

**AVISTA UTILITIES
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	Washington	DATE PREPARED:	2/18/00
DOCKET NO:	UE-991606	WITNESS:	William Johnson
	UG-991607		
REQUESTER:	ICNU	RESPONDER:	William Johnson
TYPE:	Data Request	DEPT:	Resource Optimization
DUE DATE:	2/21/00	TELEPHONE:	(509) 495-4046
REQUEST NO.:	31		

REQUEST:

With regard to Exhibit T-43, page 9, lines 16-18, why are purchases and sales of more than one year being excluded from the mechanism?

RESPONSE:

Purchases and sales of more than one year are not excluded from the PCA mechanism. They are included in the long-term system obligations and resources in the PCA, as well as being included in the Company's Dispatch Simulation Model that was used to determine the monthly system purchases and sales. Purchases and sales of more than one year are excluded from the calculation of the monthly short-term energy price that is used in the PCA calculation.

Short-term energy purchases and sales are used in the proposed PCA to calculate a monthly energy price, which is then used to value system purchases and sales in that month. Short-term purchases and sales best represent the energy price that determines Avista's cost of purchasing to meet system deficits or the revenue generated from selling system surpluses. Avista defines short-term purchases and sales as being one year or less, although the vast majority of the short-term purchases and sales are for transactions of one month or less.

The mechanism is designed to true up power supply expenses to the level included in base rates due to changes in hydro generation and changes in the short-term energy prices. Purchases and sales of more than one year are included in the long-term system obligations and purchases in the PCA, but are excluded from the calculation of the monthly short-term energy price.

WUTC		
DOCKET NO.	<u>UE-991606</u>	
EXHIBIT #	<u>425</u>	
ADMIT	W/D	REJECT
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>