

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

<b>IN THE MATTER OF THE ANNUAL REVISION )</b> <b>AND UPDATED CALCULATION OF THE )</b> <b>ADJUSTABLE PORTION OF THE AVOIDED )</b> <b>COST RATES FOR AVISTA CORPORATION )</b> <b>DBA AVISTA UTILITIES—WASHINGTON )</b> <b>WATER POWER DIVISION, IDAHO POWER )</b> <b>COMPANY AND PACIFICORP DBA UTAH )</b> <b>POWER &amp; LIGHT COMPANY. )</b> <b>)</b> <hr style="width: 100%;"/>	<b>CASE NOS. AVU-E-00-4</b> <b>IPC-E-00-7</b> <b>UPL-E-00-2</b>  <b>ORDER NO. 28423</b>
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On April 28, 2000, 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. Avista submitted two sets of adjustable rate calculations: one for coal (Colstrip) and the other for gas (Sumas). The Colstrip adjustments apply only to contracts executed between September 28, 1990 and January 30, 1995. 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 Colstrip was addressed in Order Nos. 23349 and 26080, issued in Case Nos. WWP-E-89-6 and WWP-E-95-3/IPC-E-95-7/UPL-E-95-2, respectively. The annual adjustable rate calculation based on Sumas was addressed in Order Nos. 25883 and 26086, issued in Case No. WWP-E-93-10.

### **Adjustable Rates—Colstrip**

The adjustable portion under the previous-170 coal-fired Surrogate Avoided Resource (SAR) methodology (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 by 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.

By Order No. 23738 issued in Case Nos. WWP-E-89-6, IPC-E-89-11 and UPL-E-89-5 issued June 17, 1991, the Commission approved the methodology utilized by Water Power (now Avista) in annual Colstrip adjustable avoided cost rate submittals. The Commission indicated that future adjustable rate updates would require only a single filing by Water Power, with copies and party status provided to Idaho Power and PacifiCorp. The Commission directed that all applications for future or subsequent annual updates 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 28, 2000 filing are recognized as being submitted also for approval for Idaho Power and PacifiCorp dba Utah Power & Light Company.

Avista represents that the Colstrip adjusted avoided cost rate calculated on actual 1999 costs changed from 8.86 mill/kWh to 10.51 mill/kWh. Coal costs increased 22.85% from \$6.96/MWh to \$8.55/MWh. Variable O&M costs decreased 1.35%. Generation increased 0.152%.

#### **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 28, 2000, the 1999 annual average gas price indexed at Sumas, Washington was \$2.15/mmBtu resulting in an increase of \$0.54/mmBtu. The previously approved base gas price of \$2.26/mmBtu plus the \$0.54/mmBtu increase results in a gas price of \$2.80/mmBtu for 2000-2001 year. This by Staff's calculation, equates to an SAR fuel cost of 20.58 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, all utilities concur with Staff's variable adjustment calculations.

### **COMMISSION FINDINGS**

The Commission has reviewed and considered the filings of record in Case Nos. AVU-E-99-3, IPC-E-99-5 and UPL-E-99-2. We find that the accuracy of the variable rate methodology figures submitted by Avista in this case has not been challenged

The Commission notes that pursuant to comments filed in last years docket for the adjustable rate revision a separate generic electric docket (GNR-E-99-1) was established as a place marker for further investigation into the continued reasonableness of using actual Colstrip variable operating costs for determining the adjustable portion of avoided costs for the specific generation of existing contracts utilizing same. Also to be explored in that case was the availability of a reasonable and acceptable substitute or index, the use of which would result in an avoided cost rate as defined in Sections 201 and 210 of the Public Utilities Regulatory Policies Act of 1978 (PURPA) and the implementing Rules and Regulations of the Federal Energy Regulatory Commission. The Commission is apprised that the established docket remains active and continues to be used for discovery purposes. We find that it is reasonable to continue with the existing methodology until such time as a factual record is developed supporting a change in methodology, including a determination as to whether the variable rate methodology can be changed independent of the fixed rate.

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. 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).

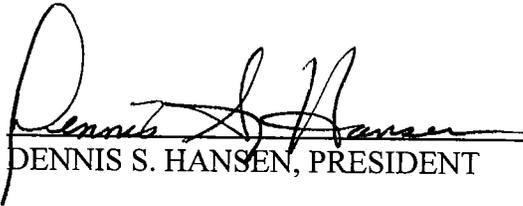
The Commission has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission (FERC) to set avoided costs, to order electric utilities to enter into fixed term obligations for the purchase of energy from qualified facilities, and to implement FERC rules.

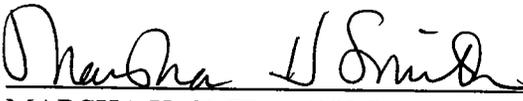
## ORDER

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, 2000, as outlined in the attached schedules.

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 30<sup>th</sup>  
day of June 2000.

  
DENNIS S. HANSEN, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
PAUL KJELLANDER, COMMISSIONER

ATTEST:

  
Myrna J. Walters  
Commission Secretary

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**AVISTA CORPORATION  
AVOIDED COST RATES FOR  
FUELED PROJECTS**  
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2000	2001	2002	2003	2004	2005		
1	24.74	25.86	27.02	28.24	29.51	30.83	2000	24.74
2	25.28	26.41	27.60	28.84	30.14	31.50	2001	25.86
3	25.81	26.97	28.18	29.45	30.78	32.16	2002	27.02
4	26.34	27.52	28.76	30.06	31.41	32.82	2003	28.24
5	26.87	28.08	29.34	30.66	32.04	33.48	2004	29.51
6	27.40	28.63	29.92	31.26	32.67	31.17	2005	30.83
7	27.92	29.18	30.49	31.86	30.87	29.59	2006	32.22
8	28.44	29.72	31.06	30.43	29.58	28.47	2007	33.67
9	28.96	30.26	29.91	29.37	28.63	27.65	2008	35.19
10	29.48	29.33	29.04	28.57	27.92	27.05	2009	36.77
11	28.71	28.61	28.36	27.96	27.38	26.59	2010	16.09
12	28.11	28.04	27.84	27.49	26.97	26.25	2011	16.65
13	27.64	27.60	27.43	27.12	26.65	26.00	2012	17.23
14	27.26	27.25	27.11	26.84	26.41	25.82	2013	17.84
15	26.96	26.97	26.86	26.62	26.24	25.68	2014	18.46
16	26.72	26.75	26.67	26.46	26.11	25.59	2015	19.11
17	26.53	26.58	26.52	26.33	26.01	25.54	2016	19.77
18	26.39	26.45	26.41	26.25	25.95	25.51	2017	20.47
19	26.27	26.35	26.32	26.19	25.92	25.50	2018	21.18
20	26.19	26.28	26.27	26.15	25.90	25.51	2019	21.92
							2020	22.69
							2021	23.48
							2022	24.31
							2023	25.16
							2024	26.04
							2025	26.95

EFFECTIVE DATE

ADJUSTABLE COMPONENT

7/1/00-6/30/01

20.58

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 2000 on-line date would receive the following rates:

<u>Years</u>	<u>Rate</u>
1-10	26.19
11-20	26.19 + Adjustable component in each year

Example 2. A 15 year non-levelized contract with a 2000 on-line date would receive the following rates:

<u>Years</u>	<u>Rate</u>
1-10	Non-levelized rates from table above
11	16.09 + Adjustable component in year 2010
12	16.65 + Adjustable component in year 2011
13	17.23 + Adjustable component in year 2012
14	17.84 + Adjustable component in year 2013
15	18.46 + Adjustable component in year 2014

Note: As per Order No. 27212, Avista Corporation (Washington Water Power) is not required to offer contracts in excess of 5 years; however, Avista may seek Commission approval for contracts exceeding 5 years should they be able to demonstrate that such contracts are in the best interests of its customers.

**AVISTA CORPORATION  
AVOIDED COST RATES FOR  
NON-FUELED PROJECTS**  
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2000	2001	2002	2003	2004	2005		
1	24.74	25.86	27.02	28.24	29.51	30.83	2000	24.74
2	25.28	26.41	27.60	28.84	30.14	31.50	2001	25.86
3	25.81	26.97	28.18	29.45	30.78	32.16	2002	27.02
4	26.34	27.52	28.76	30.06	31.41	32.82	2003	28.24
5	26.87	28.08	29.34	30.66	32.04	33.48	2004	29.51
6	27.40	28.63	29.92	31.26	32.67	36.07	2005	30.83
7	27.92	29.18	30.49	31.86	34.88	38.21	2006	32.22
8	28.44	29.72	31.06	33.78	36.77	40.06	2007	33.67
9	28.96	30.26	32.74	35.46	38.45	41.73	2008	35.19
10	29.48	31.76	34.26	36.99	39.98	43.26	2009	36.77
11	30.81	33.12	35.65	38.40	41.41	44.70	2010	52.94
12	32.05	34.39	36.94	39.72	42.75	46.06	2011	55.72
13	33.21	35.59	38.17	40.97	44.03	47.36	2012	58.64
14	34.31	36.72	39.33	42.17	45.26	48.61	2013	61.73
15	35.36	37.80	40.45	43.32	46.44	49.82	2014	64.99
16	36.36	38.84	41.52	44.43	47.58	51.00	2015	68.43
17	37.33	39.84	42.56	45.51	48.70	52.15	2016	72.05
18	38.26	40.82	43.57	46.56	49.78	53.28	2017	75.88
19	39.17	41.76	44.56	47.58	50.84	54.38	2018	79.92
20	40.05	42.68	45.51	48.58	51.88	55.46	2019	84.19
							2020	88.69
							2021	93.45
							2022	98.47
							2023	103.77
							2024	109.37
							2025	115.28

Note: As per Order No. 27212, Avista Corporation (Washington Water Power) is not required to offer contracts in excess of 5 years; however, Avista may seek Commission approval for contracts exceeding 5 years should they be able to demonstrate that such contracts are in the best interests of its customers.

**IDAHO POWER COMPANY  
AVOIDED COST RATES FOR  
FUELED PROJECTS**  
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2000	2001	2002	2003	2004	2005		
1	11.85	12.26	12.69	13.13	13.59	14.07	2000	11.85
2	12.04	12.47	12.90	13.35	13.82	14.30	2001	12.26
3	12.24	12.67	13.11	13.57	14.05	14.54	2002	12.69
4	12.44	12.87	13.32	13.79	14.27	14.77	2003	13.13
5	12.63	13.07	13.53	14.00	14.49	15.00	2004	13.59
6	12.82	13.27	13.73	14.21	14.71	15.22	2005	14.07
7	13.01	13.46	13.93	14.42	14.92	15.45	2006	14.56
8	13.19	13.65	14.13	14.63	15.14	15.67	2007	15.07
9	13.38	13.84	14.33	14.83	15.35	15.89	2008	15.60
10	13.56	14.03	14.52	15.03	15.56	16.10	2009	16.14
11	13.73	14.21	14.71	15.23	15.76	16.31	2010	16.71
12	13.91	14.40	14.90	15.42	15.96	16.52	2011	17.29
13	14.08	14.57	15.08	15.61	16.16	16.72	2012	17.90
14	14.25	14.75	15.26	15.80	16.35	16.92	2013	18.53
15	14.41	14.92	15.44	15.98	16.54	17.12	2014	19.17
16	14.58	15.09	15.61	16.16	16.73	17.31	2015	19.85
17	14.73	15.25	15.78	16.34	16.91	17.50	2016	20.54
18	14.89	15.41	15.95	16.51	17.09	17.68	2017	21.26
19	15.04	15.57	16.11	16.68	17.26	17.86	2018	22.00
20	15.19	15.72	16.27	16.84	17.43	18.04	2019	22.78
							2020	23.57
							2021	24.40
							2022	25.25
							2023	26.14
							2024	27.05
							2025	28.00
EFFECTIVE DATE			ADJUSTABLE COMPONENT					
7/1/00-6/30/01			20.58					

Beginning in the year 2000, the annually adjustable component shall be added to each of the rates shown above.

Example 1. A 20 year levelized contract with a 2000 on-line date would receive the following rates:

Years	Rate
1	15.19 + 20.58
2-20	15.19 + Adjustable component in each year

Example 2. A 4 year non-levelized contract with a 2000 on-line date would receive the following rates:

Years	Rate
1	11.85 + 20.58
2	12.26 + Adjustable component in year 2001
3	12.69 + Adjustable component in year 2002
4	13.13 + Adjustable component in year 2003

Note: As per Order No. 27111, Idaho Power is not required to offer contracts in excess of 5 years; however, Idaho Power may seek Commission approval for contracts exceeding 5 years should they be able to demonstrate that such contracts are in the best interests of its customers.

**IDAHO POWER COMPANY  
AVOIDED COST RATES FOR  
NON-FUELED PROJECTS**  
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2000	2001	2002	2003	2004	2005		
1	32.43	34.08	35.81	37.64	39.57	41.61	2000	32.43
2	33.21	34.91	36.69	38.57	40.55	42.63	2001	34.08
3	34.01	35.74	37.57	39.49	41.52	43.66	2002	35.81
4	34.80	36.58	38.45	40.42	42.50	44.70	2003	37.64
5	35.59	37.41	39.33	41.35	43.48	45.73	2004	39.57
6	36.39	38.25	40.22	42.28	44.47	46.77	2005	41.61
7	37.19	39.09	41.10	43.22	45.45	47.80	2006	43.75
8	37.98	39.93	41.98	44.15	46.43	48.84	2007	46.01
9	38.77	40.77	42.86	45.08	47.41	49.87	2008	48.40
10	39.56	41.60	43.74	46.01	48.39	50.91	2009	50.91
11	40.35	42.43	44.62	46.93	49.37	51.93	2010	53.56
12	41.14	43.26	45.50	47.85	50.34	52.96	2011	56.36
13	41.92	44.08	46.36	48.77	51.30	53.98	2012	59.31
14	42.70	44.90	47.23	49.68	52.27	54.99	2013	62.42
15	43.47	45.72	48.09	50.59	53.22	56.00	2014	65.70
16	44.23	46.52	48.94	51.48	54.17	57.00	2015	69.17
17	44.99	47.32	49.78	52.37	55.11	57.99	2016	72.82
18	45.75	48.12	50.62	53.26	56.04	58.98	2017	76.68
19	46.49	48.90	51.45	54.13	56.96	59.95	2018	80.75
20	47.23	49.68	52.27	55.00	57.88	60.91	2019	85.04
							2020	89.58
							2021	94.36
							2022	99.41
							2023	104.75
							2024	110.38
							2025	116.33

Note: As per Order No. 27111, Idaho Power is not required to offer contracts in excess of 5 years; however, Idaho Power may seek Commission approval for contracts exceeding 5 years should they be able to demonstrate that such contracts are in the best interests of its customers.

**PACIFICORP  
AVOIDED COST RATES FOR  
FUELED PROJECTS**  
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2000	2001	2002	2003	2004	2005		
1	12.15	12.58	13.02	13.47	13.95	14.43	2000	12.15
2	12.35	12.79	13.23	13.70	14.18	14.67	2001	12.58
3	12.55	12.99	13.45	13.92	14.41	14.91	2002	13.02
4	12.75	13.20	13.66	14.14	14.63	15.15	2003	13.47
5	12.95	13.40	13.87	14.35	14.86	15.38	2004	13.95
6	13.14	13.60	14.07	14.57	15.08	15.60	2005	14.43
7	13.33	13.79	14.28	14.78	15.29	15.83	2006	14.94
8	13.51	13.98	14.47	14.98	15.51	16.05	2007	15.46
9	13.69	14.17	14.67	15.18	15.71	16.26	2008	16.00
10	13.87	14.36	14.86	15.38	15.92	16.48	2009	16.56
11	14.04	14.54	15.05	15.57	16.12	16.68	2010	17.14
12	14.21	14.71	15.23	15.76	16.31	16.88	2011	17.75
13	14.38	14.88	15.41	15.95	16.50	17.08	2012	18.37
14	14.54	15.05	15.58	16.13	16.69	17.27	2013	19.01
15	14.70	15.22	15.75	16.30	16.87	17.46	2014	19.68
16	14.86	15.38	15.91	16.47	17.05	17.65	2015	20.37
17	15.01	15.53	16.07	16.64	17.22	17.82	2016	21.08
18	15.15	15.68	16.23	16.80	17.39	18.00	2017	21.82
19	15.29	15.83	16.38	16.96	17.55	18.16	2018	22.58
20	15.43	15.97	16.53	17.11	17.71	18.33	2019	23.37
							2020	24.19
							2021	25.04
							2022	25.92
							2023	26.83
							2024	27.77
							2025	28.74
EFFECTIVE DATE				ADJUSTABLE COMPONENT				
7/1/00-6/30/01				20.58				

Beginning in the year 2000, the annually adjustable component shall be added to each of the rates shown above.

Example 1. A 20 year levelized contract with a 2000 on-line date would receive the following rates:

Years	Rate
1	15.43 + 20.58
2-20	15.43 + Adjustable component in each year

Example 2. A 4 year non-levelized contract with a 2000 on-line date would receive the following rates:

Years	Rate
1	12.15 + 20.58
2	12.58 + Adjustable component in year 2001
3	13.02 + Adjustable component in year 2002
4	13.47 + Adjustable component in year 2003

Note: As per Order No. 27213, PacifiCorp is not required to offer contracts in excess of 5 years; however, PacifiCorp may seek Commission approval for contracts exceeding 5 years should they be able to demonstrate that such contracts are in the best interests of its customers.

**PACIFICORP  
AVOIDED COST RATES FOR  
NON-FUELED PROJECTS**  
mills/kWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2000	2001	2002	2003	2004	2005		
1	32.73	34.39	36.14	37.98	39.93	41.97	2000	32.73
2	33.52	35.22	37.02	38.91	40.90	43.00	2001	34.39
3	34.31	36.06	37.89	39.83	41.87	44.03	2002	36.14
4	35.10	36.89	38.77	40.76	42.85	45.05	2003	37.98
5	35.89	37.72	39.64	41.68	43.82	46.08	2004	39.93
6	36.67	38.54	40.51	42.59	44.79	47.10	2005	41.97
7	37.45	39.36	41.38	43.51	45.75	48.11	2006	44.13
8	38.23	40.18	42.24	44.42	46.71	49.12	2007	46.41
9	39.00	40.99	43.10	45.32	47.66	50.13	2008	48.81
10	39.76	41.80	43.95	46.21	48.60	51.12	2009	51.33
11	40.52	42.60	44.79	47.10	49.54	52.11	2010	54.00
12	41.27	43.39	45.62	47.98	50.47	53.09	2011	56.81
13	42.01	44.17	46.45	48.85	51.38	54.05	2012	59.78
14	42.74	44.94	47.26	49.71	52.29	55.01	2013	62.91
15	43.46	45.70	48.07	50.56	53.18	55.95	2014	66.21
16	44.18	46.46	48.86	51.39	54.07	56.88	2015	69.69
17	44.88	47.20	49.64	52.22	54.93	57.80	2016	73.36
18	45.57	47.93	50.41	53.03	55.79	58.70	2017	77.24
19	46.25	48.64	51.16	53.83	56.63	59.59	2018	81.33
20	46.92	49.35	51.91	54.61	57.46	60.46	2019	85.64
							2020	90.20
							2021	95.01
							2022	100.08
							2023	105.44
							2024	111.10
							2025	117.07

Note: As per Order No. 27213, PacifiCorp is not required to offer contracts in excess of 5 years; however, PacifiCorp may seek Commission approval for contracts exceeding 5 years should they be able to demonstrate that such contracts are in the best interests of its customers.