55	53.80	55.08	56.39	2016	60.05
15	50.53	51.73	52.96	54.22	55.50	56.82	2017	61.48
16	50.91	52.12	53.35	54.62	55.92	57.25	2018	62.94
17	51.27	52.49	53.74	55.01	56.32	57.66	2019	64.44
18	51.63	52.86	54.11	55.40	56.71	58.06	2020	65.97
19	51.98	53.21	54.47	55.77	57.09	58.45	2021	67.53
20	52.31	53.56	54.83	56.13	57.46	58.83	2022	69.14
							2023	70.78
							2024	72.47
							2025	74.19
							2026	75.95
							2027	77.76
							2028	79.61

ATTACHMENT A
 ORDER NO. 29391
 CASE NOS. AVU-E-03-8
 IPC-E-03-15
 PAC-E-03-12

AVISTA UTILITIES
AVOIDED COST RATES FOR FUELED PROJECTS
SMALLER THAN TEN MEGAWATTS
December 15, 2003
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2003	2004	2005	2006	2007	2008		
1	13.03	13.33	13.63	13.95	14.27	14.60	2003	13.03
2	13.17	13.47	13.79	14.10	14.43	14.76	2004	13.33
3	13.31	13.62	13.93	14.26	14.58	14.92	2005	13.63
4	13.45	13.76	14.08	14.40	14.74	15.08	2006	13.95
5	13.59	13.90	14.22	14.55	14.89	15.23	2007	14.27
6	13.72	14.04	14.36	14.70	15.04	15.38	2008	14.60
7	13.86	14.18	14.50	14.84	15.18	15.53	2009	14.94
8	13.99	14.31	14.64	14.98	15.32	15.68	2010	15.28
9	14.11	14.44	14.77	15.11	15.46	15.82	2011	15.64
10	14.24	14.57	14.90	15.25	15.60	15.96	2012	16.00
11	14.36	14.69	15.03	15.38	15.73	16.10	2013	16.37
12	14.48	14.81	15.15	15.50	15.86	16.23	2014	16.75
13	14.59	14.93	15.27	15.63	15.99	16.36	2015	17.13
14	14.71	15.05	15.39	15.75	16.11	16.49	2016	17.53
15	14.82	15.16	15.51	15.87	16.23	16.61	2017	17.94
16	14.92	15.27	15.62	15.98	16.35	16.73	2018	18.35
17	15.03	15.38	15.73	16.09	16.47	16.85	2019	18.78
18	15.13	15.48	15.84	16.20	16.58	16.96	2020	19.21
19	15.23	15.58	15.94	16.31	16.69	17.07	2021	19.66
20	15.32	15.68	16.04	16.41	16.79	17.18	2022	20.12
							2023	20.58
							2024	21.06
							2025	21.55
							2026	22.05
							2027	22.56
							2028	23.09

EFFECTIVE DATE	ADJUSTABLE COMPONENT
----------------	----------------------

12/15/2003	31.24
------------	-------

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 2004 on-line date would receive the following rates:

<u>Years</u>	<u>Rate</u>
1	15.68 + 31.24
2-20	15.68 + Adjustable component in each year

Example 2. A 4-year non-levelized contract with a 2004 on-line date would receive the following rates:

<u>Years</u>	<u>Rate</u>
1	13.33 + 31.24
2	13.63 + Adjustable component in year 2005
3	13.95 + Adjustable component in year 2006
4	14.27 + Adjustable component in year 2007

ATTACHMENT A
ORDER NO. 29391
CASE NOS. AVU-E-03-8
IPC-E-03-15
PAC-E-03-12

IDAHO POWER COMPANY
AVOIDED COST RATES FOR NON-FUELED PROJECTS
SMALLER THAN TEN MEGAWATTS
December 15, 2003
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2003	2004	2005	2006	2007	2008		
1	44.73	45.79	46.88	47.99	49.13	50.29	2003	44.73
2	45.24	46.31	47.41	48.53	49.68	50.86	2004	45.79
3	45.74	46.82	47.93	49.07	50.23	51.42	2005	46.88
4	46.23	47.32	48.44	49.59	50.77	51.97	2006	47.99
5	46.71	47.82	48.95	50.11	51.30	52.52	2007	49.13
6	47.18	48.30	49.45	50.62	51.82	53.05	2008	50.29
7	47.65	48.78	49.93	51.12	52.33	53.57	2009	51.48
8	48.10	49.24	50.41	51.61	52.83	54.08	2010	52.70
9	48.55	49.70	50.88	52.08	53.32	54.58	2011	53.95
10	48.98	50.15	51.33	52.55	53.80	55.07	2012	55.23
11	49.41	50.58	51.78	53.01	54.27	55.55	2013	56.54
12	49.83	51.01	52.22	53.45	54.72	56.02	2014	57.88
13	50.23	51.42	52.64	53.89	55.17	56.48	2015	59.26
14	50.63	51.83	53.06	54.31	55.60	56.92	2016	60.66
15	51.01	52.22	53.46	54.73	56.02	57.35	2017	62.10
16	51.39	52.60	53.85	55.13	56.44	57.77	2018	63.58
17	51.75	52.98	54.23	55.52	56.84	58.18	2019	65.08
18	52.10	53.34	54.60	55.90	57.22	58.58	2020	66.63
19	52.45	53.69	54.96	56.27	57.60	58.97	2021	68.21
20	52.78	54.03	55.31	56.62	57.97	59.34	2022	69.83
							2023	71.49
							2024	73.19
							2025	74.92
							2026	76.70
							2027	78.52
							2028	80.39

ATTACHMENT B
ORDER NO. 29391
CASE NOS. AVU-E-03-8
IPC-E-03-15
PAC-E-03-12

IDAHO POWER COMPANY
AVOIDED COST RATES FOR FUELED PROJECTS
SMALLER THAN TEN MEGAWATTS
 December 15, 2003
 mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2003	2004	2005	2006	2007	2008		
1	13.49	13.80	14.12	14.44	14.78	15.12	2003	13.49
2	13.64	13.95	14.27	14.60	14.94	15.28	2004	13.80
3	13.79	14.10	14.43	14.76	15.10	15.45	2005	14.12
4	13.93	14.25	14.58	14.91	15.26	15.61	2006	14.44
5	14.07	14.39	14.73	15.06	15.41	15.77	2007	14.78
6	14.21	14.54	14.87	15.21	15.56	15.92	2008	15.12
7	14.34	14.67	15.01	15.36	15.71	16.07	2009	15.46
8	14.48	14.81	15.15	15.50	15.86	16.22	2010	15.82
9	14.61	14.94	15.29	15.64	16.00	16.37	2011	16.19
10	14.73	15.07	15.42	15.78	16.14	16.51	2012	16.56
11	14.86	15.20	15.55	15.91	16.28	16.65	2013	16.94
12	14.98	15.33	15.68	16.04	16.41	16.79	2014	17.33
13	15.10	15.45	15.80	16.17	16.54	16.92	2015	17.73
14	15.21	15.56	15.92	16.29	16.67	17.05	2016	18.14
15	15.33	15.68	16.04	16.41	16.79	17.18	2017	18.56
16	15.43	15.79	16.15	16.53	16.91	17.30	2018	18.99
17	15.54	15.90	16.27	16.64	17.02	17.42	2019	19.43
18	15.64	16.00	16.37	16.75	17.14	17.53	2020	19.88
19	15.74	16.11	16.48	16.86	17.25	17.64	2021	20.34
20	15.84	16.21	16.58	16.96	17.35	17.75	2022	20.81
							2023	21.29
							2024	21.78
							2025	22.28
							2026	22.80
							2027	23.33
							2028	23.87

EFFECTIVE DATE	ADJUSTABLE COMPONENT
12/15/2003	31.24

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 2004 on-line date would receive the following rates:

<u>Years</u>	<u>Rate</u>
1	16.21 + 31.24
2-20	16.21 + Adjustable component in each year

Example 2. A 4-year non-levelized contract with a 2004 on-line date would receive the following rates:

<u>Years</u>	<u>Rate</u>
1	13.80 + 31.24
2	14.12 + Adjustable component in year 2005
3	14.44 + Adjustable component in year 2006
4	14.78 + Adjustable component in year 2007

PACIFICORP
AVOIDED COST RATES FOR NON-FUELED PROJECTS
SMALLER THAN TEN MEGAWATTS
December 15, 2003
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2003	2004	2005	2006	2007	2008		
1	44.96	46.03	47.12	48.24	49.38	50.55	2003	44.96.
2	45.47	46.55	47.65	48.78	49.93	51.12	2004	46.03
3	45.97	47.06	48.17	49.31	50.48	51.68	2005	47.12
4	46.45	47.56	48.68	49.83	51.02	52.22	2006	48.24
5	46.93	48.04	49.18	50.35	51.54	52.76	2007	49.38
6	47.40	48.52	49.67	50.85	52.05	53.28	2008	50.55
7	47.85	48.98	50.15	51.33	52.55	53.80	2009	51.75
8	48.29	49.44	50.61	51.81	53.04	54.29	2010	52.97
9	48.73	49.88	51.06	52.27	53.51	54.78	2011	54.23
10	49.15	50.31	51.50	52.72	53.97	55.25	2012	55.51
11	49.56	50.73	51.93	53.16	54.42	55.71	2013	56.83
12	49.95	51.14	52.35	53.59	54.86	56.16	2014	58.18
13	50.34	51.53	52.75	54.00	55.28	56.59	2015	59.56
14	50.71	51.91	53.14	54.40	55.69	57.01	2016	60.97
15	51.07	52.28	53.52	54.79	56.09	57.42	2017	62.41
16	51.42	52.64	53.88	55.16	56.47	57.81	2018	63.89
17	51.76	52.98	54.24	55.52	56.84	58.19	2019	65.41
18	52.08	53.31	54.58	55.87	57.20	58.55	2020	66.96
19	52.39	53.63	54.91	56.21	57.54	58.90	2021	68.55
20	52.69	53.94	55.22	56.53	57.87	59.24	2022	70.18
							2023	71.84
							2024	73.55
							2025	75.29
							2026	77.08
							2027	78.91
							2028	80.78

ATTACHMENT C
ORDER NO. 29391
CASE NOS. AVU-E-03-8
IPC-E-03-15
PAC-E-03-12

PACIFICORP
AVOIDED COST RATES FOR FUELED PROJECTS
SMALLER THAN TEN MEGAWATTS
December 15, 2003
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2003	2004	2005	2006	2007	2008		
1	13.72	14.04	14.36	14.69	15.03	15.38	2003	13.72
2	13.87	14.19	14.52	14.85	15.19	15.54	2004	14.04
3	14.02	14.34	14.67	15.01	15.36	15.71	2005	14.36
4	14.17	14.49	14.82	15.16	15.51	15.87	2006	14.69
5	14.31	14.64	14.97	15.32	15.67	16.03	2007	15.03
6	14.44	14.78	15.12	15.46	15.82	16.18	2008	15.38
7	14.58	14.91	15.26	15.61	15.97	16.33	2009	15.73
8	14.71	15.05	15.39	15.75	16.11	16.48	2010	16.09
9	14.84	15.18	15.53	15.88	16.25	16.62	2011	16.46
10	14.96	15.30	15.66	16.02	16.39	16.76	2012	16.84
11	15.08	15.43	15.78	16.15	16.52	16.90	2013	17.23
12	15.20	15.55	15.91	16.27	16.65	17.03	2014	17.62
13	15.31	15.66	16.02	16.39	16.77	17.16	2015	18.03
14	15.42	15.78	16.14	16.51	16.89	17.28	2016	18.45
15	15.53	15.89	16.25	16.62	17.01	17.40	2017	18.87
16	15.63	15.99	16.36	16.73	17.12	17.51	2018	19.31
17	15.73	16.09	16.46	16.84	17.23	17.63	2019	19.75
18	15.83	16.19	16.56	16.94	17.33	17.73	2020	20.21
19	15.92	16.28	16.66	17.04	17.43	17.84	2021	20.67
20	16.01	16.37	16.75	17.14	17.53	17.94	2022	21.15
							2023	21.64
							2024	22.14
							2025	22.65
							2026	23.18
							2027	23.71
							2028	24.26

EFFECTIVE DATE	ADJUSTABLE COMPONENT
12/15/2003	31.24

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 2004 on-line date would receive the following rates:

<u>Years</u>	<u>Rate</u>
1	16.37 + 31.24
2-20	16.37 + Adjustable component in each year

Example 2. A 4-year non-levelized contract with a 2004 on-line date would receive the following rates:

<u>Years</u>	<u>Rate</u>
1	14.04 + 31.24
2	14.36 + Adjustable component in year 2005
3	14.69 + Adjustable component in year 2006
4	15.03 + Adjustable component in year 2007