

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF AVISTA )**  
**CORPORATION'S "REVISED" APPLICATION )** **CASE NO. AVU-E-06-4**  
**TO INCORPORATE REVISIONS TO TARIFF )**  
**SCHEDULES 62 AND 70 AND THE ADDITION )** **ORDER NO. 30111**  
**OF A NEW TARIFF SCHEDULE 63 )**

---

On June 19, 2006, Avista Corporation ("Avista" or "Company") filed a revised Application with the Commission seeking authority to incorporate certain revisions into its tariff Schedules 62 and 70 and to add a new Schedule 63. On July 7, 2006, the Commission issued a Notice of Application and Modified Procedure requesting comments from interested parties. Order No. 30093. The only comments received were submitted by the Staff.

**THE APPLICATION**

According to the Application, the three areas of revision of the tariff are: (1) new tariff language on interconnection standards for net-metered projects less than 25 kW; (2) new and updated definitions for small power projects; and (3) housekeeping changes to clarify verbiage. Schedule 62 of the proposed tariff sets forth terms and conditions related to the Cogeneration and Small Power Production Schedule. The newly created Schedule 63 includes the net metering provisions previously contained in Schedule 62. The updated definitions include definitions for a Market Energy Rate and a Daily Shape Adjustment.

The tariff changes also include an administrative change to reflect the modification in applicability in Schedule 62 to qualifying facilities with a generation capacity no more than 10 average megawatts (aMW), and to clarify or delete certain verbiage as appropriate. Avista further proposes adding language setting forth rules and regulations for Interconnection Standards to Schedule 70.

**STAFF COMMENTS**

**Daily Shape Adjustment**

Staff noted that this proposed change is likely the most significant of all set forth in the Application. The proposed Daily Shape Adjustment would create a difference between on-peak and off-peak avoided cost rates of \$5 per MWh. The Daily Shape Adjustment would be prorated based on two-thirds of the hours in a day being on-peak and one-third being off-peak.

The effect of the proposed change would be that projects generating more during on-peak hours would receive greater revenue than if no Daily Shape Adjustment was applied, and projects generating more during off-peak hours would receive less revenue. Projects with a flat generation shape spread evenly throughout the day would receive the same revenue and be unaffected by the Daily Shape Adjustment.

The Daily Shape Adjustment would be in addition to the seasonalization factor currently employed by Avista that recognizes that power delivered to the utility is more or less valuable during certain times of the year than others. While neither adjustment mechanism is particularly accurate, both adjustments produce rates that are closer to real-time rates than if no adjustments were made. Avista believes that the proposed Daily Shape Adjustment provides a measure of protection to the Company for power purchases that are not evenly delivered across all hours and provides incentive for power producers to deliver power during more valuable hours.

One of Staff's concerns with a Daily Shape Adjustment is that it could introduce some uncertainty in the monthly payments to a small power producer because many small power producers have no way of accurately knowing how many kilowatt-hours their project will produce in on-peak vs. off-peak hours. Another concern of Staff is the need for hourly metering capability at all future projects. Some existing projects, particularly if they are very small, do not have hourly metering capability. Staff's final concern is that adoption of a Daily Shape Adjustment introduces additional complexity to an already fairly complex system of avoided cost rates.

Despite the concerns discussed above, Staff recommended that the Daily Shape Adjustment be approved as proposed, and that it be a requirement for all future qualifying cogeneration and small power production facilities (QFs) with Avista contracts. Staff does not recommend that a Daily Shape Adjustment be required for Idaho Power and PacifiCorp at this time. To clarify how the Daily Shape Adjustment would be applied, Staff recommended that the following language be added to the definition of Daily Shape Adjustment:

The "Daily Shape Adjustment" increases the on-peak rate and decreases the off-peak rate such that the difference between the on-peak and off-peak rate is \$5/MWh and the average rate weighted by the number of on-peak and off-peak hours is equal to the unadjusted avoided cost.

## **Schedule 70 – Interconnection Standards**

One of Avista's proposed changes adds "Interconnection Standards" to the Company's "Rules and Regulations" tariff sheet 70-r through 70-x, describing general conditions, requirements and technical specifications for the safe and reliable operation of interconnected customer-owned generation facilities. This tariff language will provide standard guidelines for interconnection as more customers opt for or consider the addition of self-owned generation. Included in the Company's proposed revisions is information on general conditions such as applications and agreements, unauthorized connections, dedicated distribution transformer, metering, labeling, insurance and liability, future modification or expansion, customer-owned equipment protection and interconnection costs. Also included are technical specifications and interconnection requirements. The Company believes that these interconnection standards are "industry standards" and desires to have these included in its tariffs as customers express more interest in self-owned generation.

Avista's proposed interconnection standards are very similar to standards that Idaho Power has included in its Schedule 72 for many years. Those standards have proven adequate and have not led to customer complaints or confusion. Consequently, Staff believes that the proposed interconnection standards are acceptable and recommends that they be approved.

## **Schedule 62**

The Company has made several additions to the "Definitions" section to support tariff Schedule 62. These additions include the definitions for the following: Market Energy Rate, Daily Shape Adjustment, Facility, In-Service Date, Interconnection Service Agreement, Network Distribution System, Point of Common Coupling, Qualifying Facility, and Seasonal Factors. In addition, several administrative changes have been made to reflect the change in applicability of Schedule 62 to no more than 10 aMW and to clarify and/or delete verbiage under "Power Rates" to clarify the "Non-Firm Energy Rate" and the applicability of the Seasonal and Daily Shape Adjustments. Staff characterized these changes as "housekeeping" matters necessary either for clarification purposes or to insure that the tariff conforms to prior Commission orders.

### **Schedule 63 – Net Metering**

The Company removed the “Net Metering Option” from Schedule 62 and added this to a new Schedule 63 to be consistent with changes made to the Company’s Washington tariff. Staff has no objection to this change.

### **COMMISSION FINDINGS**

The Commission finds that the advantages of a Daily Shape Adjustment outweigh the disadvantages. Although imprecise, adding the Daily Shape Adjustment to the seasonalization factor more closely matches avoided cost rates to the true value of power at the time of delivery. The Commission finds that the proposed tariff and additional language in the definition for the Daily Shape Adjustment helps clarify the effective rates. The Commission finds that the other proposed changes to the tariff are acceptable, but we note that many of these topics are currently under review pursuant to the mandate under the Energy Policy Act of 2005 to consider certain standards for, *inter alia*, net metering, time-based metering and interconnection. The Commission will further review these terms and conditions at a later date to evaluate how they comport with the Commission’s consideration of these standards under the Energy Policy Act of 2005.

### **CONCLUSIONS OF LAW**

The Commission has jurisdiction over Avista Corporation dba Avista Utilities and the issues presented in Case No. AVU-E-06-4 pursuant to the authority granted in Idaho Code, Title 61 and the Commission’s Rules of Procedure, IDAPA 31.01.01.000 et seq. Pursuant to this authority, the Commission concludes that the modifications to Avista’s tariff are just and reasonable as required under *Idaho Code* §§ 61-301 and -307.

### **ORDER**

IT IS HEREBY ORDERED that the Application of the Company is hereby approved, with the addition of the following language to be added to the definition of the Daily Shape Adjustment in Schedule 62:

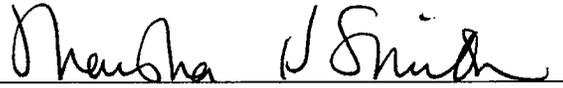
The "Daily Shape Adjustment" increases the on-peak rate and decreases the off-peak rate such that the difference between the on-peak and off-peak rate is \$5/MWh and the average rate weighted by the number of on-peak and off-peak hours is equal to the unadjusted avoided cost.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

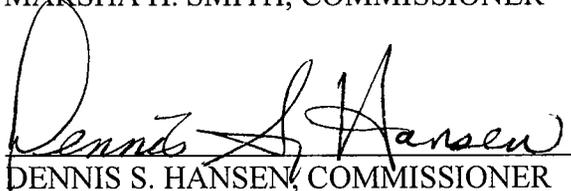
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 10<sup>th</sup> day of August 2006.



PAUL KJELLANDER, PRESIDENT



MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Barbara Barrows  
Assistant Commission Secretary

O:AVU-E06-04\_cg2