



STATE OF IDAHO

OFFICE OF THE ATTORNEY GENERAL

LAWRENCE G. WASDEN

October 30, 2003

Blair Strong
Paine, Hamblen et al
717 W. Sprague Avenue, Suite 1200
Spokane, WA 99201-3505

Doug Young
Avista Utilities
1411 E. Mission
PO Box 3727
Spokane, WA 99220-3727

John Eriksson
Stoel Rives LLP
One Utah Center
201 S. Main Street, Suite 1100
Salt Lake City, UT 84111-4904

Mark Widmer
PacifiCorp
825 NE Multnomah Street
Portland, OR 97232

Barton L. Kline
Idaho Power Company
PO Box 70
Boise, ID 83707-0070

Randy Allphin
Idaho Power Company
PO Box 70
Boise, ID 83707-0070

RE: Case Nos. AVU-E-03-8, IPC-E-03-15, PAC-E-03-12

The Idaho Public Utilities Commission in Order No. 29124, Case No. GNR-E-02-1 ordered several changes to the variables and manner in which avoided cost rates are to be computed for projects smaller than 10 MW. Among the ordered changes were abandonment of the utility first deficit year, changes in cost variables associated with a combined cycle combustion turbine and changes in the manner and in which fuel costs are determined.

More specifically for fuel costs, the Commission chose to adopt the medium fuel price forecast prepared by the Northwest Power and Conservation Council (formerly the Northwest Power Planning Council) along with the method for establishing the starting year gas price and escalation rate proposed by the Idaho Independent Energy Producer's witness Trippel. Order No. 29124 states that natural gas prices can be updated when a new Northwest Power and Conservation Council forecast becomes available.

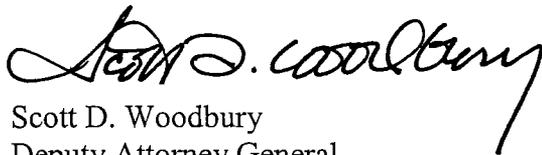
A new fuel price forecast was prepared by the Council on April 22, 2003. Staff has used this forecast to compute new avoided cost rates for projects smaller than 10 MW according to the revised methodology spelled out in Order No. 29124. A copy of the revised fuel price forecast, computation of starting year gas price and escalation rate, and computation of the avoided cost rates is attached.

Please review the accuracy of the computations and file your respective responses with the Commission on or prior to November 21, 2003. The case caption is as follows:

IN THE MATTER OF THE REVISION AND UPDATED CALCULATION OF
THE AVOIDED COST RATES FOR AVISTA CORPORATION DBA AVISTA
UTILITIES, FOR IDAHO POWER COMPANY AND FOR PACIFICORP DBA
UTAH POWER AND LIGHT COMPANY.

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

Enclosure