



RECEIVED
FILED



2005 MAY 31 PM 2:25

IDAHO PUBLIC
UTILITIES COMMISSION

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

May 31, 2005

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

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

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

RE: Case Nos. GNR-E-05-1; PAC-E-05-6

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 8.88 mill/kWh to 8.87 mill/kWh. The same calculated rate revision under the avoided cost methodology is used by Avista, PacifiCorp dba UP&L 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 \$0.61/mmbtu. The approved gas price of \$5.31/mmbtu plus the \$0.61/mmbtu increase results in a gas price of \$5.92/mmbtu for the 2005-2006 year. This equates to a SAR fuel cost of 43.51 mill/kWh as used in the model.

May 31, 2005

Page 2

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 plans, 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, 2005 extending through June 30, 2006 has been computed by PacifiCorp to be \$11.55/MWh, an increase from \$10.52 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-05-1, 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 UTAH POWER & LIGHT
COMPANY.

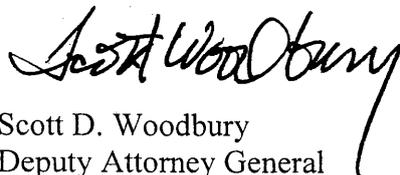
The case heading in the PacifiCorp case for PacifiCorp QF contracts with 1992 Amendment language, Case No. PAC-E-05-6, is as follows:

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 17, 2005.

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
(208) 334-0320

Enclosures

bls/L:GNRE0501_PACE0506_sw

COLSTRIP ADJUSTABLE RATE CALCULATION

For Period 7/1/05-6/30/06

Colstrip Fuel Cost from Avista FERC Form 1 for CY 2004

line 12	Net Generation (kwh)	1,604,774,000
line 20	Fuel	<u>\$11,022,574</u>
	Fuel cost per kwh	\$0.006869

Fuel Cost per MWh	\$6.8686
Variable O&M, Gen. Tax, 5% line loss per MWh	<u>\$2.0000</u>
Total Colstrip Adjustable Rate	\$8.8686

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

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

Calculating the 2005-2006 Avoided Cost Adjustable Rate

	<u>2003</u>	<u>2004</u>
Jan	\$4.44	\$5.20
Feb	\$4.76	\$5.20
Mar	\$7.32	\$4.42
Apr	\$4.29	\$4.51
May	\$4.58	\$5.02
Jun	\$4.87	\$5.58
July	\$4.65	\$5.20
Aug	\$3.93	\$5.34
Sep	\$4.36	\$4.56
Oct	\$4.14	\$4.65
Nov	\$4.08	\$7.27
Dec	\$4.50	\$6.23
Average	\$4.66	\$5.27

Actual Annual Adjustment:

$$\$5.31 - (\$4.66 - \$5.27) = \underline{\$5.92}$$

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

PacifiCorp
Total Variable Energy Rate
for 2005 / 2006

	Carbon	Naughton	Huntington	Hunter	Totals
Fuel Cost (\$) FERC FORM 1 - Page 402 Line 20	\$ 11,442,174	\$ 60,497,565	\$ 63,752,592	\$ 77,145,452	\$ 212,837,783
Generation (MWH) FERC FORM 1 - Page 402 Line 12	1,135,083	5,245,831	6,388,634	8,437,874	21,207,422
Average Fuel Cost (\$/MWH)					\$ 10.04 /MWH
Variable O&M IPUC Order 28709					\$ 1.51 /MWH
Total Variable Energy Rate for 2005 / 2006					\$ 11.55 /MWH

