

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)	
LIGHT COMPANY.)	ORDER NO. 29646
)	

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.

Three recent events have triggered a revision and updated calculation 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 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 September 28, 2004 (Order No. 29601). A final Order in Avista's general rate case was issued on October 8, 2004 (Order No. 29602).

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. The medium fuel price forecast prepared by the Northwest Power & Conservation Council has changed. The resultant change in avoided cost rates is a simple

¹ Formerly the Northwest Power Planning Council (NWPPC).

arithmetic calculation. The new forecast includes a new starting gas price and fuel escalation rate.

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. 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. Also incorporated in the computation of the rates and pursuant to Commission direction are the new cost-of-capital figures for Idaho Power and Avista. Reference Order No. 29628.

On November 4, 2004, the Commission issued Notices of Avoided Cost Recalculation and Modified Procedure in Case Nos. AVU-E-04-5, IPC-E-04-25 and PAC-E-04-5. The deadline for filing written comments was November 23, 2004. Comments were filed by Avista, PacifiCorp, Idaho Power and Commission Staff.

In its review of the draft rate computations, Idaho Power pointed out to Staff that an updated general inflation rate of 2.9% had been used in the spreadsheet that calculates the initial gas price and the gas price escalation rate. Idaho Power contends that updating the general inflation rate is outside the scope of the fuel price and cost of capital changes outlined by the Commission in establishing these dockets. Moreover, the general inflation rate is also one of many other variables used in the avoided cost spreadsheet, yet none of those other variables are being updated in these proceedings. Staff agrees with Idaho Power that the general inflation rate should not have been changed. PacifiCorp in its comments concurs. Staff has re-computed the avoided cost rates using a general inflation rate of 2.7%, the rate incorporated in avoided cost methodology Order No. 29124. The Commission is informed that Avista accepts the updated calculations. No other errors or corrections were identified or recommended by any of the utilities following their reviews.

Staff recommends that the Commission approve the Staff calculated changes in the avoided cost rates for Idaho Power, Avista and PacifiCorp for an effective date of December 1, 2004.

COMMISSION FINDINGS

The Commission has reviewed the filings of record in Case Nos. AVU-E-04-5, IPC-E-04-25 and PAC-E-04-5 including the filed comments and recommendations of Idaho Power, PacifiCorp, Avista and Commission Staff.

The Commission has reviewed the revised and updated calculation of the avoided cost rates as set forth in the appendices to this Order and finds that they correctly incorporate the latest Northwest Power and Conservation Council natural gas price forecast and cost-of-capital figures for Idaho Power and Avista. See Order No. 29646, Appendices A, B and C. We find the resultant change in avoided cost rates to be a simple arithmetic calculation. We find it reasonable to approve the avoided cost rates approved in this Order for QF contracts executed on or subsequent to December 1, 2004.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Idaho Power Company, PacifiCorp dba Utah Power & Light Company and Avista Corp dba Avista Utilities, 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 PURPA qualified facilities and to implement FERC rules.

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED that the avoided cost rates for fueled and non-fueled projects for Avista, Idaho Power and PacifiCorp be updated as reflected in the appendices to this Order for an effective date of December 1, 2004, to reflect incorporation of the NPCC September 24, 2004, natural gas price forecast, in addition to the newly adopted cost-of-capital figures for Idaho Power and Avista as determined in their recently concluded rate cases.

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 1st
day of December 2004.



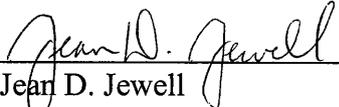
PAUL KJELLANDER, PRESIDENT

Out of the Office on this Date
MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

vld/O:AVUE045_IPCE0425_PACE045_sw2

AVISTA UTILITIES
AVOIDED COST RATES FOR FUELED PROJECTS
SMALLER THAN TEN MEGAWATTS
December 1, 2004
mills/kWh

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

12/1/2004

36.21

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
December 1, 2004
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2004	2005	2006	2007	2008	2009		
1	50.21	51.36	52.54	53.75	54.99	56.25	2004	50.21
2	50.76	51.92	53.12	54.34	55.59	56.87	2005	51.36
3	51.30	52.48	53.69	54.92	56.18	57.48	2006	52.54
4	51.83	53.03	54.25	55.49	56.77	58.08	2007	53.75
5	52.36	53.56	54.79	56.05	57.34	58.66	2008	54.99
6	52.87	54.09	55.33	56.60	57.91	59.24	2009	56.25
7	53.38	54.60	55.86	57.14	58.46	59.80	2010	57.54
8	53.87	55.11	56.38	57.67	59.00	60.36	2011	58.87
9	54.35	55.60	56.88	58.19	59.53	60.90	2012	60.22
10	54.82	56.09	57.38	58.70	60.05	61.43	2013	61.61
11	55.29	56.56	57.86	59.19	60.55	61.94	2014	63.03
12	55.73	57.02	58.33	59.67	61.04	62.45	2015	64.48
13	56.17	57.47	58.79	60.14	61.52	62.94	2016	65.96
14	56.60	57.90	59.23	60.60	61.99	63.42	2017	67.48
15	57.01	58.33	59.67	61.04	62.45	63.88	2018	69.03
16	57.42	58.74	60.09	61.47	62.89	64.34	2019	70.62
17	57.81	59.14	60.50	61.89	63.32	64.77	2020	72.25
18	58.19	59.53	60.90	62.30	63.73	65.20	2021	73.91
19	58.56	59.91	61.29	62.70	64.14	65.61	2022	75.61
20	58.92	60.27	61.66	63.08	64.53	66.02	2023	77.35
							2024	79.14
							2025	80.96
							2026	82.82
							2027	84.73
							2028	86.68
							2029	88.68

**IDAHO POWER COMPANY
 AVOIDED COST RATES FOR FUELED PROJECTS
 SMALLER THAN TEN MEGAWATTS**

December 1, 2004

mills/kWh

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
12/1/2004	36.21

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	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:

Years	Rate
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
December 1, 2004
mills/kWh

		LEVELIZED					NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2004	2005	2006	2007	2008	2009		
1	49.21	50.34	51.50	52.69	53.90	55.14	2004	49.21
2	49.75	50.90	52.07	53.27	54.50	55.75	2005	50.34
3	50.29	51.45	52.64	53.85	55.09	56.36	2006	51.50
4	50.82	52.00	53.19	54.42	55.67	56.96	2007	52.69
5	51.35	52.53	53.74	54.98	56.25	57.54	2008	53.90
6	51.87	53.06	54.29	55.54	56.82	58.13	2009	55.14
7	52.38	53.59	54.82	56.09	57.38	58.70	2010	56.41
8	52.88	54.10	55.35	56.63	57.93	59.27	2011	57.71
9	53.38	54.61	55.87	57.16	58.47	59.82	2012	59.04
10	53.87	55.11	56.38	57.68	59.01	60.37	2013	60.40
11	54.35	55.60	56.88	58.19	59.53	60.91	2014	61.80
12	54.82	56.08	57.38	58.70	60.05	61.44	2015	63.22
13	55.28	56.56	57.86	59.19	60.56	61.96	2016	64.68
14	55.74	57.02	58.34	59.68	61.06	62.46	2017	66.17
15	56.18	57.48	58.80	60.16	61.55	62.96	2018	67.70
16	56.62	57.93	59.26	60.63	62.02	63.45	2019	69.26
17	57.05	58.36	59.71	61.08	62.49	63.93	2020	70.85
18	57.47	58.79	60.15	61.53	62.95	64.40	2021	72.49
19	57.88	59.21	60.57	61.97	63.40	64.86	2022	74.16
20	58.27	59.62	60.99	62.40	63.84	65.31	2023	75.87
							2024	77.62
							2025	79.41
							2026	81.25
							2027	83.12
							2028	85.04
							2029	87.00

PACIFICORP
AVOIDED COST RATES FOR FUELED PROJECTS
SMALLER THAN TEN MEGAWATTS
December 1, 2004
mills/kWh

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
12/1/2004	36.21

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
December 1, 2004
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2004	2005	2006	2007	2008	2009		
1	50.25	51.41	52.59	53.80	55.03	56.30	2004	50.25
2	50.80	51.97	53.16	54.38	55.64	56.91	2005	51.41
3	51.34	52.52	53.73	54.96	56.23	57.52	2006	52.59
4	51.87	53.06	54.28	55.53	56.80	58.11	2007	53.80
5	52.38	53.59	54.82	56.08	57.37	58.69	2008	55.03
6	52.89	54.10	55.35	56.62	57.92	59.25	2009	56.30
7	53.38	54.61	55.86	57.15	58.46	59.81	2010	57.59
8	53.86	55.10	56.36	57.66	58.99	60.34	2011	58.92
9	54.33	55.57	56.85	58.16	59.50	60.87	2012	60.27
10	54.78	56.04	57.33	58.65	60.00	61.38	2013	61.66
11	55.22	56.49	57.79	59.12	60.48	61.87	2014	63.08
12	55.65	56.93	58.24	59.58	60.95	62.35	2015	64.53
13	56.06	57.35	58.67	60.02	61.40	62.82	2016	66.02
14	56.47	57.77	59.09	60.45	61.84	63.27	2017	67.54
15	56.86	58.16	59.50	60.87	62.27	63.70	2018	69.09
16	57.23	58.55	59.89	61.27	62.68	64.12	2019	70.68
17	57.59	58.92	60.27	61.66	63.08	64.53	2020	72.31
18	57.94	59.28	60.64	62.04	63.46	64.92	2021	73.97
19	58.28	59.62	60.99	62.40	63.83	65.30	2022	75.68
20	58.60	59.95	61.33	62.74	64.19	65.66	2023	77.42
							2024	79.20
							2025	81.03
							2026	82.89
							2027	84.80
							2028	86.76
							2029	88.76