

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE REVISION AND)
UPDATED CALCULATION OF THE) CASE NOS. AVU-E-04-5
AVOIDED COST RATES FOR AVISTA) IPC-E-04-25
CORPORATION DBA AVISTA UTILITIES,) PAC-E-04-5
FOR IDAHO POWER COMPANY AND FOR)
PACIFICORP DBA UTAH POWER AND) NOTICE OF AVOIDED COST
LIGHT COMPANY.) RECALCULATIONS
)
) NOTICE OF
) MODIFIED PROCEDURE
)
) NOTICE OF COMMENT/
) PROTEST DEADLINE
)
) ORDER NO. 29628**

Pursuant to the Public Utility Regulatory Policies Act of 1978 (PURPA) and the implementing regulations of the Federal Energy Regulatory Commission (FERC), the Idaho Public Utilities Commission (Commission) has approved a methodology for calculation of the avoided cost rates paid to PURPA qualifying cogeneration and small power production facilities (QFs) by Idaho Power Company, Avista Corporation and PacifiCorp. Avoided cost rates are the purchase price paid to QFs for purchases of QF capacity and energy.

YOU ARE HEREBY NOTIFIED that three recent events have triggered consideration of computation of new PURPA avoided cost rates, i.e., the conclusion of general rate cases for Idaho Power and Avista, and the release of a new natural gas price forecast by the Northwest Power and Conservation Council (NPCC)¹.

The conclusion of a general rate case affects avoided cost rates because cost of capital figures are used in avoided cost computations in accordance with the approved methodology. The Commission finds that the appropriate time to incorporate new cost of capital figures is following a general rate case. A final Order in Idaho Power's general rate case was issued on May 25, 2004 (Order No. 29505) and a Reconsideration Order was issued on

¹ Formerly the Northwest Power Planning Council (NWPPC).

September 28, 2004 (Order No. 29601). A final Order in Avista's general rate case was issued on October 8, 2004 (Order No. 29602).

On September 24, 2004, the Northwest Power and Conservation Council released a new natural gas price forecast. Because the new forecast was released at about the same time as the Idaho Power and Avista rate cases were concluded, the Commission finds that both the new cost of capital figures and the new natural gas prices should be incorporated in the computation of new avoided cost rates. The Commission is not proposing to revise the cost of capital figures used for PacifiCorp.

The practice of updating avoided cost rates due to new fuel price forecasts can be traced to Commission Order No. 29124, Case No. GNR-E-02-1. In that Order, the Commission adopted a fuel price forecast from the draft Fifth Northwest Conservation and Electric Power Plan, April 25, 2002 of the Northwest Power Planning Council (NWPPC) as a reasonable method for calculating a starting gas price in the avoided cost methodology. In doing so, we expressed confidence in the source and the use of a medium forecast, which we continue to believe has the highest probability of being right. In our Order, we stated that "natural gas prices can be updated when a new NWPPC forecast becomes available." Order No. 29124 at 10. The Commission has since approved updated gas prices based on an April 22, 2003 NWPPC forecast in December 2003. Order No. 29391.

The new rates computed using the Council's September 24, 2004 natural gas price forecast and Idaho Power's and Avista's revised costs of capital are approximately 5 mills/kWh higher than the rates currently in effect for all three utilities. The proposed new rates for each utility have been calculated by Commission Staff and are attached to this Order. The computations of new rates using revised gas prices and costs of capital must be reviewed by the utilities before they can be adopted by the Commission. Computation of the rates, we find, is a ministerial task done in accordance with prior Commission orders; nevertheless, past practice has been for the Staff's computation of the rates to be reviewed by the utilities to insure mathematical accuracy.

The Commission opens this docket for the purpose of incorporating into the avoided cost rates the new natural gas price forecast recently released by the Northwest Power and Conservation Council. The Commission also finds it reasonable to incorporate in the avoided

cost calculations the new cost of capital figures recently established for Idaho Power and Avista in their respective general rate cases.

YOU ARE FURTHER NOTIFIED that the Commission has preliminarily found that the public interest in this matter may not require a hearing to consider the issues presented and that the issues raised in this docket may be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.

YOU ARE FURTHER NOTIFIED that **the deadline for filing written comments or protests** with respect to the recalculation of avoided cost rates and the use of Modified Procedure in Case Nos. AVU-E-04-5, IPC-E-04-25, and PAC-E-04-5 is **Tuesday, November 23, 2004**.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the deadline, the Commission may consider the matter on its merits and may enter its Order without a formal hearing. If comments or protests are filed within the deadline, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order on the basis of the written positions before it. Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that written comments concerning Case Nos. AVU-E-04-5, IPC-E-04-25, and PAC-E-04-5 should be mailed to the Commission and the Companies at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5983

AVISTA CORPORATION

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

Doug Young
Avista Utilities
1411 E. Mission
PO Box 3727
Spokane, WA 99220-3727

PACIFICORP

James C. Paine
James Fell
Stoel Rives LLP
900 SW Fifth Avenue, Suite 2600
Portland, OR 97204

Mark Widmer
PacifiCorp
825 NE Multnomah Street
Portland, OR 97232

IDAHO POWER

Barton L. Kline
Idaho Power Company
PO Box 70
Boise, ID 83707-0070

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

All comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.state.id.us. Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document.

YOU ARE FURTHER NOTIFIED that the public filings in Case Nos. AVU-E-04-5, IPC-E-04-25, and PAC-E-04-5 may be viewed at the Commission's website, www.puc.state.id.us by clicking on "File Room" and "Electric Cases" or can be viewed during regular business hours at the Idaho Public Utilities Commission, 472 West Washington Street, Boise, ID.

ORDER

The Commission by this Order opens a docket for the revision and updated calculation of avoided cost rates and approves the foregoing procedure and scheduling.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 4th day of November 2004.


PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

bls/N:AVUE0405_IPCE0425_PACE0405_sw

NOTICE OF AVOIDED COST RECALCULATIONS
NOTICE OF MODIFIED PROCEDURE
NOTICE OF COMMENT/PROTEST DEADLINE
ORDER NO. 29628

AVISTA UTILITIES
 AVOIDED COST RATES FOR FUELED PROJECTS
 SMALLER THAN TEN MEGAWATTS
 11/XX/2004
 mills/kWh

DRAFT

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2004	2005	2006	2007	2008	2009		
1	14.00	14.32	14.65	14.98	15.33	15.68	2004	14.00
2	14.15	14.47	14.81	15.15	15.50	15.85	2005	14.32
3	14.30	14.63	14.97	15.31	15.66	16.02	2006	14.65
4	14.45	14.78	15.12	15.47	15.82	16.19	2007	14.98
5	14.60	14.93	15.27	15.63	15.98	16.35	2008	15.33
6	14.74	15.08	15.42	15.78	16.14	16.51	2009	15.68
7	14.88	15.22	15.57	15.93	16.30	16.67	2010	16.04
8	15.02	15.36	15.72	16.08	16.45	16.83	2011	16.41
9	15.15	15.50	15.86	16.22	16.59	16.98	2012	16.79
10	15.28	15.63	15.99	16.36	16.74	17.12	2013	17.17
11	15.41	15.77	16.13	16.50	16.88	17.27	2014	17.57
12	15.54	15.89	16.26	16.63	17.02	17.41	2015	17.98
13	15.66	16.02	16.39	16.77	17.15	17.55	2016	18.39
14	15.78	16.14	16.51	16.89	17.28	17.68	2017	18.81
15	15.89	16.26	16.63	17.02	17.41	17.81	2018	19.25
16	16.01	16.38	16.75	17.14	17.53	17.94	2019	19.69
17	16.12	16.49	16.87	17.26	17.65	18.06	2020	20.15
18	16.22	16.60	16.98	17.37	17.77	18.18	2021	20.61
19	16.33	16.70	17.09	17.48	17.88	18.29	2022	21.09
20	16.43	16.80	17.19	17.59	17.99	18.41	2023	21.58
							2024	22.07
							2025	22.58
							2026	23.11
							2027	23.64
							2028	24.19
							2029	24.75

EFFECTIVE DATE

ADJUSTABLE COMPONENT

11/XX/2004

36.42

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 2005 on-line date would receive the following rates:

Years	Rate
1	16.80 + 36.42
2-20	16.80 + Adjustable component in each year

Example 2. A 4-year non-levelized contract with a 2005 on-line date would receive the following rates:

Years	Rate
1	14.32 + 36.42
2	14.65 + Adjustable component in year 2006
3	14.98 + Adjustable component in year 2007
4	15.33 + Adjustable component in year 2008

AVISTA UTILITIES
 AVOIDED COST RATES FOR NON-FUELED PROJECTS
 SMALLER THAN TEN MEGAWATTS
 11/XX/2004
 mills/kWh

DRAFT

		LEVELIZED					NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2004	2005	2006	2007	2008	2009		
1	50.42	51.65	52.91	54.21	55.53	56.89	2004	50.42
2	51.01	52.25	53.53	54.84	56.18	57.55	2005	51.65
3	51.59	52.85	54.14	55.46	56.82	58.21	2006	52.91
4	52.16	53.43	54.74	56.08	57.45	58.85	2007	54.21
5	52.72	54.01	55.33	56.68	58.07	59.49	2008	55.53
6	53.27	54.57	55.91	57.27	58.67	60.11	2009	56.89
7	53.81	55.13	56.47	57.85	59.27	60.72	2010	58.28
8	54.34	55.67	57.03	58.42	59.85	61.32	2011	59.71
9	54.86	56.20	57.57	58.98	60.42	61.90	2012	61.17
10	55.37	56.72	58.11	59.53	60.98	62.48	2013	62.66
11	55.86	57.23	58.63	60.06	61.53	63.04	2014	64.19
12	56.35	57.72	59.14	60.58	62.06	63.58	2015	65.77
13	56.82	58.21	59.63	61.09	62.59	64.12	2016	67.37
14	57.28	58.68	60.12	61.59	63.09	64.64	2017	69.02
15	57.73	59.14	60.59	62.07	63.59	65.14	2018	70.71
16	58.17	59.59	61.05	62.54	64.07	65.64	2019	72.44
17	58.59	60.02	61.49	62.99	64.54	66.11	2020	74.22
18	59.00	60.44	61.92	63.44	64.99	66.58	2021	76.03
19	59.40	60.85	62.34	63.87	65.43	67.03	2022	77.90
20	59.79	61.25	62.75	64.29	65.86	67.47	2023	79.80
							2024	81.76
							2025	83.76
							2026	85.81
							2027	87.91
							2028	90.07
							2029	92.28

IDAHO POWER COMPANY
 AVOIDED COST RATES FOR FUELED PROJECTS
 SMALLER THAN TEN MEGAWATTS
 11/XX/2004
 mills/kWh

DRAFT

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2004	2005	2006	2007	2008	2009		
1	13.00	13.30	13.61	13.92	14.24	14.57	2004	13.00
2	13.14	13.45	13.76	14.08	14.40	14.73	2005	13.30
3	13.29	13.59	13.91	14.23	14.56	14.90	2006	13.61
4	13.43	13.74	14.05	14.38	14.71	15.05	2007	13.92
5	13.57	13.88	14.20	14.53	14.87	15.21	2008	14.24
6	13.70	14.02	14.35	14.68	15.02	15.37	2009	14.57
7	13.84	14.16	14.49	14.82	15.17	15.52	2010	14.91
8	13.97	14.30	14.63	14.97	15.31	15.67	2011	15.26
9	14.11	14.43	14.77	15.11	15.46	15.82	2012	15.61
10	14.23	14.56	14.90	15.25	15.60	15.96	2013	15.97
11	14.36	14.69	15.04	15.38	15.74	16.11	2014	16.34
12	14.49	14.82	15.17	15.52	15.88	16.25	2015	16.72
13	14.61	14.95	15.30	15.65	16.01	16.38	2016	17.11
14	14.73	15.07	15.42	15.78	16.15	16.52	2017	17.51
15	14.85	15.19	15.55	15.91	16.28	16.65	2018	17.91
16	14.97	15.31	15.67	16.03	16.40	16.78	2019	18.33
17	15.08	15.43	15.79	16.15	16.53	16.91	2020	18.75
18	15.19	15.54	15.90	16.27	16.65	17.04	2021	19.19
19	15.30	15.65	16.02	16.39	16.77	17.16	2022	19.64
20	15.41	15.76	16.13	16.50	16.89	17.28	2023	20.09
							2024	20.56
							2025	21.04
							2026	21.53
							2027	22.03
							2028	22.54
							2029	23.07

EFFECTIVE DATE	ADJUSTABLE COMPONENT
11/XX/2004	36.42

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 2005 on-line date would receive the following rates:

<u>Years</u>	<u>Rate</u>
1	15.76 + 36.42
2-20	15.76 + Adjustable component in each year

Example 2. A 4-year non-levelized contract with a 2005 on-line date would receive the following rates:

<u>Years</u>	<u>Rate</u>
1	13.30 + 36.42
2	13.61 + Adjustable component in year 2006
3	13.92 + Adjustable component in year 2007
4	14.24 + Adjustable component in year 2008

IDAHO POWER COMPANY
 AVOIDED COST RATES FOR NON-FUELED PROJECTS
 SMALLER THAN TEN MEGAWATTS
 11/XX/2004
 mills/kWh

DRAFT

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2004	2005	2006	2007	2008	2009		
1	49.42	50.63	51.87	53.14	54.45	55.78	2004	49.42
2	50.00	51.23	52.48	53.77	55.09	56.44	2005	50.63
3	50.58	51.82	53.09	54.39	55.72	57.09	2006	51.87
4	51.15	52.40	53.69	55.00	56.35	57.73	2007	53.14
5	51.71	52.98	54.28	55.61	56.97	58.37	2008	54.45
6	52.27	53.55	54.86	56.21	57.59	59.00	2009	55.78
7	52.82	54.11	55.44	56.80	58.19	59.62	2010	57.15
8	53.36	54.67	56.01	57.38	58.79	60.23	2011	58.55
9	53.90	55.22	56.57	57.96	59.38	60.84	2012	59.99
10	54.42	55.76	57.12	58.52	59.96	61.43	2013	61.46
11	54.94	56.29	57.67	59.08	60.53	62.01	2014	62.97
12	55.45	56.81	58.20	59.63	61.09	62.59	2015	64.51
13	55.95	57.32	58.72	60.16	61.64	63.15	2016	66.09
14	56.44	57.82	59.24	60.69	62.18	63.71	2017	67.71
15	56.92	58.32	59.75	61.21	62.71	64.25	2018	69.38
16	57.39	58.80	60.24	61.72	63.23	64.79	2019	71.08
17	57.86	59.28	60.73	62.22	63.75	65.31	2020	72.82
18	58.31	59.74	61.21	62.71	64.25	65.82	2021	74.61
19	58.75	60.20	61.67	63.19	64.74	66.32	2022	76.44
20	59.19	60.64	62.13	63.65	65.21	66.81	2023	78.32
							2024	80.24
							2025	82.22
							2026	84.23
							2027	86.30
							2028	88.42
							2029	90.60

PACIFICORP
 AVOIDED COST RATES FOR FUELED PROJECTS
 SMALLER THAN TEN MEGAWATTS
 11/XX/2004
 mills/kWh

DRAFT

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2004	2005	2006	2007	2008	2009		
1	14.04	14.36	14.69	15.03	15.38	15.73	2004	14.04
2	14.19	14.52	14.85	15.19	15.54	15.90	2005	14.36
3	14.34	14.67	15.01	15.36	15.71	16.07	2006	14.69
4	14.49	14.82	15.16	15.51	15.87	16.23	2007	15.03
5	14.64	14.97	15.32	15.67	16.03	16.40	2008	15.38
6	14.78	15.12	15.46	15.82	16.18	16.55	2009	15.73
7	14.91	15.26	15.61	15.97	16.33	16.71	2010	16.09
8	15.05	15.39	15.75	16.11	16.48	16.86	2011	16.46
9	15.18	15.53	15.88	16.25	16.62	17.01	2012	16.84
10	15.30	15.66	16.02	16.39	16.76	17.15	2013	17.23
11	15.43	15.78	16.15	16.52	16.90	17.29	2014	17.62
12	15.55	15.91	16.27	16.65	17.03	17.42	2015	18.03
13	15.66	16.02	16.39	16.77	17.16	17.55	2016	18.45
14	15.78	16.14	16.51	16.89	17.28	17.68	2017	18.87
15	15.89	16.25	16.62	17.01	17.40	17.80	2018	19.31
16	15.99	16.36	16.73	17.12	17.51	17.92	2019	19.75
17	16.09	16.46	16.84	17.23	17.63	18.03	2020	20.21
18	16.19	16.56	16.94	17.33	17.73	18.14	2021	20.67
19	16.28	16.66	17.04	17.43	17.84	18.25	2022	21.15
20	16.37	16.75	17.14	17.53	17.94	18.35	2023	21.64
							2024	22.14
							2025	22.65
							2026	23.18
							2027	23.71
							2028	24.26
							2029	24.82
EFFECTIVE DATE				ADJUSTABLE COMPONENT				
11/XX/2004				36.42				

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 2005 on-line date would receive the following rates:

Years	Rate
1	16.75 + 36.42
2-20	16.75 + Adjustable component in each year

Example 2. A 4-year non-levelized contract with a 2005 on-line date would receive the following rates:

Years	Rate
1	14.36 + 36.42
2	14.69 + Adjustable component in year 2006
3	15.03 + Adjustable component in year 2007
4	15.38 + Adjustable component in year 2008

PACIFICORP
 AVOIDED COST RATES FOR NON-FUELED PROJECTS
 SMALLER THAN TEN MEGAWATTS

DRAFT

11/XX/2004
 mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2004	2005	2006	2007	2008	2009		
1	50.46	51.70	52.96	54.25	55.58	56.94	2004	50.46
2	51.05	52.30	53.57	54.88	56.23	57.60	2005	51.70
3	51.62	52.89	54.18	55.50	56.86	58.25	2006	52.96
4	52.19	53.46	54.77	56.11	57.48	58.89	2007	54.25
5	52.74	54.03	55.35	56.70	58.09	59.51	2008	55.58
6	53.28	54.58	55.92	57.28	58.69	60.12	2009	56.94
7	53.81	55.12	56.47	57.85	59.27	60.72	2010	58.33
8	54.32	55.65	57.01	58.41	59.83	61.30	2011	59.76
9	54.83	56.17	57.54	58.95	60.39	61.86	2012	61.22
10	55.31	56.67	58.05	59.47	60.93	62.42	2013	62.71
11	55.79	57.15	58.55	59.98	61.45	62.95	2014	64.25
12	56.25	57.63	59.04	60.48	61.96	63.47	2015	65.82
13	56.70	58.09	59.51	60.96	62.45	63.98	2016	67.43
14	57.13	58.53	59.96	61.43	62.93	64.47	2017	69.08
15	57.55	58.96	60.40	61.88	63.39	64.94	2018	70.77
16	57.96	59.38	60.83	62.32	63.84	65.40	2019	72.50
17	58.35	59.78	61.24	62.74	64.27	65.85	2020	74.28
18	58.73	60.17	61.64	63.15	64.69	66.27	2021	76.10
19	59.10	60.54	62.02	63.54	65.09	66.69	2022	77.96
20	59.45	60.90	62.39	63.92	65.48	67.08	2023	79.87
							2024	81.82
							2025	83.83
							2026	85.88
							2027	87.99
							2028	90.14
							2029	92.35