

Avista Corp.
1411 East Mission PO Box 3727
Spokane, Washington 99220-3727
Telephone 509-489-0500
Toll Free 800-727-9170



November 25, 2002

Jean D. Jewell, Secretary
State of Idaho
Idaho Public Utilities Commission
472 W. Washington Street
Boise, ID 83702

RE: Avista Corp. comments on Case No. GNR-U-02-02

Avista Corp. respectfully submits for Commission consideration the following comments on Case No. GNR-U-02-02, Annual Determination of the Interest Rates on Deposits Collected from Customers for the Calendar Year 2003. Interest rates are at historic lows and the currently proposed change for Customer Deposits to 2% reduces by half the previous year's rate of 4%. Customer Deposits in the state of Idaho were approximately \$960,000 as of the end of October.

What is of prime importance to the Company is that the Customer Deposit Rate is currently being used as the proxy for determination of the interest rate that is applied to the Company's electric and gas deferrals under our Idaho Power Cost Adjustment (PCA) and Purchased Gas Adjustment (PGA) mechanisms. Those deferrals total approximately \$44 million as of October 31, 2002 and a difference of 2 percent would represent approximately \$900,000 annually. The deferral balances have been at very high levels since the middle of 2000 and Company projections show amortization of the PCA balance to extend beyond 2004. An extended amortization period for the PCA deferrals associated with the extraordinary energy situation of 2000 and 2001 was chosen to mitigate the rate impact on our customers.

The Company cannot borrow funds at Treasury Bill rates. Even if the Company was able to finance these material amounts under its short-term credit arrangement, that rate is based on a standard bank index plus 1.75% plus 25 to 50 basis points for fees. A recent borrowing under the credit agreement for a 30-day period was at 3.63%. Most experts don't anticipate interest rates staying at these historic low levels.

We understand that the Customer Deposit Rate calculation is established by administrative rule, however, the Company desired to submit these comments to inform the Commission of the related consequences of their decision today. We would like to keep the issue open regarding the appropriateness of using the Customer Deposit Rate for Avista's energy deferrals, and would like the opportunity to address this issue in a separate proceeding.

Sincerely,

A handwritten signature in cursive script that reads "Kelly Norwood".

Kelly Norwood
Vice-President, Rates and Regulation