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February 19, 2003

IDAHO PUBLIC
UTILITIES COMMISSION

Ms. Jean D. Jewell, Secretary
Idaho Public Utilities Commission
P. O. Box 83720
Boise, Idaho 83720-0074

Dear Ms. Jewell:

Modified PCA - Two Year Report

The Commission issued Order No. 28775 in Case No. AVU-E-01-1 on July 11, 2001. That Order approved modifications to the Company's Power Cost Adjustment (PCA) mechanism effective January 1, 2001. At page 15 of the Order the Commission directed the Company to file a report after two years of operation of the modified PCA. The pertinent language from the Order is as follows:

"After two years of operation with these changes we will expect the Company to file a report with this Commission detailing the operation of the modified PCA. The report should include total surcharge and rebate amounts recovered over the period, significant events that have impacted power supply expenses, changes in the long-term (greater than one year) supply/demand situation and mechanism modifications that may be justified."

At page 16 of the Order the Commission directed the Company to file the PCA report with the Commission by March 30, 2003. The Company believes that the information submitted in this letter and identified as having been submitted in previous PCA filings meets the reporting requirements of Order No. 28775 listed above.

The modified PCA mechanism tracks 90% of the difference between actual and the authorized level of net power supply expenses approved in the last general rate case. There is an adjustment to power supply costs for changes in retail load and a carrying cost is applied to PCA balances.

Since the modified PCA was implemented on January 1, 2001, a 4.7% surcharge was implemented on February 1, 2001 based on deferred power costs through October 31, 2000. A 1.9% rebate that had been implemented on August 1, 2000 expired on July 31, 2001. A new 14.7% surcharge was implemented for a one-year period on October 12, 2001 and the existing 4.7% surcharge was extended. Effective October 12, 2002 the combined surcharges totaling 19.4% were extended for an additional one-year period. Attachment A is sheet showing the monthly surcharge and rebate amounts for the two-year period of January 1, 2001 through December 31, 2002.

The Company's filings to implement the 14.7% surcharge in 2001 and extend the combined 19.4% surcharge in 2002 contained information regarding the significant events, namely, record-low hydroelectric generation and unprecedented high wholesale prices and volatility, that have impacted power supply expenses and changes in the long-term supply/demand situation. In addition, the monthly reports submitted to the Commission identify the variances between actual and authorized components of net power supply expenses. The Company is not recommending any modifications to the PCA mechanism at this time.

If any additional information is required regarding the reporting requirements, or if you have any questions, please contact me at (509) 495-4267.

Sincerely,

A handwritten signature in black ink that reads "Kelly Norwood". The signature is written in a cursive, flowing style.

Kelly Norwood
Vice President Rates and Regulation

Enclosure
RM

Avista Utilities
Idaho Power Cost Adjustment (PCA)
Rebate and Surcharge Revenue
January 2001 - December 2002

	1.9%	Combined 19.4%
	<u>Rebate</u>	<u>Surcharge</u>
Jan-01	-\$238,096	
Feb-01	-250,473	
Mar-01	-218,646	\$522,669
Apr-01	-203,831	486,801
May-01	-186,445	445,545
Jun-01 *	-333,022	794,853
Jul-01	-161,270	384,117
Aug-01		399,828
Sep-01		424,444
Oct-01		512,130
Nov-01		1,580,954
Dec-01		2,116,167
Jan-02		2,525,851
Feb-02		2,275,859
Mar-02		2,253,920
Apr-02		2,046,112
May-02		1,879,874
Jun-02		1,839,707
Jul-02		1,822,555
Aug-02		1,962,847
Sep-02		1,917,598
Oct-02		1,821,411
Nov-02		2,069,140
Dec-02		2,317,523
Totals	-\$1,591,783	\$32,399,905

*One-month accounting lag eliminated.