Avista Utilities
1411 East Mission P.O. Box 3727
Spokane, Washington 99220-3727
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AVISTA
Utilities
Washington Water Power Division

November 24, 1999

Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive
Olympia, Washington 98504-8002

Attention: Ms. Carole Washburn, Executive Secretary

RE: TARIFF WN U-28 ELECTRIC SERVICE
Docket UE-991606

In Docket No. UE-900093 the Company agreed to provide as an informational filing, in its next rate case, a "production factor adjustment" calculation similar to that used by Puget Sound Energy (PSE) (page 3 of the Stipulation attached to the Second Supplemental Order in Docket No. UE-900093).

Attached for filing with the Commission, for informational purposes, is the Company's calculation of a "production factor adjustment," based on its understanding of the methodology used by PSE. An overview of the calculation is as follows:

1. Test period (weather normalized) net system loads of 992.8 aMw compared with proforma period net system loads of 1024.6 average megawatts (aMw) equals a production factor of 96.9%.

2. The Company's Dispatch Simulation Model was rerun using proforma net system loads of 1024.6 aMw instead of test period 992.8 aMw. An additional firm energy purchase of 30 aMw at $27.00/Mwh was also included in the Dispatch Model to cover the majority of the additional load, because the Company is already energy deficient using the test period loads (see page 21 of Mr. Norwood's direct testimony in this Docket).

3. The adjusted power supply numbers and other production costs were multiplied by the production factor of 96.9% as shown on the attached work sheets.

4. A comparison of the production-related costs, adjusted for the 96.9% production factor, to the production costs originally filed by the Company shows an increase in annual revenue requirement of $2.2 million using the production factor methodology.

Please direct any questions to Kelly Norwood at (509) 495-4267, Ron McKenzie at (509) 495-4320, or Bill Johnson at (509) 495-4046.

Sincerely,

Thomas D. Dukich

Thomas D. Dukich
Manager, Rates & Tariff Administration

Attachments

c Roland Martin

Avista Corporation

Production Factor
Impact on Revenue Requirement

Weighted cost of debt	3.84%	(Includes preferred securities)
Weighted cost of equity	6.09%	
Rate of return	9.93%	
Conversion factor	0.620919	
Federal income tax rate	35%	
WA Prod/Trans alocation	66.99%	

	Without Production Factor		With 96.9% Production Factor	
Production Rate Base				
Plant in service	$471,636,000		$457,015,284	
Accumulated depreciation	-151,316,000		-146,625,204	
Misc. rate base (primarily deferred FIT)	-42,543,822		-41,224,964	
Net	$277,776,178		$269,165,116	
Rate of return	9.93%		9.93%	
Net operating income requirement (return)	$27,583,174		$26,728,096	
Net power supply expense	41,823,197	(1)	45,720,392	(2)
Production related property insurance	162,006		156,984	
Production related property taxes	7,272,000		7,046,568	
Production related deprec. & amort.	12,078,000		11,703,582	
Total operating expenses	61,335,203		64,627,525	
Income tax associated with operating expenses	-21,467,321		-22,619,634	
Income tax associated with debt return	-3,733,312		-3,617,579	
Net operating income	36,134,570		38,390,312	
Total net operating income requirement	$63,717,744		$65,118,408	
Conversion factor	0.620919		0.620919	
Production related revenue requirement	$102,618,449		$104,874,240	
Increase in revenue requirement due to production factor methodology			$2,255,792	

(1)	Ex. 20, page 4, line 129 total net expense	$62,432,000	
	WA Prod/Trans alocation	66.99%	
	Net power supply expense	$41,823,197	
(2)	Ex. 20, page 4, line 129 total net expense		$62,432,000
	Increase in cost to meet increase in load		8,001,000
	Total		$70,433,000
	WA Prod/Trans alocation		66.99%
	Production factor percentage		96.9%
	Net power supply expense		$45,720,392

Docket No. UE-991606 Production Fixed Costs 1998

Operating Costs	Pro Forma Production Amount	Source
Property Insurance	162,006	Exhibit 50, Part 2, Page 8, Line 393
Property Taxes	7,272,000	Exhibit 50, Part 2, Page 9, Line 446
Depreciation and Amortization	12,078,000	Exhibit 50, Part 3, Page 3, Line 133
Total	19,512,006	
Rate Base		
Plant in Service	471,636,000	Electric Cost of Service Workpapers, Page TLK 190, Line 736
Accumulated Depreciation	(151,316,000)	Electric Cost of Service Workpapers, Page TLK 190, Line 762
Miscellaneous Rate Base (primarily deferred FIT)	(42,543,822)	Electric Cost of Service Workpapers, Page TLK 191, Line 789
Total	277,776,178	

AVISTA CORP.

Exhibit No. __
Schedule WEA-5
Page 1 of 1

WEIGHTED AVERAGE COST OF CAPITAL

Capital Component	Percent of Total	Component Cost	Weighted Cost
(1) Debt	47%	7.83%	3.68% (1)
(2) Preferred Stock	4%	8.15%	0.33% (2)
(1) Preferred Securities	2%	8.11%	0.16% (1)
(2) Common Equity	47%	12.25%	5.76% (2)
Total	100%		**9.93%**

(1) [illegible] cost of debt 3.84%
(2) [illegible] cost of equity 6.09
Total 9.93%

3

Net System Load for Proforma Period (Jul 00 - Jun 01) and Test Year (1998)

Proforma Period Jul-00 - Jun-01	Net System Load aMW	Test Period 1998	Actual Test Period Load aMW	Test Period Weather Adjustment aMW	Weather Adjusted Net System Load aMW
Jul-00	935	Jul-98	1033	-92	941
Aug-00	946	Aug-98	986	-31	955
Sep-00	910	Sep-98	908	-5	903
Oct-00	997	Oct-98	899	-5	894
Nov-00	1087	Nov-98	981	44	1025
Dec-00	1170	Dec-98	1167	10	1177
Jan-01	1210	Jan-98	1111	33	1144
Feb-01	1141	Feb-98	1039	44	1083
Mar-01	1035	Mar-98	977	27	1004
Apr-01	969	Apr-98	930	20	950
May-01	944	May-98	877	16	893
Jun-01	951	Jun-98	914	30	944
Average	1024.6	Average			992.8

Ratio of test year to Proforma Year	96.9%
Production Factor Reduction	3.1%

Avista Corp.
Normalized System Power Supply Expenses
July 2000 - June 2001
($000s) Revised 8-18-99

Line No.		Jan 98 - Dec 98 Actuals	Adjustment	Jul 00 - Jun 01 Proforma
	555 PURCHASED POWER			
1	Short-Term Purchases	$361,880	-$337,846	$24,034
2	Rocky Reach	1,660	0	1,660
3	Wanapum	2,289	560	2,849
4	Priest Rapids	1,464	645	2,109
5	Wells	822	319	1,141
6	BPA/WNP-1 Reshape	12,806	-12,806	0
7	WNP-3	11,386	-92	11,294
8	Entitlemnt & Sup Cap	57	-33	24
9	Deer Lake-IP&L	3	0	3
10	Clearwater Amortization	41	-41	0
11	Small Power	1,147	69	1,216
12	WPI Amort	1,188	0	1,188
13	Spokane-Upriver	2,205	139	2,344
14	Rayonier Index Purchase	183	65	248
15	MIECO 2-yr	0	4,993	4,993
16	Potlatch Co-Gen	21,971	635	22,606
17	Capacity Purchases	955	0	955
18	Non-Mon. Accruals	-31	31	0
19	BPA Purch for Riverside	324	-324	0
20	ESI 4-yr	6,417	0	6,417
21	Enron 3-yr	6,138	-6,138	0
22	Enron 2-yr	0	10,797	10,797
23	Sempra - 5 yr	2,917	447	3,364
24	Rathdrum Turbine Gas Swap	321	-321	0
25	Black Creek Index Purchase	187	-59	128
26	BPA 115 MW purch	21,609	0	21,609
27	MOPS Imbalance	-5	5	0
28	Cinergy 3 yr Purchase	0	2,153	2,153
29	Duke Index Purchase	0	18,866	18,866
30	Idaho Index Purchase	11,892	7,219	19,111
31	Total Account 555	469,826	-310,717	159,109
	540 RENTS			
32	Little Falls Indian Settlement	453	24	477
	550 RENTS			
33	Rathdrum Lease Payments	5,786	-30	5,756
	565 TRANSMISSION OF ELECTRICITY BY OTHERS			
34	WNP-3	575	-30	545
35	CSPE	32	-18	14
36	Black Creek Wheeling	109	-58	51
37	Supplemental Capacity Wheeling	8	-5	3
38	Wheeling Assoc/Sales & Pur	1,778	-1,778	0
39	Garrison/Paul PTP	3,203	1	3,204
40	BPA Townsend-Garrison Wheeling	1,176	0	1,176
41	Garrison-Burke	340	0	340
42	Puget/Centralia Wheeling	1,200	-1,200	0
43	Centralia 30 MW Wheeling	0	360	360
44	BPA Wheeling for Riverside	355	-355	0
45	Kaiser Use of Facilities	963	-43	920
46	Clark Service Fee	2,076	0	2,076
47	Modesto Wheeling	310	-310	0
48	Total Account 565	12,125	-3,436	8,689

557 OTHER EXPENSES

Avista Corp.
Normalized System Power Supply Expenses
July 2000 - June 2001
($000s) Revised 8-18-99

Line No.		Jan 98 - Dec 98 Actuals	Adjustment	Jul 00 - Jun 01 Proforma
49	Broker Commission Fees	348	-348	0
50	Kaiser DES Rebate	726	-726	0
51	Rathdrum Gas Storage Optimization Expense	374	838	1,212
52	Kaiser Transmission Credit	102	-102	0
53	Bad Debt Accrual	550	-550	0
54	Total Account 557	2,100	-888	1,212
	536 WATER FOR POWER			
55	Headwater Benefits	639	0	639
	553 MAINTENANCE OF GENERATING PLANT			
56	Rathdrum Direct O&M Charge	286	-85	201
	549 MISC OTHER GENERATION EXPENSE			
57	Rathdrum Municipal Payment	133	0	133
58	**TOTAL EXPENSE**	491,348	-315,132	176,216
	447 SALES FOR RESALE			
59	Short-Term Sales	354,264	-349,633	4,631
60	Puget #2	15,260	-2,511	12,749
61	Seattle High Ross	162	-162	0
62	Cogentrix 150 Mw	738	-738	0
63	PGE #1 Capacity	18,720	-720	18,000
64	Cogentrix 57 month	12,410	4,085	16,495
65	Riverside	1,256	-1,256	0
66	PacifiCorp 1994	3,654	900	4,554
67	EWEB	1,626	-1,198	428
68	Modesto	2,280	-2,280	0
69	Clark #2 5-YR	18,516	6,027	24,543
70	Snohomish 10-yr	13,105	622	13,727
71	W. Kootenay	786	-786	0
72	City of Cheney	280	0	280
73	Pend Oreille 2yr	886	-811	75
74	PGE 2 yr 25 MW	0	5,091	5,091
75	Montana Index Sale	11,886	7,199	19,085
76	Colstrip Pumping Index Sale	0	1,339	1,339
77	Duke Index Sale	0	19,196	19,196
78	Kaiser Load Following	1,484	-27	1,457
79	Total Account 447	457,313	-315,663	141,650
	456 OTHER ELECTRIC REVENUE			
80	Skookumchuck	9	-2	7
81	Scheduling Services	19	-19	0
82	Enron Exchange (5-yr)	825	-825	0
83	Kaiser Use of Facilities	968	-48	920
84	Kaiser Power Mgmt Services	383	-383	0
85	Rathdrum Gas Storage Optimization Revenue	425	1,294	1,719
86	Duke Energy Exchange Losses	205	-205	0
87	Total Account 456	2,834	-188	2,646
	453 SALES OF WATER AND WATER POWER			
88	Upstream Storage Revenue	434	0	434
89	**TOTAL REVENUE**	460,581	-315,851	144,730
90	**TOTAL NET EXPENSE**	30,767	719	31,486

Avista Corp.
Normalized System Power Supply Expenses
July 2000 - June 2001
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Line No.			Jan 98 - Dec 98 Actuals	Adjustment	Jul 00 - Jun 01 Proforma
	501 FUEL-DOLLARS				
91	Kettle Falls	wood	2,704	997	3,701
92	Centralia	coal	21,412	475	21,887
93	Colstrip	coal	11,274	-1,456	9,818
94	Total Coal & Wood		35,390	16	35,406
95	Kettle Falls	gas	57	-51	6
96	Centralia	oil	28	17	45
97	Colstrip	oil	49	29	78
98	Total Oil & Gas		134	-5	129
99	Total Account 501		35,524	11	35,535
	501 FUEL-TONS				
100	Kettle Falls		529,917	-37,096	492,821
101	Centralia		839,477	-38,035	801,442
102	Colstrip		1,017,351	-115,789	901,562
	501 FUEL-COST PER TON				
103	Kettle Falls		5.10	2.41	7.51
104	Centralia		25.51	1.80	27.31
105	Colstrip		11.08	-0.19	10.89
	547 FUEL				
106	Fuel Cell Project Gas		71	0	71
107	NE Combustion Turbine Gas/Oil		351	-345	6
108	Rathdrum Gas Storage Fee		926	0	926
109	Rathdrum Fuel Exp		6,013	-530	5,483
110	**TOTAL NET EXPENSE INCLUDING FUEL**		**$73,652**	**-$145**	**$73,507**

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4	Priest Rapids	1,464	645	2,109
5	Wells	822	319	1,141
6	BPA/WNP-1 Reshape	12,806	-12,806	0
7	WNP-3	11,386	-92	11,294
8	Entitlemnt & Sup Cap	57	-33	24
9	Deer Lake-IP&L	3	0	3
10	Clearwater Amortization	41	-41	0
11	Small Power	1,147	69	1,216
12	WPI Amort	1,188	0	1,188
13	Spokane-Upriver	2,205	139	2,344
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15	MIECO 2-yr	0	4,993	4,993
16	Potlatch Co-Gen	21,971	635	22,606
17	Capacity Purchases	955	0	955
18	Non-Mon. Accruals	-31	31	0
19	BPA Purch for Riverside	324	-324	0
20	ESI 4-yr	6,417	0	6,417
21	Enron 3-yr	6,138	-6,138	0
22	Enron 2-yr	0	10,797	10,797
	New 30 MW Purchase	0	7,096	**7,096**
23	Sempra - 5 yr	2,917	447	3,364
24	Rathdrum Turbine Gas Swap	321	-321	0
25	Black Creek Index Purchase	187	-59	128
26	BPA 115 MW purch	21,609	0	21,609
27	MOPS Imbalance	-5	5	0
28	Cinergy 3 yr Purchase	0	2,153	2,153
29	Duke Index Purchase	0	18,866	18,866
30	Idaho Index Purchase	11,892	7,219	19,111
31	Total Account 555	469,826	-302,755	167,071
	540 RENTS			
32	Little Falls Indian Settlement	453	24	477
	550 RENTS			
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	565 TRANSMISSION OF ELECTRICITY BY OTHERS			
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39	Garrison/Paul PTP	3,203	1	3,204
40	BPA Townsend-Garrison Wheeling	1,176	0	1,176
41	Garrison-Burke	340	0	340
42	Puget/Centralia Wheeling	1,200	-1,200	0
43	Centralia 30 MW Wheeling	0	360	360
44	BPA Wheeling for Riverside	355	-355	0
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72	City of Cheney	280	0	280
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98	Total Oil & Gas		134	-5	129
99	Total Account 501		35,524	11	35,535
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101	Centralia		839,477	-38,035	801,442
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103	Kettle Falls		5.10	2.41	7.51
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	547 FUEL				
106	Fuel Cell Project Gas		71	0	71
107	NE Combustion Turbine Gas/Oil		351	-345	6
108	Rathdrum Gas Storage Fee		926	0	926
109	Rathdrum Fuel Exp		6,013	-530	5,483
110	**TOTAL NET EXPENSE INCLUDING FUEL**		**$73,652**	**$7,856**	**$81,508**