

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE ANNUAL REVISION)	
AND UPDATED CALCULATION OF THE)	CASE NOS. AVU-E-02-4
ADJUSTABLE PORTION OF THE AVOIDED)	IPC-E-02-6
COST RATES FOR AVISTA CORPORATION)	UPL-E-02-1
DBA AVISTA UTILITIES—WASHINGTON)	
WATER POWER DIVISION, IDAHO POWER)	
COMPANY AND PACIFICORP DBA UTAH)	ORDER NO. 29057
POWER & LIGHT COMPANY.)	
)	

On April 8, 2002, Avista Corporation dba Avista Utilities—Washington Water Power Division (Avista; Water Power) filed with the Idaho Public Utilities Commission its annual revised and updated calculations for the adjustable portion of avoided cost rates for gas at Sumas. The Sumas adjustments apply to all contracts for projects, 1 MW and less, executed since January 31, 1995. The annual adjustable rate calculation based on Sumas rates was addressed in Order Nos. 25883 and 26086, issued in Case No. WWP-E-93-10.

Commission Staff calculated the annual revised and updated calculation for the adjustable portion of avoided cost rates for coal using Colstrip. The Colstrip adjustments apply only to contracts executed between September 28, 1990 and January 30, 1995. The annual adjustable rate calculation based on Colstrip costs was calculated pursuant to a more recent methodology approved by the Commission in Order No. 28708, Case No. GNR-E-99-1.

Adjustable Rates—Colstrip

The adjustable portion under the previous coal-fired Surrogate Avoided Resource (SAR) methodology established in Case No. U-1500-170 is based on the variable costs associated with the operation of Colstrip, a coal-fired generating facility in southeast Montana. An annual filing is required for each jurisdictional utility under specific orders for each. (Order No. 23349, Water Power; Order No. 23357, Idaho Power; and Order No. 23358, PacifiCorp.) Pursuant to the Commission's administrative determination of avoided cost rates, the adjustable portion of avoided cost rates is the same for all of Idaho's major electric utilities.

The Idaho Public Utilities Commission in Order No. 28708, Case No. GNR-E-99-1, established a new methodology for the annual adjustable rate portion of avoided costs for those

QF contracts using variable costs associated with the Colstrip generating facility. 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). Commission Staff calculates that the Colstrip adjusted avoided cost rate calculated on actual 2000 costs changed from 9.72 mill/kWh to 8.52 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.

By prior Commission Order No. 23738 annual updates require only a single filing by Avista, with copies and party status provided to Idaho Power and PacifiCorp. All applications for annual updates are to be filed by June 1 with the effective date for the new adjustable rate to be July 1. Under the established practice, the revised updated calculations set forth in Avista's April 8, 2002 filing and Staff's calculated change in Colstrip adjustable rates are recognized as being submitted also for approval for Idaho Power and PacifiCorp dba Utah Power & Light Company.

Adjustable Rates—Sumas

By Order Nos. 25883, 25884 and 25882 issued in Case Nos. WWP-E-93-10, IPC-E-93-28 and UPL-E-93-3/UPL-E-93-7 on January 31, 1995, respectively, the Commission determined that the adjustable portion of avoided cost rates for future projects should be based on annual average gas prices indexed at Sumas, Washington. The purpose of including an adjustable component in the avoided cost rates is to capture annual changes in natural gas fuel costs. Under the Commission approved SAR avoided cost methodology, the adjustable portion of avoided cost rates is the same for all of Idaho's major electric utilities and an annual filing is required.

Water Power (now Avista), in consultation with the Commission Staff, devised a methodology for making annual adjustments, which was accepted by the Commission in Order No. 26135 in Case Nos. WWP-E-95-3/IPC-E-95-7/UPL-E-95-2. As reported by Avista in its annual filing of April 8, 2002, the 2001 annual average gas price indexed at Sumas, Washington was \$4.58/mmBtu resulting in an increase of \$0.41/mmBtu. The previously approved base gas price of \$4.82/mmBtu plus the \$0.41/mmBtu increase results in a gas price of \$5.23/mmBtu for

2002-2003 year. This by Staff's calculation equates to an SAR fuel cost of 38.44 mills/kWh as used in the model. The difference in the Sumas average price and the new base gas price is the result of a timing difference and the use of a trailing average. A proposed schedule of revised rates and a detailed sheet of variables for each utility was prepared by Staff and reviewed by the utilities. As reflected in letters filed with the Commission, PacifiCorp and Avista concur with Staff's variable adjustment calculations.

Idaho Power accepts the computation of the revised Colstrip and Sumas variable rate calculations for existing contracts. Idaho Power filed an answer accepting the computation of the Colstrip related fuel costs that applies only to a specific group of existing contracts. Idaho Power also agreed with the purchase rates based on changes to gas prices as measured at Sumas, but only for existing contracts. The Company objects to the proposed rates, however, for use as published rates available for future QF contracts. Idaho Power contends the proposed published rates no longer represent the Company's avoided costs and that the assumptions used to compute the rates are no longer fair, just and reasonable.

COMMISSION FINDINGS

The Commission has reviewed and considered the filings of record in Case Nos. AVU-E-02-4, IPC-E-02-6 and UPL-E-02-1. We find that the accuracy of the variable rate methodology figures submitted by Avista based on Sumas and calculated by Staff based on Colstrip has not been challenged, as they apply to existing contracts. While Idaho Power objects to the rates for use as published rates, it does not object to the rate calculations for existing contracts. There being no objection, the Commission finds the rate calculations to be just, fair and reasonable as they apply to existing contracts. For existing contracts, the rates reflected in the attachments to this Order shall be effective July 1, 2002.

Whether the rates are appropriate as published rates, however, must await the Commission's decision on Petitions for Reconsideration in Case No. GNR-E-02-1. The Commission's decision in that case to increase the project size limitations and contract length for QFs gives rise to the concern that the new rates are inappropriate for future projects. The Commission will issue its decision on those petitions no later than July 8, 2002.

The methodology that this Commission has approved for determining the variable components of the avoided cost rate is a relatively simple arithmetic recalculation. We find, based upon our review of the calculations of both the Colstrip and Sumas updates, that the

resulting adjustable rates are fair, just and reasonable for existing contracts. Attached to this Order as Appendices A, B and C are the tables showing the adjustable rates as updated by Avista's filing for Avista, Idaho Power and PacifiCorp, respectively.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Avista Corporation dba Avista Utilities—Washington Water Power Division, Idaho Power Company and PacifiCorp dba Utah Power & Light Company, 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 qualified facilities, and to implement FERC rules.

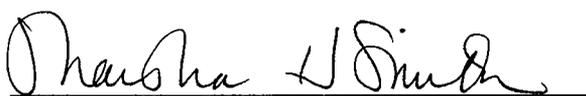
ORDER

In consideration of the foregoing and as more particularly described, IT IS HEREBY ORDERED that the Colstrip related adjustable portion of the avoided cost rate for existing contracts and the Sumas related adjustable portion of the avoided cost rates for Avista, Idaho Power and PacifiCorp dba Utah Power & Light Company are changed effective July 1, 2002, as outlined in the attached schedules. The rates shall be effective only for existing contracts.

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.

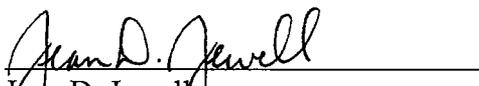
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this ^{July} ~~June~~ 1st day of ~~June~~ 2002 .


PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

bls/O:AVUE0204_IPCE0206_UPLE0201_sw

AVISTA UTILITIES
AVOIDED COST RATES FOR NON-FUELED PROJECTS
SMALLER THAN FIVE MEGAWATTS
July 1, 2002 - June 30, 2003
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2002	2003	2004	2005	2006	2007		
1	27.02	28.24	29.51	30.83	32.22	33.67	2002	27.02
2	27.60	28.84	30.14	31.50	32.92	34.40	2003	28.24
3	28.18	29.45	30.78	32.16	33.61	35.12	2004	29.51
4	28.76	30.06	31.41	32.82	34.30	44.35	2005	30.83
5	29.34	30.66	32.04	33.48	41.49	50.57	2006	32.22
6	29.92	31.26	32.67	39.31	46.82	55.28	2007	33.67
7	30.49	31.86	37.53	43.91	51.08	59.14	2008	35.19
8	31.06	35.99	41.52	47.73	54.68	62.46	2009	36.77
9	34.62	39.49	44.94	51.04	57.84	65.43	2010	77.31
10	37.71	42.56	47.96	53.98	60.69	68.14	2011	81.55
11	40.46	45.30	50.69	56.67	63.31	70.68	2012	86.03
12	42.96	47.81	53.19	59.15	65.75	73.07	2013	90.76
13	45.27	50.13	55.52	61.48	68.07	75.35	2014	95.76
14	47.41	52.31	57.71	63.68	70.27	77.54	2015	101.04
15	49.43	54.36	59.80	65.79	72.39	79.66	2016	106.63
16	51.35	56.32	61.79	67.81	74.43	81.72	2017	112.53
17	53.18	58.19	63.70	69.76	76.41	83.73	2018	118.78
18	54.93	59.99	65.54	71.64	78.34	85.69	2019	125.37
19	56.61	61.73	67.33	73.48	80.22	87.61	2020	132.35
20	58.24	63.41	69.06	75.26	82.05	89.48	2021	139.72
							2022	147.52
							2023	155.77
							2024	164.49
							2025	173.71
							2026	183.46
							2027	193.77

AVISTA UTILITIES
AVOIDED COST RATES FOR FUELED PROJECTS
SMALLER THAN FIVE MEGAWATTS
July 1, 2002 - June 30, 2003
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2002	2003	2004	2005	2006	2007		
1	27.02	28.24	29.51	30.83	32.22	33.67	2002	27.02
2	27.60	28.84	30.14	31.50	32.92	34.40	2003	28.24
3	28.18	29.45	30.78	32.16	33.61	35.12	2004	29.51
4	28.76	30.06	31.41	32.82	34.30	30.95	2005	30.83
5	29.34	30.66	32.04	33.48	31.25	28.55	2006	32.22
6	29.92	31.26	32.67	31.16	29.30	27.04	2007	33.67
7	30.49	31.86	30.86	29.58	27.98	26.03	2008	35.19
8	31.06	30.43	29.57	28.46	27.06	25.34	2009	36.77
9	29.91	29.36	28.62	27.64	26.39	24.86	2010	16.05
10	29.03	28.56	27.90	27.03	25.91	24.52	2011	16.61
11	28.35	27.95	27.36	26.57	25.56	24.29	2012	17.19
12	27.83	27.47	26.95	26.23	25.30	24.13	2013	17.79
13	27.42	27.11	26.63	25.98	25.12	24.03	2014	18.41
14	27.10	26.82	26.39	25.79	24.99	23.98	2015	19.05
15	26.84	26.60	26.21	25.66	24.91	23.96	2016	19.72
16	26.65	26.44	26.08	25.57	24.87	23.97	2017	20.41
17	26.50	26.31	25.99	25.51	24.85	24.00	2018	21.12
18	26.39	26.22	25.93	25.48	24.86	24.04	2019	21.86
19	26.31	26.16	25.89	25.47	24.88	24.11	2020	22.63
20	26.25	26.13	25.87	25.48	24.92	24.18	2021	23.42
							2022	24.24
							2023	25.09
							2024	25.97
							2025	26.87
							2026	27.82
							2027	28.79

EFFECTIVE DATE	ADJUSTABLE COMPONENT
7/1/02-6/30/03	38.44

Beginning in the year 2010, the annually adjustable component shall be added to each of the rates shown above.

Example 1. A 20 year levelized contract with a 2002 on-line date would receive the following rates:

Years	Rate
1-8	26.25
9-20	26.25 + Adjustable component in each year

Example 2. A 15 year non-levelized contract with a 2002 on-line date would receive the following rates:

Years	Rate
1-8	Non-levelized rates from table above
9	16.05 + Adjustable component in year 2010
10	16.61 + Adjustable component in year 2011
11	17.19 + Adjustable component in year 2012
12	17.79 + Adjustable component in year 2013
13	18.41 + Adjustable component in year 2014
14	19.05 + Adjustable component in year 2015
15	19.72 + Adjustable component in year 2016

IDAHO POWER COMPANY
AVOIDED COST RATES FOR NON-FUELED PROJECTS
SMALLER THAN FIVE MEGAWATTS
July 1, 2002 - June 30, 2003
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2002	2003	2004	2005	2006	2007		
1	51.13	53.88	56.78	59.85	63.09	66.51	2002	51.13
2	52.44	55.27	58.25	61.40	64.73	68.24	2003	53.88
3	53.77	56.66	59.72	62.96	66.37	69.98	2004	56.78
4	55.09	58.06	61.20	64.52	68.02	71.72	2005	59.85
5	56.42	59.47	62.69	66.09	69.68	73.47	2006	63.09
6	57.76	60.88	64.18	67.66	71.34	75.23	2007	66.51
7	59.09	62.29	65.67	69.23	73.00	76.98	2008	70.13
8	60.43	63.70	67.16	70.81	74.67	78.74	2009	73.94
9	61.77	65.11	68.65	72.39	76.33	80.50	2010	77.98
10	63.10	66.52	70.14	73.96	77.99	82.26	2011	82.24
11	64.43	67.93	71.63	75.53	79.65	84.01	2012	86.74
12	65.76	69.33	73.11	77.10	81.31	85.76	2013	91.50
13	67.08	70.73	74.59	78.66	82.96	87.50	2014	96.52
14	68.40	72.12	76.06	80.21	84.60	89.24	2015	101.84
15	69.71	73.51	77.52	81.75	86.23	90.96	2016	107.45
16	71.01	74.88	78.97	83.29	87.85	92.68	2017	113.38
17	72.30	76.25	80.41	84.81	89.47	94.38	2018	119.66
18	73.58	77.60	81.84	86.33	91.07	96.07	2019	126.29
19	74.85	78.94	83.26	87.83	92.65	97.75	2020	133.29
20	76.11	80.27	84.67	89.31	94.22	99.41	2021	140.70
							2022	148.54
							2023	156.82
							2024	165.57
							2025	174.83
							2026	184.62
							2027	194.98

IDAHO POWER COMPANY
AVOIDED COST RATES FOR FUELED PROJECTS
SMALLER THAN FIVE MEGAWATTS
July 1, 2002 - June 30, 2003
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2002	2003	2004	2005	2006	2007		
1	12.69	13.13	13.59	14.07	14.56	15.07	2002	12.69
2	12.90	13.35	13.82	14.30	14.80	15.32	2003	13.13
3	13.11	13.57	14.05	14.54	15.05	15.57	2004	13.59
4	13.32	13.79	14.27	14.77	15.29	15.82	2005	14.07
5	13.53	14.00	14.49	15.00	15.52	16.07	2006	14.56
6	13.73	14.21	14.71	15.22	15.76	16.31	2007	15.07
7	13.93	14.42	14.92	15.45	15.99	16.55	2008	15.60
8	14.13	14.63	15.14	15.67	16.22	16.78	2009	16.14
9	14.33	14.83	15.35	15.89	16.44	17.02	2010	16.71
10	14.52	15.03	15.56	16.10	16.66	17.25	2011	17.29
11	14.71	15.23	15.76	16.31	16.88	17.47	2012	17.90
12	14.90	15.42	15.96	16.52	17.10	17.70	2013	18.53
13	15.08	15.61	16.16	16.72	17.31	17.91	2014	19.17
14	15.26	15.80	16.35	16.92	17.51	18.13	2015	19.85
15	15.44	15.98	16.54	17.12	17.72	18.34	2016	20.54
16	15.61	16.16	16.73	17.31	17.92	18.54	2017	21.26
17	15.78	16.34	16.91	17.50	18.11	18.75	2018	22.00
18	15.95	16.51	17.09	17.68	18.30	18.94	2019	22.78
19	16.11	16.68	17.26	17.86	18.49	19.14	2020	23.57
20	16.27	16.84	17.43	18.04	18.67	19.32	2021	24.40
							2022	25.25
							2023	26.14
							2024	27.05
							2025	28.00
							2026	28.98
							2027	30.00
EFFECTIVE DATE				ADJUSTABLE COMPONENT				
7/1/02-6/30/03				38.44				

Beginning in the year 2002, the annually adjustable component shall be added to each of the rates shown above.

Example 1. A 20 year levelized contract with a 2002 on-line date would receive the following rates:

<u>Years</u>	<u>Rate</u>
1	16.27 + 38.44
2-20	16.27 + Adjustable component in each year

Example 2. A 4 year non-levelized contract with a 2002 on-line date would receive the following rates:

<u>Years</u>	<u>Rate</u>
1	12.69 + 38.44
2	13.13 + Adjustable component in year 2003
3	13.59 + Adjustable component in year 2004
4	14.07 + Adjustable component in year 2005

PACIFICORP
AVOIDED COST RATES FOR NON-FUELED PROJECTS
SMALLER THAN FIVE MEGAWATTS
July 1, 2002 - June 30, 2003
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2002	2003	2004	2005	2006	2007		
1	51.46	54.22	57.14	60.22	63.47	66.90	2002	51.46
2	52.77	55.61	58.60	61.76	65.10	68.63	2003	54.22
3	54.09	57.00	60.07	63.31	66.74	70.36	2004	57.14
4	55.40	58.39	61.54	64.86	68.38	72.09	2005	60.22
5	56.72	59.77	63.00	66.41	70.01	73.81	2006	63.47
6	58.03	61.16	64.46	67.95	71.64	75.54	2007	66.90
7	59.34	62.54	65.92	69.50	73.27	77.26	2008	70.53
8	60.64	63.91	67.37	71.03	74.89	78.97	2009	74.36
9	61.93	65.28	68.82	72.55	76.50	80.67	2010	78.41
10	63.22	66.64	70.25	74.07	78.10	82.36	2011	82.69
11	64.49	67.99	71.68	75.57	79.69	84.04	2012	87.21
12	65.76	69.32	73.09	77.07	81.27	85.71	2013	91.98
13	67.01	70.65	74.49	78.54	82.83	87.36	2014	97.03
14	68.25	71.95	75.87	80.00	84.37	88.99	2015	102.36
15	69.47	73.25	77.24	81.45	85.90	90.60	2016	107.99
16	70.68	74.52	78.58	82.87	87.41	92.19	2017	113.94
17	71.87	75.78	79.92	84.28	88.89	93.77	2018	120.23
18	73.05	77.03	81.23	85.67	90.36	95.31	2019	126.88
19	74.20	78.25	82.52	87.03	91.80	96.84	2020	133.91
20	75.34	79.45	83.79	88.37	93.22	98.34	2021	141.35
							2022	149.20
							2023	157.51
							2024	166.29
							2025	175.57
							2026	185.39
							2027	195.77

PACIFICORP
AVOIDED COST RATES FOR FUELED PROJECTS
SMALLER THAN FIVE MEGAWATTS
July 1, 2002 - June 30, 2003
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2002	2003	2004	2005	2006	2007		
1	13.02	13.47	13.95	14.43	14.94	15.46	2002	13.02
2	13.23	13.70	14.18	14.67	15.19	15.72	2003	13.47
3	13.45	13.92	14.41	14.91	15.43	15.97	2004	13.95
4	13.66	14.14	14.63	15.15	15.68	16.23	2005	14.43
5	13.87	14.35	14.86	15.38	15.92	16.47	2006	14.94
6	14.07	14.57	15.08	15.60	16.15	16.72	2007	15.46
7	14.28	14.78	15.29	15.83	16.38	16.96	2008	16.00
8	14.47	14.98	15.51	16.05	16.61	17.19	2009	16.56
9	14.67	15.18	15.71	16.26	16.83	17.42	2010	17.14
10	14.86	15.38	15.92	16.48	17.05	17.65	2011	17.75
11	15.05	15.57	16.12	16.68	17.27	17.87	2012	18.37
12	15.23	15.76	16.31	16.88	17.48	18.09	2013	19.01
13	15.41	15.95	16.50	17.08	17.68	18.30	2014	19.68
14	15.58	16.13	16.69	17.27	17.88	18.51	2015	20.37
15	15.75	16.30	16.87	17.46	18.07	18.71	2016	21.08
16	15.91	16.47	17.05	17.65	18.26	18.90	2017	21.82
17	16.07	16.64	17.22	17.82	18.45	19.09	2018	22.58
18	16.23	16.80	17.39	18.00	18.63	19.28	2019	23.37
19	16.38	16.96	17.55	18.16	18.80	19.46	2020	24.19
20	16.53	17.11	17.71	18.33	18.97	19.63	2021	25.04
							2022	25.92
							2023	26.83
							2024	27.77
							2025	28.74
							2026	29.75
							2027	30.80

EFFECTIVE DATE	ADJUSTABLE COMPONENT
7/1/02-6/30/03	38.44

Beginning in the year 2002, the annually adjustable component shall be added to each of the rates shown above.

Example 1. A 20 year levelized contract with a 2002 on-line date would receive the following rates:

<u>Years</u>	<u>Rate</u>
1	16.53 + 38.44
2-20	16.53 + Adjustable component in each year

Example 2. A 4 year non-levelized contract with a 2002 on-line date would receive the following rates:

<u>Years</u>	<u>Rate</u>
1	13.02 + 38.44
2	13.47 + Adjustable component in year 2003
3	13.95 + Adjustable component in year 2004
4	14.43 + Adjustable component in year 2004