

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
RESPONSE TO DATA REQUEST

DATE PREPARED: May 22, 2000
CASE NO: UE-991606
UG-991607
REQUESTER: Avista Corporation

WITNESS: Alan Buckley
RESPONDER: Alan Buckley
TELEPHONE: (360) 664-1306

REQUEST NO. 111:

RE: Page 31. On page 31 Mr. Buckley states that "Staff is attempting to capture the ability of the Company to operate the hydro generation facilities in a manner that optimizes value." Is it true that the point to Mr. Buckley's testimony on pages 29-33 is that he believes that the average purchase prices for the Company from the Dispatch Model are over-stated, and the average sales prices are under-stated, because of the heavy-load and light-load issues discussed in his testimony?

RESPONSE:

The statement is not referring specifically to prices contained in the Dispatch Model. The statement is referring to the operational fact that some of the Company's hydro-facilities can be operated in such a manner as to optimize sales and purchase transactions carried out by the Company. The Company's own words in its Application for New License submitted to FERC says that "Meeting daily demands through production at the Clark Fork Projects reduces the need to purchase high cost energy during peak demand times. This keeps overall company costs down, thereby keeping the retail customer energy prices lower than they would be otherwise." (Page B-13, Volume I, Application for New License, Cabinet Gorge and Noxon Hydroelectric Projects.) This is the benefit that Staff is attempting to capture, benefits that are not captured in the monthly Dispatch Model.

WUTC		
DOCKET NO. <u>UE-991606</u>		
EXHIBIT # <u>558</u>		
ADMIT	W/D	REJECT
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

B.3 POWER UTILIZATION

Power and energy generated at the projects will be sold to the retail customers of Avista Corp. During periods of above average streamflows, additional energy is produced. Energy that is in excess of retail customer requirements will be sold on the wholesale energy market to other utilities and energy marketing organizations in the western part of North America. The wholesale energy market is an "open" market, with energy prices determined by supply and demand relationships. The value of energy produced during the day, Monday through Friday, when demand is highest, is more than during off peak times.

A representative hourly production schedule is shown in Exhibit H, Figure H.2.-1.

Meeting daily demands through production at the Clark Fork Projects reduces the need to purchase high cost energy during peak demand times. This keeps overall company costs down, thereby keeping the retail customer energy prices lower than they would be otherwise.

The amount of energy used at Noxon Rapids for station service (pumps, heaters, etc.) is expected to be approximately 3,000 MWh per year. Cabinet Gorge is estimated to use 1,900 MWh per year.

B.4 FUTURE DEVELOPMENT

At this time, Avista Corp. has no plans for additional waterpower developments on the Clark Fork River. Turbine and generator upgrades are expected. The turbine and generator upgrade of Unit 3 at Cabinet Gorge which was approved by FERC in 1995 is currently scheduled for construction in 2000.

the largest of which is Thompson Falls, do not regulate the amount of water that passes downstream (see Figure H.1.2-1 for a map of the whole system). In accordance with the PNCA, Avista Corp. sends information concerning actual and planned discharge rates from Cabinet Gorge to control centers associated with downstream hydroelectric projects. The original license for Cabinet Gorge does not address the subject of discharge forecast information to downstream project operators.

H.1.3 COORDINATION WITH OTHER ELECTRIC SYSTEMS – MINIMIZING COSTS

The Clark Fork Projects are operated in concert with Avista Corp.'s other electrical resources to minimize the cost of production. Generator output is monitored to maximize the production of energy from the available streamflow while leaving capacity in reserve for quick response when additional electricity is required. The projects are also used for voltage and frequency stabilization of the electrical transmission network.

Avista Corp. is a member of both the Western Systems Coordinating Council (WSCC) and the Northwest Power Pool (NWPP). The intent of the WSCC and its member systems is to establish performance standards that will ensure a reliable and adequate electric power system for the western part of the continental United States, Canada, and Mexico.

H.2 SHORT AND LONG-TERM NEED FOR PROJECT GENERATION

The Clark Fork Projects were constructed by Washington Water Power (WWP), Avista Corp.'s predecessor, to meet the electrical needs of the region and its customers. These projects consist of nine turbine/generators with a maximum capability of producing over one million horsepower, which equates to a generating capacity of about 697 MW. In an average year the Clark Fork Projects produce over 2.8 million megawatt-hours (MWhs), which is produced without burning any fossil fuel or creating any waste by-products (see Section H.2.1-1 for costs of alternative energy sources).

Throughout each day, there is a constant level of electricity needed to meet customer's basic electrical demand. This is the "base load." It is common, however, for Avista Corp. customer demand or load to "swing" 30 to 40 percent (500 to 600 MW) above the base load during any one 24-hour period. This swing or spike in customer demand for electricity is referred to as the "peak." Peaks also occur weekly and seasonally. Daily peaks typically occur in the morning and evening when people are home preparing meals, while seasonal peaks are a reflection of extremes in weather conditions.

Most of Avista Corp.'s base load requirements are met by coal, wood, Spokane River hydro and contracts. Generation from the Clark Fork Projects makes up a substantial portion of Avista Corp.'s daily peak-system electric needs. To help Avista Corp. serve its peak customer demand, some water is stored in the Noxon and Cabinet Gorge reservoirs at night, saving it to be used to generate power during the day when it is needed. This operation also allows the projects to play a key role in providing load following for Avista Corp. customers and those of other utilities including Montana Power Company. An example of daily load, showing peak generation from Noxon Rapids and Cabinet Gorge in relation to Avista Corp.'s base-load resources, is represented in Figure H.2-1.

Based on the 1997 Integrated Resource Plan without the Clark Fork Projects Avista Corp. would have energy and capacity deficits every year.

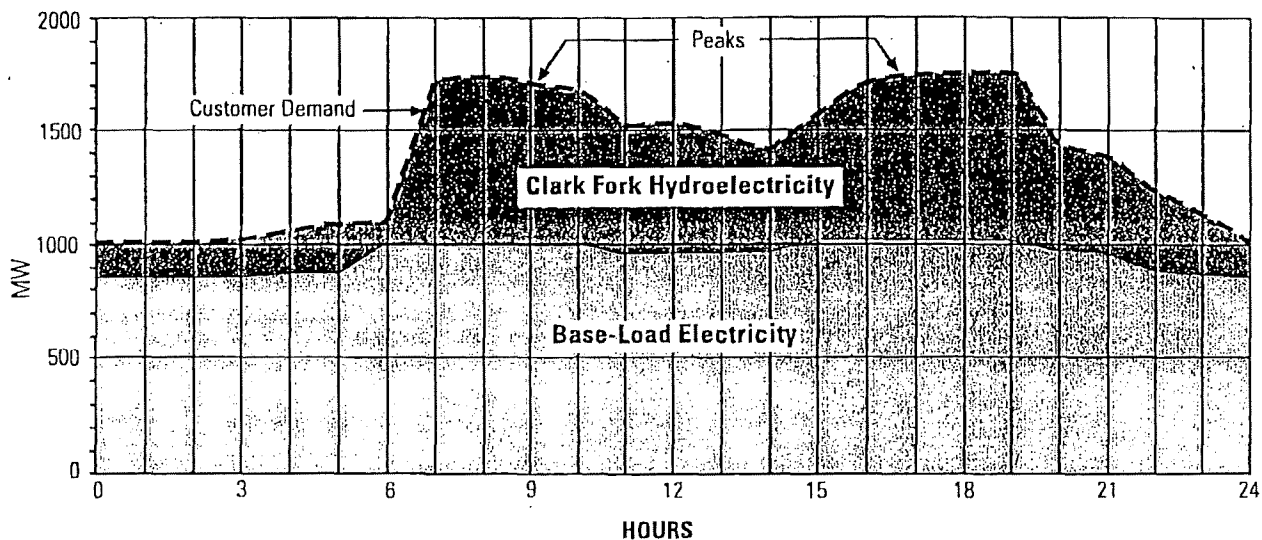


Figure H.2-1 Customer demand and WWP electric generation

H.2.1 COST AND AVAILABILITY OF ALTERNATIVES

If a license for the Clark Fork Projects were denied, obtaining replacement power and generation flexibility to meet the requirements of Avista Corp. customers could be difficult. The acquisition of resource alternatives is likely to subject customers to higher future electricity prices. The ability to defer the need to develop new generation facilities through successful relicensing efforts will benefit Avista Corp. customers and consequently benefit Avista Corp.