BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-05-_____

EXHIBIT No. ____(RRP-12)

RONALD R. PETERSON

REPRESENTING AVISTA CORPORATION

September 2004 Analysis

50% of Coyote Springs 2 (CCCT and Duct Burner)—Annual Value less Q2

Economic Analysis Detail

Assumptions

Installed Cost	66,657	2004 $000s	Fixed Charge	0	2004$ per kW-mo	Insurance Cost	199.97	2004 $000s	Nominal Discount	8.22	percent
Installed Cost	469	2004 $/kW	Fixed O&M	1.75	2004$ per kW-mo	Gas Transport	0.00	2004 $/dth/day	Real Discount	5.50	percent
Project Capacity	142.26	MW	Escalation Rates			General Inflation	3.0	percent			
Heat Rate	7,341	Btu/kWh	Fixed O&M	3.0	percent	Option Value	2,000	2004 $000s			
Gas Usage Rate	25.1	000s dth/day	Transportation	3.0	percent						

			Fixed Costs																	
			Capital Recovery and Miscellaneous				Operations & Maintenance													
	Year	Energy	Project	Fixed Chrg.	Total Costs		Fixed	Gtrans	PrTax	Insur.	Total Costs		Total Fixed Costs	Operating Margin	Option Value	Net Project Benefit		Total Variable Costs		Total Project Costs	
		(GWh)	($000s)	($000s)	($000s)	($/MWh)	($000s)	($000s)	($000s)	($000s)	($000s)	($/MWh)	($000s)	($000s)	($000s)	($000s)	($/MWh)	($000s)	($/MWh)	($000s)	($/MWh)
1	2005	697.6	12,699	0	12,699	18.2	3,077	0	908	206	4,192	6.0	16,891	3,569	2,060	(11,261)	(16.1)	30,247	43.4	47,137	67.6
2	2006	731.2	12,375	0	12,375	16.9	3,169	0	877	212	4,259	5.8	16,633	4,585	2,122	(9,926)	(13.6)	30,971	42.4	47,604	65.1
3	2007	713.1	11,868	0	11,868	16.6	3,264	0	846	219	4,329	6.1	16,197	4,122	2,185	(9,889)	(13.9)	28,834	40.4	45,031	63.1
4	2008	715.4	11,447	0	11,447	16.0	3,362	0	814	225	4,402	6.2	15,849	3,994	2,251	(9,604)	(13.4)	28,152	39.4	44,001	61.5
5	2009	780.0	11,048	0	11,048	14.0	3,463	0	783	232	4,478	5.7	15,526	12,147	2,319	(1,060)	(1.3)	27,597	34.9	43,123	54.6
6	2010	792.9	10,714	0	10,714	13.5	3,567	0	752	239	4,558	5.7	15,272	14,407	2,388	1,523	1.9	28,122	35.5	43,394	54.7
7	2011	777.9	10,345	0	10,345	13.3	3,674	0	721	246	4,641	6.0	14,985	15,897	2,460	3,371	4.3	27,640	35.5	42,626	54.8
8	2012	777.8	10,016	0	10,016	12.9	3,784	0	689	253	4,727	6.1	14,743	16,632	2,534	4,423	5.7	27,752	35.7	42,494	54.6
9	2013	744.2	9,691	0	9,691	13.0	3,898	0	658	261	4,817	6.5	14,508	15,824	2,610	3,926	5.3	27,805	37.4	42,313	56.9
10	2014	727.1	9,316	0	9,316	12.8	4,015	0	627	269	4,910	6.8	14,226	16,330	2,688	4,792	6.6	26,783	36.8	41,009	56.4
11	2015	747.3	9,059	0	9,059	12.1	4,135	0	595	277	5,007	6.7	14,067	17,054	2,768	5,756	7.7	28,242	37.8	42,309	56.6
12	2016	749.6	8,810	0	8,810	11.8	4,259	0	564	285	5,108	6.8	13,919	16,960	2,852	5,893	7.9	29,842	39.8	43,761	58.4
13	2017	756.9	8,527	0	8,527	11.3	4,387	0	533	294	5,213	6.9	13,740	18,202	2,937	7,398	9.8	30,727	40.6	44,468	58.8
14	2018	746.4	8,204	0	8,204	11.0	4,519	0	501	302	5,322	7.1	13,527	17,613	3,025	7,111	9.5	30,784	41.2	44,311	59.4
15	2019	750.4	7,914	0	7,914	10.5	4,654	0	470	312	5,436	7.2	13,350	18,765	3,116	8,530	11.4	31,526	42.0	44,876	59.8
16	2020	768.7	7,659	0	7,659	10.0	4,794	0	439	321	5,553	7.2	13,213	20,169	3,209	10,165	13.2	32,992	42.9	46,205	60.1
17	2021	761.8	7,381	0	7,381	9.7	4,938	0	407	331	5,676	7.5	13,057	19,216	3,306	9,465	12.4	33,964	44.6	47,021	61.7
18	2022	759.9	7,119	0	7,119	9.4	5,086	0	376	340	5,802	7.6	12,921	18,548	3,405	9,032	11.9	35,263	46.4	48,184	63.4
19	2023	771.2	6,829	0	6,829	8.9	5,239	0	345	351	5,934	7.7	12,763	21,002	3,507	11,747	15.2	35,986	46.7	48,749	63.2
20	2024	772.6	6,562	0	6,562	8.5	5,396	0	313	361	6,070	7.9	12,632	21,686	3,612	12,666	16.4	37,182	48.1	49,814	64.5
Net Present Value			98,469	0	98,469		37,017	0	6,664	2,478	46,159		144,628	119,847	24,781	0		286,847		431,475	
Nominal Levelized Cost ($/MWh)						13.5						6.3					0.0		39.5		59.4
Real Levelized Cost ($/MWh)						10.9						5.1					0.0		31.9		48.0

50% of Coyote Springs 2 (CCCT and Duct Burner)—Annual Value less Q2

Economic Analysis Detail

Assumptions											
Installed Cost	73,557	2004 $000s	Fixed Charge	0	2004$ per kW-mo	Insurance Cost	220.67	2004 $000s	Nominal Discount	8.22	percent
Installed Cost	517	2004 $/kW	Fixed O&M	1.75	2004$ per kW-mo	Gas Transport	0.00	2004 $/dth/day	Real Discount	5.50	percent
Project Capacity	142.26	MW	Escalation Rates			General Inflation	3.0	percent			
Heat Rate	7,341	Btu/kWh	Fixed O&M	3.0	percent	Option Value	2,000	2004 $000s			
Gas Usage Rate	25.1	000s dth/day	Transportation	3.0	percent						

			Fixed Costs																	
			Capital Recovery and Miscellaneous				Operations & Maintenance													
Year		Energy	Project	Fixed Chrg.	Total Costs		Fixed	Gtrans	PrTax	Insur.	Total Costs		Total Fixed Costs	Operating Margin	Option Value	Net Project Benefit		Total Variable Costs		Total Project Costs	
		(GWh)	($000s)	($000s)	($000s)	($/MWh)	($000s)	($000s)	($000s)	($000s)	($000s)	($/MWh)	($000s)	($000s)	($000s)	($000s)	($/MWh)	($000s)	($/MWh)	($000s)	($/MWh)
1	2005	704.4	13,505	0	13,505	19.2	3,077	0	1,003	227	4,307	6.1	17,812	4,517	2,060	(11,235)	(15.9)	23,074	32.8	40,886	58.0
2	2006	749.8	13,171	0	13,171	17.6	3,169	0	968	234	4,371	5.8	17,542	6,133	2,122	(9,287)	(12.4)	24,382	32.5	41,924	55.9
3	2007	767.2	12,772	0	12,772	16.6	3,264	0	933	241	4,439	5.8	17,211	7,287	2,185	(7,739)	(10.1)	25,389	33.1	42,600	55.5
4	2008	781.9	12,409	0	12,409	15.9	3,362	0	899	248	4,510	5.8	16,919	9,581	2,251	(5,087)	(6.5)	26,758	34.2	43,677	55.9
5	2009	790.0	12,037	0	12,037	15.2	3,463	0	864	256	4,583	5.8	16,621	12,147	2,319	(2,155)	(2.7)	27,597	34.9	44,218	56.0
6	2010	792.9	11,666	0	11,666	14.7	3,567	0	830	263	4,660	5.9	16,326	14,407	2,388	469	0.6	28,122	35.5	44,448	56.1
7	2011	777.9	11,260	0	11,260	14.5	3,674	0	795	271	4,741	6.1	16,001	15,897	2,460	2,356	3.0	27,640	35.5	43,641	56.1
8	2012	777.8	10,896	0	10,896	14.0	3,784	0	761	280	4,824	6.2	15,721	16,632	2,534	3,445	4.4	27,752	35.7	43,472	55.9
9	2013	744.2	10,537	0	10,537	14.2	3,898	0	726	288	4,912	6.6	15,449	15,824	2,610	2,985	4.0	27,805	37.4	43,254	58.1
10	2014	727.1	10,127	0	10,127	13.9	4,015	0	691	297	5,003	6.9	15,130	16,330	2,688	3,888	5.3	26,783	36.8	41,913	57.6
11	2015	747.3	9,837	0	9,837	13.2	4,135	0	657	305	5,096	6.8	14,934	17,054	2,768	4,888	6.5	28,242	37.8	43,176	57.8
12	2016	749.6	9,553	0	9,553	12.7	4,259	0	622	315	5,196	6.9	14,749	16,960	2,852	5,062	6.8	29,842	39.8	44,591	59.5
13	2017	756.9	9,235	0	9,235	12.2	4,387	0	588	324	5,299	7.0	14,534	18,202	2,937	6,604	8.7	30,727	40.6	45,262	59.8
14	2018	746.4	8,878	0	8,878	11.9	4,519	0	553	334	5,406	7.2	14,284	17,613	3,025	6,354	8.5	30,784	41.2	45,068	60.4
15	2019	750.4	8,554	0	8,554	11.4	4,654	0	519	344	5,517	7.4	14,071	18,765	3,116	7,810	10.4	31,526	42.0	45,597	60.8
16	2020	768.7	8,265	0	8,265	10.8	4,794	0	484	354	5,632	7.3	13,897	20,169	3,209	9,481	12.3	32,992	42.9	46,889	61.0
17	2021	761.8	7,952	0	7,952	10.4	4,938	0	449	365	5,752	7.6	13,704	19,216	3,306	8,818	11.6	33,964	44.6	47,668	62.6
18	2022	759.9	7,655	0	7,655	10.1	5,086	0	415	376	5,876	7.7	13,532	18,548	3,405	8,421	11.1	35,263	46.4	48,795	64.2
19	2023	771.2	7,331	0	7,331	9.5	5,239	0	380	387	6,006	7.8	13,337	21,002	3,507	11,172	14.5	35,986	46.7	49,323	64.0
20	2024	772.6	7,030	0	7,030	9.1	5,396	0	346	399	6,140	7.9	13,170	21,686	3,612	12,128	15.7	37,182	48.1	50,352	65.2
Net Present Value			106,291	0	106,291		37,017	0	7,354	2,734	47,105		153,396	128,615	24,781	0		270,859		424,255	
Nominal Levelized Cost ($/MWh)						14.5						6.4					0.0		36.9		57.8
Real Levelized Cost ($/MWh)						11.7						5.2					0.0		29.8		46.7

50% of Coyote Springs 2 (CCCT and Duct Burner)—Annual Value less Q2

Economic Analysis Detail

Assumptions

Installed Cost	44,413	2004 $000s	Fixed Charge	0	2004$ per kW-mo	Insurance Cost	133.24	2004 $000s	Nominal Discount 8.22 percent
Installed Cost	312	2004 $/kW	Fixed O&M	1.75	2004$ per kW-mo	Gas Transport	0.00	2004 $/dth/day	Real Discount 5.50 percent
Project Capacity	142.26	MW	Escalation Rates			General Inflation	3.0	percent	
Heat Rate	7,341	Btu/kWh	Fixed O&M	3.0	percent	Option Value	2,000	2004 $000s	
Gas Usage Rate	25.1	000s dth/day	Transportation	3.0	percent				

			Fixed Costs																	
			Capital Recovery and Miscellaneous				Operations & Maintenance													
	Year	Energy	Project	Fixed Chrg.	Total Costs		Fixed	Gtrans	PrTax	Insur.	Total Costs		Total Fixed Costs	Operating Margin	Option Value	Net Project Benefit		Total Variable Costs		Total Project Costs	
		(GWh)	($000s)	($000s)	($000s)	($/MWh)	($000s)	($000s)	($000s)	($000s)	($000s)	($/MWh)	($000s)	($000s)	($000s)	($000s)	($/MWh)	($000s)	($/MWh)	($000s)	($/MWh)
1	2005	697.5	8,994	0	8,994	12.9	3,077	0	1605	137	3,820	5.5	12,814	3,557	2,060	(7,196)	(10.3)	30,251	43.4	43,065	61.7
2	2006	707.5	8,778	0	8,778	12.4	3,169	0	584	141	3,895	5.5	12,674	3,865	2,122	(6,687)	(9.5)	30,713	43.4	43,387	61.3
3	2007	716.2	8,442	0	8,442	11.8	3,264	0	564	146	3,974	5.5	12,416	3,818	2,185	(6,413)	(9.0)	29,286	40.9	41,701	58.2
4	2008	727.3	8,158	0	8,158	11.2	3,362	0	543	150	4,055	5.6	12,213	3,910	2,251	(6,052)	(8.3)	28,724	39.5	40,938	56.3
5	2009	549.1	7,669	0	7,669	14.0	3,463	0	522	154	4,140	7.5	11,808	6,830	2,319	(2,659)	(4.8)	23,652	43.1	35,460	64.6
6	2010	514.6	7,409	0	7,409	14.4	3,567	0	501	159	4,227	8.2	11,636	8,342	2,388	(906)	(1.8)	23,190	45.1	34,826	67.7
7	2011	493.2	7,152	0	7,152	14.5	3,674	0	480	164	4,318	8.8	11,470	9,714	2,460	704	1.4	22,613	45.9	34,084	69.1
8	2012	468.8	6,888	0	6,888	14.7	3,784	0	459	169	4,412	9.4	11,301	10,592	2,534	1,824	3.9	21,719	46.3	33,019	70.4
9	2013	431.3	6,593	0	6,593	15.3	3,898	0	438	174	4,510	10.5	11,103	11,080	2,610	2,587	6.0	20,057	46.5	31,160	72.2
10	2014	395.3	6,289	0	6,289	15.9	4,015	0	417	179	4,611	11.7	10,900	11,810	2,688	3,597	9.1	18,215	46.1	29,115	73.7
11	2015	424.4	6,156	0	6,156	14.5	4,135	0	397	184	4,716	11.1	10,873	12,409	2,768	4,305	10.1	19,945	47.0	30,818	72.6
12	2016	430.3	5,986	0	5,986	13.9	4,259	0	376	190	4,825	11.2	10,811	12,553	2,852	4,593	10.7	20,888	48.5	31,699	73.7
13	2017	443.8	5,834	0	5,834	13.1	4,387	0	355	196	4,938	11.1	10,772	13,366	2,937	5,532	12.5	22,196	50.0	32,967	74.3
14	2018	448.2	5,617	0	5,617	12.5	4,519	0	334	202	5,054	11.3	10,671	13,376	3,025	5,730	12.8	22,151	49.4	32,822	73.2
15	2019	440.2	5,408	0	5,408	12.3	4,654	0	313	208	5,175	11.8	10,583	14,321	3,116	6,854	15.6	22,263	50.6	32,846	74.6
16	2020	458.1	5,273	0	5,273	11.5	4,794	0	292	214	5,300	11.6	10,573	15,073	3,209	7,710	16.8	23,929	52.2	34,503	75.3
17	2021	446.9	5,036	0	5,036	11.3	4,936	0	271	220	5,429	12.1	10,466	15,069	3,306	7,909	17.7	23,453	52.5	33,918	75.9
18	2022	490.4	4,948	0	4,948	10.1	5,086	0	250	227	5,563	11.3	10,512	14,881	3,405	7,774	15.9	26,085	53.2	36,597	74.6
19	2023	493.1	4,780	0	4,780	9.7	5,239	0	230	234	5,702	11.6	10,482	16,417	3,507	9,443	19.1	27,033	54.8	37,514	76.1
20	2024	506.0	4,629	0	4,629	9.1	5,396	0	209	241	5,845	11.6	10,474	17,191	3,612	10,329	20.4	28,339	56.0	38,813	76.7
Net Present Value			68,583	0	68,583		37,017	0	4,440	1,651	43,108		111,691	86,910	24,781	0		240,853		352,544	
Nominal Levelized Cost ($/MWh)						13.8						8.7					0.0		48.5		71.0
Real Levelized Cost ($/MWh)						11.2						7.0					0.0		39.2		57.4

50% of Coyote Springs 2 (CCCT and Duct Burner)—Annual Value

Economic Analysis Detail

Assumptions											
Installed Cost	69,986	2004 $000s	Fixed Charge	0	2004$ per kW-mo	Insurance Cost	209.96	2004 $000s	Nominal Discount	8.22	percent
Installed Cost	492	2004 $/kW	Fixed O&M	1.75	2004$ per kW-mo	Gas Transport	0.00	2004 $/dth/day	Real Discount	5.50	percent
Project Capacity	142.26	MW	Escalation Rates			General Inflation	3.0	percent			
Heat Rate	7,341	Btu/kWh	Fixed O&M	3.0	percent	Option Value	2,000	2004 $000s			
Gas Usage Rate	25.1	000s dth/day	Transportation	3.0	percent						

			Fixed Costs																	
			Capital Recovery and Miscellaneous				Operations & Maintenance													
	Year	Energy	Project	Fixed Chrg.	Total Costs		Fixed	Gtrans	PrTax	Insur.	Total Costs		Total Fixed Costs	Operating Margin	Option Value	Net Project Benefit		Total Variable Costs		Total Project Costs	
		(GWh)	($000s)	($000s)	($000s)	($/MWh)	($000s)	($000s)	($000s)	($000s)	($000s)	($/MWh)	($000s)	($000s)	($000s)	($000s)	($/MWh)	($000s)	($/MWh)	($000s)	($/MWh)
1	2005	718.1	13,295	0	13,295	18.5	3,077	0	954	216	4,247	5.9	17,542	3,606	2,060	(11,876)	(16.5)	31,102	43.3	48,644	67.7
2	2006	776.2	12,998	0	12,998	16.7	3,169	0	921	223	4,313	5.6	17,311	4,629	2,122	(10,561)	(13.6)	32,785	42.2	50,096	64.5
3	2007	744.3	12,442	0	12,442	16.7	3,264	0	888	229	4,382	5.9	16,824	4,169	2,185	(10,469)	(14.1)	30,041	40.4	46,864	63.0
4	2008	749.4	12,005	0	12,005	16.0	3,362	0	855	236	4,454	5.9	16,459	4,036	2,251	(10,172)	(13.6)	29,432	39.3	45,891	61.2
5	2009	928.9	11,734	0	11,734	12.6	3,463	0	822	243	4,529	4.9	16,263	12,902	2,319	(1,043)	(1.1)	31,960	34.4	48,223	51.9
6	2010	943.1	11,401	0	11,401	12.1	3,567	0	789	251	4,607	4.9	16,009	15,253	2,388	1,632	1.7	32,888	34.9	48,896	51.8
7	2011	923.5	11,004	0	11,004	11.9	3,674	0	756	258	4,689	5.1	15,693	16,723	2,460	3,490	3.8	32,189	34.9	47,882	51.8
8	2012	932.4	10,680	0	10,680	11.5	3,784	0	724	266	4,774	5.1	15,454	17,475	2,534	4,555	4.9	32,744	35.1	48,197	51.7
9	2013	875.4	10,312	0	10,312	11.8	3,898	0	691	274	4,863	5.6	15,175	16,814	2,610	4,249	4.9	32,261	36.9	47,436	54.2
10	2014	862.5	9,924	0	9,924	11.5	4,015	0	658	282	4,955	5.7	14,879	17,383	2,688	5,192	6.0	31,310	36.3	46,189	53.6
11	2015	885.2	9,654	0	9,654	10.9	4,135	0	625	291	5,051	5.7	14,705	18,071	2,768	6,134	6.9	32,826	37.1	47,530	53.7
12	2016	907.9	9,440	0	9,440	10.4	4,259	0	592	299	5,151	5.7	14,590	18,095	2,852	6,356	7.0	35,501	39.1	50,091	55.2
13	2017	928.3	9,167	0	9,167	9.9	4,387	0	559	308	5,255	5.7	14,422	19,391	2,937	7,907	8.5	36,958	39.8	51,380	55.3
14	2018	901.0	8,803	0	8,803	9.8	4,519	0	526	318	5,363	6.0	14,165	18,582	3,025	7,442	8.3	36,489	40.5	50,654	56.2
15	2019	900.5	8,495	0	8,495	9.4	4,654	0	493	327	5,475	6.1	13,970	19,882	3,116	9,028	10.0	37,211	41.3	51,181	56.8
16	2020	927.8	8,246	0	8,246	8.9	4,794	0	460	337	5,591	6.0	13,837	21,278	3,209	10,651	11.5	39,136	42.2	52,973	57.1
17	2021	933.3	7,985	0	7,985	8.6	4,938	0	428	347	5,712	6.1	13,697	20,462	3,306	10,070	10.8	40,818	43.7	54,515	58.4
18	2022	934.9	7,732	0	7,732	8.3	5,086	0	395	357	5,838	6.2	13,570	19,666	3,405	9,501	10.2	42,657	45.6	56,227	60.1
19	2023	950.7	7,433	0	7,433	7.8	5,239	0	362	368	5,968	6.3	13,401	22,170	3,507	12,276	12.9	43,538	45.8	56,939	59.9
20	2024	951.8	7,160	0	7,160	7.5	5,396	0	329	379	6,104	6.4	13,264	22,878	3,612	13,226	13.9	44,955	47.2	58,219	61.2
Net Present Value			104,442	0	104,442		37,017	0	6,997	2,602	46,615		151,058	126,276	24,781	0		325,058		476,115	
Nominal Levelized Cost ($/MWh)						12.2						5.5					0.0		38.1		55.8
Real Levelized Cost ($/MWh)						9.9						4.4					0.0		30.8		45.1

50% of Coyote Springs 2 (CCCT and Duct Burner)—Annual Value

Economic Analysis Detail

Assumptions

Installed Cost	77,576	2004 $000s	Fixed Charge	0	2004$ per kW-mo	Insurance Cost	232.73	2004 $000s	Nominal Discount 8.22 percent
Installed Cost	545	2004 $/kW	Fixed O&M	1.75	2004$ per kW-mo	Gas Transport	0.00	2004 $/dth/day	Real Discount 5.50 percent
Project Capacity	142.26	MW	Escalation Rates			General Inflation	3.0	percent	
Heat Rate	7,341	Btu/kWh	Fixed O&M	3.0	percent	Option Value	2,000	2004 $000s	
Gas Usage Rate	25.1	000s dth/day	Transportation	3.0	percent				

			Fixed Costs																	
			Capital Recovery and Miscellaneous				Operations & Maintenance													
Year		Energy (GWh)	Project ($000s)	Fixed Chrg. ($000s)	Total Costs ($000s)	Total Costs ($/MWh)	Fixed ($000s)	Gtrans ($000s)	PrTax ($000s)	Insur. ($000s)	Total Costs ($000s)	Total Costs ($/MWh)	Total Fixed Costs ($000s)	Operating Margin ($000s)	Option Value ($000s)	Net Project Benefit ($000s)	Net Project Benefit ($/MWh)	Total Variable Costs ($000s)	Total Variable Costs ($/MWh)	Total Project Costs ($000s)	Total Project Costs ($/MWh)
1	2005	809.1	14,320	0	14,320	17.7	3,077	0	1,057	240	4,374	5.4	18,694	4,815	2,060	(11,819)	(14.6)	26,104	32.3	44,797	55.4
2	2006	872.8	13,987	0	13,987	16.0	3,169	0	1,021	247	4,437	5.1	18,424	6,525	2,122	(9,778)	(11.2)	27,907	32.0	46,331	53.1
3	2007	895.5	13,574	0	13,574	15.2	3,264	0	984	254	4,503	5.0	18,078	7,757	2,185	(8,135)	(9.1)	29,129	32.5	47,207	52.7
4	2008	919.8	13,215	0	13,215	14.4	3,362	0	948	262	4,572	5.0	17,787	10,239	2,251	(5,297)	(5.8)	31,072	33.8	48,859	53.1
5	2009	928.9	12,823	0	12,823	13.8	3,463	0	911	270	4,645	5.0	17,467	12,902	2,319	(2,247)	(2.4)	31,960	34.4	49,427	53.2
6	2010	943.1	12,449	0	12,449	13.2	3,567	0	875	278	4,720	5.0	17,169	15,253	2,388	472	0.5	32,888	34.9	50,056	53.1
7	2011	923.5	12,011	0	12,011	13.0	3,674	0	839	286	4,799	5.2	16,810	16,723	2,460	2,372	2.6	32,189	34.9	49,000	53.1
8	2012	932.4	11,648	0	11,648	12.5	3,784	0	802	295	4,881	5.2	16,529	17,475	2,534	3,479	3.7	32,744	35.1	49,273	52.8
9	2013	875.4	11,243	0	11,243	12.8	3,898	0	766	304	4,967	5.7	16,210	16,814	2,610	3,214	3.7	32,261	36.9	48,471	55.4
10	2014	862.5	10,817	0	10,817	12.5	4,015	0	729	313	5,057	5.9	15,874	17,383	2,688	4,197	4.9	31,310	36.3	47,184	54.7
11	2015	885.2	10,509	0	10,509	11.9	4,135	0	693	322	5,150	5.8	15,659	18,071	2,768	5,180	5.9	32,825	37.1	48,484	54.8
12	2016	907.9	10,257	0	10,257	11.3	4,259	0	656	332	5,247	5.8	15,504	18,095	2,852	5,442	6.0	35,501	39.1	51,005	56.2
13	2017	928.3	9,947	0	9,947	10.7	4,387	0	620	342	5,349	5.8	15,295	19,391	2,937	7,033	7.6	36,958	39.8	52,253	56.3
14	2018	901.0	9,544	0	9,544	10.6	4,519	0	583	352	5,454	6.1	14,998	18,582	3,025	6,609	7.3	36,489	40.5	51,487	57.1
15	2019	900.5	9,199	0	9,199	10.2	4,654	0	547	363	5,564	6.2	14,763	19,682	3,116	8,235	9.1	37,211	41.3	51,974	57.7
16	2020	927.8	8,912	0	8,912	9.6	4,794	0	510	373	5,678	6.1	14,590	21,278	3,209	9,898	10.7	39,136	42.2	53,726	57.9
17	2021	933.3	8,613	0	8,613	9.2	4,938	0	474	385	5,796	6.2	14,410	20,462	3,306	9,358	10.0	40,818	43.7	55,228	59.2
18	2022	934.9	8,322	0	8,322	8.9	5,086	0	437	396	5,920	6.3	14,242	19,666	3,405	8,829	9.4	42,657	45.6	56,899	60.9
19	2023	950.7	7,986	0	7,986	8.4	5,239	0	401	408	6,048	6.4	14,033	22,170	3,507	11,644	12.2	43,536	45.8	57,571	60.6
20	2024	951.8	7,675	0	7,675	8.1	5,396	0	365	420	6,181	6.5	13,856	22,878	3,612	12,635	13.3	44,955	47.2	58,811	61.8
Net Present Value			113,491	0	113,491		37,017	0	7,756	2,884	47,656		161,148	136,366	24,781	0		316,750		477,898	
Nominal Levelized Cost ($/MWh)						12.9						5.4					0.0		36.1		54.4
Real Levelized Cost ($/MWh)						10.4						4.4					0.0		29.2		44.0

50% of Coyote Springs 2 (CCCT and Duct Burner)—Annual Value

Economic Analysis Detail

Assumptions

Installed Cost	45,665	2004 $000s	Fixed Charge	0	2004$ per kW-mo	Insurance Cost	136.99	2004 $000s	Nominal Discount 8.22 percent
Installed Cost	321	2004 $/kW	Fixed O&M	1.75	2004$ per kW-mo	Gas Transport	0.00	2004 $/dth/day	Real Discount 5.50 percent
Project Capacity	142.26	MW	Escalation Rates			General Inflation	3.0	percent	
Heat Rate	7,341	Btu/kWh	Fixed O&M	3.0	percent	Option Value	2,000	2004 $000s	
Gas Usage Rate	25.1	000s dth/day	Transportation	3.0	percent				

			Fixed Costs																	
			Capital Recovery and Miscellaneous				Operations & Maintenance													
Year		Energy	Project	Fixed Chrg.	Total Costs		Fixed	Gtrans	PrTax	Insur.	Total Costs		Total Fixed Costs	Operating Margin	Option Value	Net Project Benefit		Total Variable Costs		Total Project Costs	
		(GWh)	($000s)	($000s)	($000s)	($/MWh)	($000s)	($000s)	($000s)	($000s)	($000s)	($/MWh)	($000s)	($000s)	($000s)	($000s)	($/MWh)	($000s)	($/MWh)	($000s)	($/MWh)
1	2005	718.1	9,244	0	9,244	12.9	3,077	0	622	141	3,841	5.3	13,084	3,594	2,060	(7,430)	(10.3)	31,113	43.3	44,197	61.5
2	2006	729.5	9,024	0	9,024	12.4	3,169	0	601	145	3,916	5.4	12,940	3,903	2,122	(6,915)	(9.5)	31,632	43.4	44,571	61.1
3	2007	740.0	8,681	0	8,681	11.7	3,264	0	579	150	3,994	5.4	12,675	3,856	2,185	(6,634)	(9.0)	30,221	40.8	42,898	58.0
4	2008	754.8	8,395	0	8,395	11.1	3,362	0	558	154	4,075	5.4	12,470	3,949	2,251	(6,270)	(8.3)	29,769	39.4	42,238	56.0
5	2009	581.4	7,913	0	7,913	13.6	3,463	0	537	159	4,159	7.2	12,071	7,003	2,319	(2,750)	(4.7)	25,002	43.0	37,073	63.8
6	2010	542.5	7,640	0	7,640	14.1	3,567	0	515	164	4,246	7.8	11,886	8,532	2,388	(966)	(1.8)	24,407	45.0	36,293	66.9
7	2011	519.3	7,374	0	7,374	14.2	3,674	0	494	168	4,336	8.3	11,710	9,899	2,460	649	1.2	23,778	45.8	35,488	68.3
8	2012	499.2	7,114	0	7,114	14.3	3,784	0	472	174	4,430	8.9	11,544	10,791	2,534	1,781	3.6	23,086	46.2	34,629	69.4
9	2013	472.4	6,835	0	6,835	14.5	3,898	0	451	179	4,527	9.6	11,362	11,534	2,610	2,782	5.9	21,912	46.4	33,274	70.4
10	2014	439.2	6,530	0	6,530	14.9	4,015	0	429	184	4,628	10.5	11,159	12,297	2,688	3,826	8.7	20,185	46.0	31,344	71.4
11	2015	466.4	6,389	0	6,389	13.7	4,135	0	408	190	4,733	10.1	11,122	12,809	2,768	4,456	9.6	21,861	46.9	32,982	70.7
12	2016	482.6	6,239	0	6,239	12.9	4,259	0	386	195	4,841	10.0	11,080	13,044	2,852	4,816	10.0	23,348	48.4	34,428	71.3
13	2017	497.3	6,086	0	6,086	12.2	4,387	0	365	201	4,953	10.0	11,039	13,826	2,937	5,723	11.5	24,780	49.8	35,819	72.0
14	2018	498.0	5,853	0	5,853	11.8	4,519	0	343	207	5,069	10.2	10,923	13,770	3,025	5,873	11.8	24,530	49.3	35,452	71.2
15	2019	487.2	5,634	0	5,634	11.6	4,654	0	322	213	5,190	10.7	10,824	14,896	3,116	7,188	14.8	24,567	50.4	35,391	72.6
16	2020	504.8	5,496	0	5,496	10.9	4,794	0	300	220	5,314	10.5	10,810	15,539	3,209	7,939	15.7	26,279	52.1	37,089	73.5
17	2021	504.1	5,278	0	5,278	10.5	4,938	0	279	226	5,443	10.8	10,722	15,682	3,306	8,266	16.4	26,347	52.3	37,068	73.5
18	2022	559.0	5,214	0	5,214	9.3	5,086	0	258	233	5,577	10.0	10,791	15,435	3,405	8,050	14.4	29,598	53.0	40,388	72.3
19	2023	551.9	5,020	0	5,020	9.1	5,239	0	236	240	5,715	10.4	10,734	16,899	3,507	9,671	17.5	30,132	54.6	40,866	74.0
20	2024	566.2	4,869	0	4,869	8.6	5,396	0	215	247	5,858	10.3	10,727	17,710	3,612	10,595	18.7	31,582	55.8	42,309	74.7
Net Present Value			70,895	0	70,895		37,017	0	4,565	1,697	43,280		114,174	89,393	24,781	0		256,602		370,776	
Nominal Levelized Cost ($/MWh)						13.2						8.1					0.0		47.8		69.1
Real Levelized Cost ($/MWh)						10.7						6.5					0.0		38.6		55.8

In addition to the basic value of the one-half portion of Coyote Springs 2 (CS2) combined cycle combustion turbine project captured in the Aurora hourly dispatch model, the Company also estimated the value that results from trading in and out of the fueled state for the CS2 project. When a natural gas plant is fueled, based on economics, it may later be un-fueled (electricity purchased and natural gas sold) when the relative market implied heat rate economics change. Subsequently, if the relative electric and natural gas prices again change, the plant may be fueled again. These "heat rate swaps" are driven by the changing relative forward price economics of the plant. These option value swap transactions add to the overall plant economics.

The Company developed a back-cast model to estimate some potential values for different historic data periods. The model output is an estimate of potential option values for half of the CS2 plant using different sets of historic data. The model used historical daily forward electric and natural gas price curves from the Company's power transaction records system (Nucleus). Mid-Columbia prices were used for electric power. Since the Company has tracked daily forward Rathdrum prices, and because those prices are close to natural gas prices at Stanfield, those prices were used for forward natural gas prices. Three different periods were modeled including a 37-month, a 25-month, and a 13-month period. Monthly flat forward electric and natural gas prices for each of the twelve forward months were captured for each trading day (typically five days per week) of the period being modeled. The plant's corresponding cost to generate was calculated using forward natural gas prices, estimated O&M costs and the plant's net heat rate[1]. The cost to generate ($/MWh) is calculated as follows:

(Net heat rate/1000) x (natural gas price/Dth) + (O&M cost/MWh)

For each trading day, a "generate vs. buy" comparison was made for each forward month between the cost to generate and market price of power. For any given forward month, the initial status of the plant is assumed to be off-line, or "unfueled." Therefore, the first decision that the model had to make is when to purchase fuel and sell electric energy, or "fuel" the plant. When the initial decision was made to fuel the plant for a forward month, the total margin value ($/MWh) was then calculated based on the following formula:

(Electric market price/MWh – cost to generate/MWh) x plant availability x hours in the month

As the model moved through the trading days, if the plant became uneconomic for a forward month for which was previously fueled, the model would unfuel the plant (sell natural gas and purchase electric power) and calculate the margin ($/MWh) based on the following formula:

(Cost to generate/MWh – electric market price/MWh) x plant capability x hours in the month

[1] Net hear rate includes the BPA transmission losses of 1.9% to deliver CS2 power to Avista's system or the Mid-Columbia.

As the model moved through the trading days, the state of the plant (fueled or unfueled) was tracked for each forward month. As opportunities arose, the plant was either unfueled or fueled based on the changing forward prices for the 12-month forward period. The model was limited to the extent it could only fuel or unfuel the plant when the value of the deal was greater than or equal to $1/MWh threshold.

Also, in order to avoid capturing value that was already accounted for in the Aurora hourly dispatch analysis, the status of the plant must always have been in an unfueled state before the forward month became the current month in order to avoid double counting. To ensure this, the model checked to see if the plant was in an unfueled state. If the plant was in a fueled state, then the value of the last fueling transaction was removed, including the value it created, in order to return the plant to the unfueled state.

Results for the three periods modeled for the second half of CS2 were as follows:

	7-1-01 thru 7-31-04	7-1-02 thru 7-31-04	7-1-03 thru 7-31-04
Total Value	$ 33,781,422	$ 12,955,663	$ 5,665,707
Average Value/month	$ 913,011	$ 518,227	$ 435,824
Average Value/year	$ 10,956,137	$ 6,218,718	$ 5,229,884

The Company chose to use $2 million per year as conservative value that would escalate with inflation over the period of the economic analysis.

CSII Acquisition Rate Impact Analysis
September 21, 2004 Update

Year	Revenue Regment ($000s)	Rate Impact ($000)	Rate Impact (percent)
2005	450,000	10,499	2.3%
2006	468,000	9,188	2.0%
2007	486,720	9,179	1.9%
2008	506,189	8,920	1.8%
2009	526,436	401	0.1%
2010	547,494	(2,159)	-0.4%
2011	569,394	(3,983)	-0.7%
2012	592,169	(5,012)	-0.8%
2013	615,856	(4,493)	-0.7%
2014	640,490	(5,337)	-0.8%
2015	666,110	(6,278)	-0.9%
2016	692,754	(6,394)	-0.9%
2017	720,464	(7,877)	-1.1%
2018	749,283	(7,567)	-1.0%
2019	779,254	(8,965)	-1.2%
2020	810,425	(10,577)	-1.3%
2021	842,842	(9,855)	-1.2%
2022	876,555	(9,400)	-1.1%
2023	911,617	(12,093)	-1.3%
2024	948,082	(12,990)	-1.4%
	Net Present Values		
20 Years	***5,850,503***	***(5,744)***	-0.1%
5 Years	***1,923,151***	***31,563***	1.6%

NOTES:

1) Excludes potential Q2 revenues through 2008

2) Assumes $450MM base revenue requirement, escalating @ 4% per year.