

BARTON L. KLINE, ISB # 1526
Idaho Power Company
1221 West Idaho Street
P. O. Box 70
Boise, Idaho 83707
Telephone: (208) 388-2692
FAX Telephone: (208) 388-6936

RECEIVED ☒
FILED ☐
2004 NOV 19 PM 4:21
IDAHO PUBLIC
UTILITIES COMMISSION

Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

| | | |
|-----------------------------------|---|----------------------|
| IN THE MATTER OF THE REVISION AND |) | CASE NOS. AVU-E-04-5 |
| UPDATED CALCULATION OF THE |) | IPC-E-04-25 |
| AVOIDED COST RATES FOR AVISTA |) | PAC-E-04-5 |
| CORPORATION DBA AVISTA UTILITIES, |) | |
| FOR IDAHO POWER COMPANY AND FOR |) | COMMENTS OF IDAHO |
| PACIFICORP DBA UTAH POWER AND |) | POWER COMPANY |
| LIGHT COMPANY. |) | |
| |) | |

On November 4, 2004, in Order No. 29628, the Commission issued a Notice of Avoided Cost Recalculations which included proposed avoided cost rates for Idaho Power Company ("Idaho Power" or "Company"). Also on November 4, the Staff of the Idaho Public Utilities Commission ("Staff") provided to Idaho Power additional documentation showing how the proposed avoided cost rates attached to Order No. 29628 had been computed by Staff. Idaho Power has reviewed the proposed rates attached to Order No. 29628 and the material provided by Staff. Based on that review, Idaho Power has the following comments.

1. Model

Idaho Power concurs that the basic model used by the Staff to compute the proposed avoided cost rates attached to Order No. 29628 is consistent with the model adopted by the Commission in Order 29124.

2. Model Inputs

Natural Gas Forecasts. Idaho Power concurs that Staff's use of the Natural Gas Price Forecasts from the Northwest Power and Conservation Council (NPCC) Draft 5th Power Plan dated September 29, 2004 is consistent with Order 29124.

3. Cost of Capital

Utility Weighted Cost of Capital

Previously 9.199 % - Revised to 7.852 %

Capital Carrying Charge

Previously 12.424 % - Revised to 11.517 %

Both of these revisions accurately reflect the values from the recent Idaho Power general rate case. Inputting these values into the avoided cost model is appropriate.

4. General Inflation Rate

At the top of the page titled "Analysis of Northwest Power and Conservation Council (NPCC) Natural Gas Price Forecasts, September 29, 2004 Draft 5th Power Plan" there is an input titled "General Inflation rate." This General Inflation

Rate is used in the calculation of the average natural gas forecasted price contained within this page.

This inflation rate was set in IPUC Order 29124 at 2.7% (Page 12 and 13 of IPUC Order 29124). Order No. 29124 references the source of this inflation rate to be the "DOE/EIA Annual Energy Outlook 2002 – general inflation rate" ("General Inflation Rate").

Idaho Power does not believe it is appropriate to revise the General Inflation Rate in this proceeding and requests that the Commission revise the proposed avoided cost rates attached to Order No. 29628 to reflect a General Inflation Rate of 2.7% as specified in Order 29124. Idaho Power believes it is appropriate to retain the existing 2.7% General Inflation Rate for the following reasons:

(a) Order 29124 provided guidance that at the time a new natural gas price forecast was published, avoided costs would be revised to reflect the new natural gas price forecast. It did not contemplate or state that other values (General Inflation Rate) would be revised at these times.

(b) In the last Order revising the avoided costs (Order No. 29391), the inflation rate remained unchanged at 2.7% even though the actual value within the Energy Outlook report changed from 2.7% to 2.5 %.

Idaho Power has discussed its concerns with changing the inflation rate with Staff and by e-mail dated November 18, 2004. Staff advised the parties that it agreed with Idaho Power on this point. Staff attached revised proposed avoided cost rates to its November 18, 2004 e-mail. Based on its preliminary review of the revised

rates attached to the e-mail, Idaho Power believes these revised rates are accurate and in conformity with Order No. 29124.

5. **Summary**

Idaho Power believes the revised proposed avoided cost rates reflecting the 2.7% General Inflation Rate that were attached to the Staff's November 18, 2004 e-mail are accurate and should be adopted as Idaho Power's published avoided cost rates in accordance with Order No. 29124.

DATED this 19th day of November, 2004.

A handwritten signature in black ink, appearing to read 'B. L. Kline', is written over a horizontal line.

BARTON L. KLINE
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

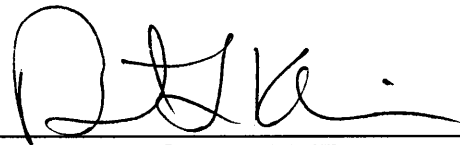
I HEREBY CERTIFY that on this 19th day of November, 2004, I served a true and correct copy of the within and foregoing IDAHO POWER COMPANY'S COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

| | | |
|---------------------------------|-------------------------------------|----------------|
| Blair Strong | <input type="checkbox"/> | Hand Delivered |
| Paine, Hamblen, et al | <input checked="" type="checkbox"/> | U.S. Mail |
| 717 W. Sprague Ave., Suite 1200 | <input type="checkbox"/> | Overnight Mail |
| Spokane, WA 99201-3505 | <input type="checkbox"/> | FAX |

| | | |
|------------------------|-------------------------------------|----------------|
| Doug Young | <input type="checkbox"/> | Hand Delivered |
| Avista Utilities | <input checked="" type="checkbox"/> | U.S. Mail |
| 1411 E. Mission | <input type="checkbox"/> | Overnight Mail |
| P.O. Box 3727 | <input type="checkbox"/> | FAX |
| Spokane, WA 99220-3727 | | |

| | | |
|-----------------------------------|-------------------------------------|----------------|
| James C. Paine | <input type="checkbox"/> | Hand Delivered |
| James Fell | <input checked="" type="checkbox"/> | U.S. Mail |
| Stoel Rives LLP | <input type="checkbox"/> | Overnight Mail |
| 900 S.W. Fifth Avenue, Suite 2600 | <input type="checkbox"/> | FAX |
| Portland, OR 97204 | | |

| | | |
|---------------------------|-------------------------------------|----------------|
| Mark Widmer | <input type="checkbox"/> | Hand Delivered |
| PacifiCorp | <input checked="" type="checkbox"/> | U.S. Mail |
| 825 N.E. Multnomah Street | <input type="checkbox"/> | Overnight Mail |
| Portland, OR 97232 | <input type="checkbox"/> | FAX |



BARTON L. KLINE