

**IDAHO PUBLIC UTILITIES COMMISSION**

**Case No. AVU-E-05-1, Order No. 29694**

**January 27, 2005**

**Contact: Gene Fadness (208) 334-0339**

**Website: [www.puc.idaho.gov](http://www.puc.idaho.gov)**

**Avista seeks inclusion of gas plant in base rates**

Boise – The Idaho Public Utilities Commission is seeking public comment through March 1 on Avista Utilities' request to have the \$62.5 million purchase price of a natural gas power plant included in the base from which customer rates are computed.

Adding the Coyote Springs 2 generator to Avista's rate base would add \$3.23 million to the company's revenue requirement, or 1.9 percent above current rates. Adding the plant to base rates would not increase customer rates because Avista proposes to reduce its current power cost adjustment surcharge by 1.9 percent. However, the \$3.2 million reduction in the power cost surcharge, which is about a quarter-cent per kWh for residential customers, extends the power cost surcharge for another 12 months. If Avista's application were approved, the power cost surcharge would not expire until September 2007.

Coyote Springs 2 is a 280-megawatt natural gas-fired plant in Morrow County, Oregon. Avista began construction of Coyote Springs 2 (the adjacent Coyote Springs 1 plant is owned by Portland General Electric) in January 2001. Low-water conditions and record-high wholesale energy prices during the West-wide energy crisis of 2000-01 resulted in Avista not being able to secure financing for Coyote Springs 2. Avista subsequently entered into an agreement with Mirant Corporation to sell half the plant to Mirant-Oregon. In July of 2003, Mirant filed for Chapter 11 bankruptcy protection and Avista negotiated to buy the plant for \$62.5 million. The transaction was finalized on Dec. 30, 2004.

A long-range plan completed by Avista in 2003 identified the need for the company to acquire about 149 average megawatts from natural gas sources to meet customer demand in 10 years. Thus, acquiring the remaining half of the Coyote Springs 2 plant (140 MW) is consistent with the company's long-term resource strategy.

Navigant Consulting, hired by Avista to conduct an analysis of the transaction, reviewed other comparable transactions of similar gas-fired plants and determined that the average value of plants in the western United States was \$569 per kilowatt, well in excess of Avista's cost of \$439/kW for Mirant's share. Navigant also determined that Avista's purchase price was below the economic value of the plant, which was in the range of \$67 million.

Those wishing to submit comments must do so by no later than March 1. Comments are accepted via e-mail by accessing the commission's homepage at [www.puc.idaho.gov](http://www.puc.idaho.gov) and clicking on "Comments & Questions." Fill in the case number (AVU-E-05-1) and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762. Comments should also be sent to the company to David Meyer, Avista

Corporation, PO Box 3727, Spokane, WA, 99220. They can also be e-mailed to david.meyer@avistacorp.com.

A full text of the commission's order, along with other documents related to this case, are available on the commission's Web site. Click on "File Room" and then on "Electric Cases" and scroll down to Case No. AVU-E-05-1.