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IDaho Public  
UTILITIES COMMISSION

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

May 24, 2007

**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

**Rocky Mountain Power**

Dean Brockbank  
PacifiCorp dba Rocky Mountain Power  
201 S. Main Street, Suite 2200  
Salt Lake City, UT 84111

Mark Widmer  
PacifiCorp dba Rocky Mountain Power  
825 NE Multnomah Street  
Portland, OR 97232

Mark Moench  
General Counsel  
201 S. Main Street, Suite 2300  
Salt Lake City, UT 84111

**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-07-01; PAC-E-07-09**

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 9.38 mill/kWh to 11.47 mill/kWh. The 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.

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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 decreased by \$0.87/mmbtu. The approved gas price of \$7.80/mmbtu plus the \$0.87/mmbtu decrease results in a gas price of \$6.94/mmbtu for the 2007-2008 year. This equates to a SAR fuel cost of 51.01 mill/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 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, 2007 extending through June 30, 2008 has been computed by PacifiCorp to be \$12.17/MWh, an increase from \$12.03 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-07-01, 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.

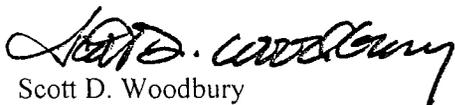
The case heading in the PacifiCorp case for PacifiCorp QF contracts with 1992 Amendment language, Case No. PAC-E-07-09, is as follows:

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 15, 2007.

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

b1s/L:GNR-E-07-01\_PAC-E-07-09\_sw

## COLSTRIP ADJUSTABLE RATE CALCULATION

For Period 7/1/07-6/30/08

Colstrip Fuel Cost from Avista FERC Form 1 for CY 2006

line 12	Net Generation (kwh)	1,578,798,000
line 20	Fuel	<u>\$14,953,795</u>
	Fuel cost per kwh	\$0.009472

Fuel Cost per MWh	\$9.4716
Variable O&M, Gen. Tax, 5% line loss per MWh	<u>\$2.0000</u>
Total Colstrip Adjustable Rate	\$11.4716

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

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

**Calculating the 2007-2008 Avoided Cost Adjustable Rate**

	<u>2005</u>	<u>2006</u>
Jan	\$5.94	\$9.66
Feb	\$5.60	\$7.12
Mar	\$5.50	\$6.39
Apr	\$6.41	\$5.81
May	\$6.35	\$5.89
Jun	\$5.52	\$4.91
July	\$6.05	\$5.09
Aug	\$5.99	\$5.91
Sep	\$7.92	\$5.55
Oct	\$9.77	\$3.91
Nov	\$11.11	\$7.30
Dec	\$9.60	\$7.86
Average	\$7.15	\$6.28

Actual Annual Adjustment:

$$\$7.80 - (\$7.15 - \$6.28) = \underline{\$6.94}$$

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

**PacifiCorp  
Total Variable Energy Rate  
for 2007/2008**

	Carbon	Naughton	Huntington	Hunter	Totals
Fuel Cost (\$) FERC Form 1 - Page 402, line 20	\$ 13,633,123	\$ 65,409,065	\$ 56,823,628	\$ 86,493,418	\$ 222,359,234
Generation (MWh) FERC Form 1 - Page 402, line 12	1,312,553	4,929,400	6,139,007	8,477,276	20,858,236
Average Fuel Cost (\$/MWh)	\$ 10.39	\$ 13.27	\$ 9.26	\$ 10.20	\$ 10.66
Variable O&M IPUC Order No. 28709				\$	\$ 1.51
Total Variable Energy Rate for 2006/2007				\$	\$ 12.17