

- 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 <u>65.16%</u>
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:	-\$441,519	-\$287,338
1 Wheeling Expense	-\$122,200	-\$79,130
2 Kaiser DES Contract	-\$319	-\$208
Total Power Supply Cost Adjustments:	-\$21,951,220,029	-\$14,303,14,354
Avista Request	\$125,959	\$82,075
Total ICNU Recommended Power Supply Costs	\$104,008,103,930	\$67,772,67,724
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