

- 1 **8. The Commission should reject the “bidding factors” applied by the**
 2 **Company in the Aurora model. The purpose of bidding factors is to force**
 3 **the model to replicate the results of Avista’s forward curve. However,**
 4 **forward curves present just one more forecast methodology which**
 5 **changes over time. There is no reason to elevate the significance of the**
 6 **forward curve over the model result. The Stipulation appears to utilize**
 7 **the same bidding factors as the Avista filing. Table 1 shows the impact of**
 8 **this adjustment.**
- 9 **9. Avista has made pro-forma adjustments related to wheeling expense and**
 10 **the Kaiser DES contract. These adjustments are based on**
 11 **unrepresentative data and/or are unsupported by the Company. Again,**
 12 **these issues are apparently not addressed in the Stipulation. Reversing**
 13 **these adjustments results in further power supply cost reductions shown**
 14 **in Table 1.**
- 15 **10. I recommend the Commission reject the Stipulation proposal to narrow**
 16 **the ERM deadband to \$3.0 million and instead terminate the ERM at the**
 17 **end of 2005. I recommend the Commission clarify the requirements for**
 18 **Avista to file deferral applications in situations where power costs**
 19 **variations are substantial.**

Table 1
 Summary of Recommended Adjustments
 \$1000

	Total Company	Washington Jurisdiction <hr/> 65.16%
I. Aurora Power Supply Cost Issues:	-\$21,510	-\$14,016
1 1939-1978 Year "Filtered Hydro"	-\$8,346	-\$5,438
2 Hydro Shaping	-\$4,260	-\$2,776
3 Colstrip Capacity	-\$2,197	-\$1,432
4 Colstrip Planned Outages	-\$2,521	-\$1,643
5 Colstrip Outage Rate	-\$1,220	-\$795
6 Generic Plant Maintenance	-\$550	-\$358
7 Bidding Factors	-\$2,416	-\$1,574
II. Other Power Supply Cost Issues:	-\$441	-\$287
1 Wheeling Expense	-\$122	-\$79
2 Kaiser DES Contract	-\$319	-\$208
Total Power Supply Cost Adjustments:	-\$21,951	-\$14,303
Avista Request	\$125,959	\$82,075
Total ICNU Recommended Power Supply Costs	\$104,008	\$67,772
Stipulation Adjustments	-\$1,521	-\$991
Total Stipulation Power Supply Costs	\$124,438	\$81,084
Rate Base Adjustment (Increase - Colstrip Upgrade)	\$1,945	\$1,267
Depreciation Adjustment (Increase - Colstrip Upgrade)	\$100	\$65