



STATE OF IDAHO  
OFFICE OF THE ATTORNEY GENERAL  
LAWRENCE G. WASDEN

RECEIVED  
2009 MAY 13 PM 2:32  
IDAHO PUBLIC  
UTILITIES COMMISSION

May 13, 2009

GNR-E-09-02

**Avista Corporation**

Blair Strong  
Paine, Hamblen, et al  
717 W. Sprague Avenue, Suite 1200  
Spokane, WA 99201-3505

Clint Kalich  
Avista Utilities  
1411 E. Mission  
PO Box 3727  
Spokane, WA 99220-3727

Michael Andrea  
Avista Utilities  
1411 E. Mission  
PO Box 3727  
Spokane, WA 99220-3727

**Rocky Mountain Power**

Mark Moench  
Daniel Solander  
Ted Weston  
PacifiCorp dba Rocky Mountain Power  
One Utah Center  
201 S. Main Street, Suite 2300  
Salt Lake City, UT 84111

Greg Duvall  
Hui Shu  
Laren Hale  
PacifiCorp dba Rocky Mountain Power  
825 NE Multnomah Street  
Portland, OR 97232

**Idaho Power Company**

Barton L. Kline  
Idaho Power Company  
PO Box 70  
Boise, ID 83707-007

Randy Allphin  
Idaho Power Company  
PO Box 70  
Boise, ID 83707-0070

**RE: Case Nos. GNR-E-09-01; PAC-E-09-04**

The Idaho Public Utilities Commission in Order No. 28708, Case No. GNR-E-99-1, established a methodology for the annual adjustable rate portion of avoided costs for those QF contracts using, variable costs associated with Colstrip, a coal-fired generating facility in southeast Montana. For those QF contracts with Colstrip-related fuel costs and variable O&M, future Colstrip variable cost adjustments are to be calculated by using FERC Form 1 Colstrip Unit Coal Costs per megawatt hour (MWh) and adding \$2.00/MWh (the average variable O&M cost of Colstrip plus 20¢/MWh for generation taxes plus a five percent (5%) adjustment for line loss). As computed by Commission Staff the Colstrip related adjustable rate will change from 12.06 mill/kWh to 14.09 mill/kWh. The

May 13, 2009

Page 2

same calculated rate revision under the avoided cost methodology is used by Avista, PacifiCorp dba Rocky Mountain Power and Idaho Power Company. This change in the variable rate affects existing contracts under the previous SAR methodology.

The adjustable portion of the avoided cost rates under the Sumas-based methodology is based on annual average gas prices indexed at Sumas, Washington. As reported by Avista, the indexed gas prices have increased by \$1.82/MMBtu. The approved gas price of \$7.18/MMBtu plus the \$1.82/MMBtu increase results in a gas price of \$9.00/MMBtu for the 2009-2010 year. This equates to a SAR fuel cost of 63.90mill/kWh as used in the model.

In accordance with Order No. 29316, the adjustable portion of the avoided cost rate for PacifiCorp contracts with 1992 amendments has also been recomputed. Beginning on July 1, 2003, the adjustable portion for these contracts was ordered to be equal to the average cost of fuel for the Carbon, Hale, Naughton Huntington and Hunter generating plants, including a variable O&M component of \$1.51 but exclusive of generation taxes and a line loss adjustment. The variable energy rate applicable to deliveries commencing July 1, 2009 extending through June 30, 2010 has been computed to be \$14.36/MWh, an increase from \$14.11 last year.

Accompanying this letter are worksheets showing the computation of the revised adjustable rates for the various affected contracts. If after reviewing the revisions, you accept them as accurate please indicate your approval by letter (or other filing) directed to the Commission in the reserved case docket numbers identified above. The case heading for the generic adjustment, Case No. GNR-E-09-01, will read as follows:

IN THE MATTER OF THE ANNUAL REVISION AND UPDATED CALCULATION OF THE ADJUSTABLE PORTION OF THE AVOIDED COST RATE(S) FOR EXISTING PURPA CONTRACTS FOR AVISTA CORPORATION DBA AVISTA UTILITIES, FOR IDAHO POWER COMPANY, AND FOR PACIFICORP DBA ROCKY MOUNTAIN POWER.

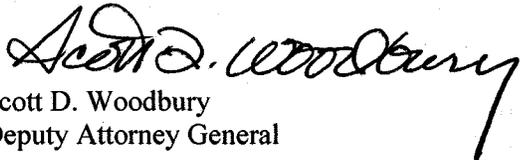
The case heading in the PacifiCorp case for PacifiCorp QF contracts with 1992 Amendment language, Case No. PAC-E-09-04, is as follows:

IN THE MATTER OF THE ANNUAL REVISION OF QF VARIABLE ENERGY PRICES IN ACCORDANCE WITH TERMS OF THE 1992 AMENDMENTS TO POWER PURCHASE AGREEMENTS BETWEEN IDAHO QFS AND PACIFICORP.

Please file your respective responses with the Commission on or prior to June 5, 2009.

Thank you for your cooperation. Please feel free to contact me, or Rick Sterling, if you have any questions.

Sincerely,



Scott D. Woodbury  
Deputy Attorney General

Enclosures

**COLSTRIP ADJUSTABLE RATE CALCULATION**

For Period 7/1/09-6/30/10

Colstrip Fuel Cost from Avista FERC Form 1 for CY 2008

line 12	Net Generation (kwh)	1,757,659,000
line 20	Fuel	<u>\$21,253,774</u>
	Fuel cost per kwh	\$0.012092

Fuel Cost per MWh	\$12.0921
Variable O&M, Gen. Tax, 5% line loss per MWh	<u>\$2.0000</u>
Total Colstrip Adjustable Rate	\$14.0921

**Reference GNR-E-99-1 O.N. 28708 4/17/2001**

**PacifiCorp  
Total Variable Energy Rate  
for 2009/2010**

	Carbon	Naughton	Huntington	Hunter	Totals
Fuel Cost (\$)					
FERC Form 1 - Page 402, line 20	\$ 18,529,823	\$ 76,503,802	\$ 81,271,884	\$ 108,421,723	\$ 284,727,232
Generation (MWh)					
FERC Form 1 - Page 402, line 12	1,204,982	5,114,409	7,148,850	8,691,721	22,159,962
Average Fuel Cost (\$/MWh)	\$ 15.38	\$ 14.96	\$ 11.37	\$ 12.47	\$ 12.85 /MWh
Variable O&M IPUC Order No. 28709				\$	\$ 1.51 /MWh
Total Variable Energy Rate for 2009/2010				\$	\$ 14.36 /MWh

RECEIVED

Average Gas Prices at Sumas, Washington from Inside FERC publication  
(\$/MMBtu)

2009 MAR 16 AM 8:28  
IDAHO PUBLIC  
UTILITIES COMMISSION

**Calculating the 2009-2010 Avoided Cost Adjustable Rate**

	<u>2007</u>	<u>2008</u>
Jan	\$6.41	\$7.48
Feb	\$6.98	\$8.57
Mar	\$7.15	\$8.46
Apr	\$6.60	\$8.81
May	\$6.74	\$10.17
Jun	\$6.86	\$10.77
July	\$6.03	\$11.69
Aug	\$5.22	\$7.94
Sep	\$4.81	\$6.94
Oct	\$5.85	\$6.23
Nov	\$7.45	\$6.28
Dec	\$8.12	\$6.66
Average	\$6.52	\$8.33

Actual Annual Adjustment:

$\$7.18 - (\$6.52 - \$8.33) = \underline{\$9.00}$

Note:

- \$2.00/MMBtu = 1997-98 Approved Rate
- \$2.35/MMBtu = 1998-99 Approved Rate
- \$2.26/MMBtu = 1999-00 Approved Rate
- \$2.80/MMBtu = 2000-01 Approved Rate
- \$4.82/MMBtu = 2001-02 Approved Rate
- \$5.23/MMBtu = 2002-03 Approved Rate
- \$3.33/MMBtu = 2003-04 Approved Rate
- \$5.31/MMBtu = 2004-05 Approved Rate
- \$5.92/MMBtu = 2005-06 Approved Rate
- \$7.80/MMBtu = 2006-07 Approved Rate
- \$6.94/MMBtu = 2007-08 Approved Rate
- \$7.18/MMBtu = 2008-09 Approved Rate