

DECISION MEMORANDUM

TO: COMMISSIONER KEMPTON
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
LEGAL
WORKING FILE

FROM: RICK STERLING *AVU-E-09-08*

DATE: AUGUST 19, 2009

RE: ADJUSTMENT TO AVISTA'S PUBLISHED AVOIDED COST RATES TO REFLECT COST OF CAPITAL APPROVED IN THE COMPANY'S LAST GENERAL RATE CASE, AVU-E-09-01

Pursuant to the Public Utility Regulatory Policies Act of 1978 (PURPA) and the implementing regulations of the Federal Energy Regulatory Commission (FERC), the Idaho Public Utilities Commission (Commission) has approved a Surrogate Avoided Resource (SAR) methodology for calculation of the avoided cost rates paid to PURPA qualifying cogeneration and small power production facilities (QFs) by Idaho Power Company, Avista Corporation and PacifiCorp. Avoided cost rates are the purchase price paid to QFs for purchases of QF capacity and energy.

On July 17, 2009, the Commission issued Order No. 30856 approving a joint motion by Avista and the Commission Staff for a Settlement Stipulation in Case No. AVU-E-09-01, the Company's most recent general rate case. On August 7, 2009, the deadline for filing petitions for reconsideration elapsed with no petitions being filed.

The conclusion of a general rate case triggers a revision and updated calculation of new PURPA avoided cost rates. The conclusion of a general rate case affects avoided cost rates because cost of capital figures are used in avoided cost computations in accordance with the approved methodology. The appropriate time to incorporate new cost of capital figures is following a general rate case.

Staff has computed revised avoided cost rates for Avista using new cost of capital figures. The revised rates are shown on the attached tables. The effect of Avista's new cost of

capital is an increase in avoided cost rates of less than \$1 per MWh for a 20-year levelized contract.

STAFF RECOMMENDATION

Staff recommends that Avista's published avoided cost rates be adjusted to incorporate new cost of capital figures as approved in Order No. 30856 issued in the Company's last general rate case. Staff recommends an effective date for the new rates of September 1, 2009.

COMMISSION DECISION

Does the Commission agree with Staff's recommendation for adjusting Avista's published avoided cost rates?


Rick Sterling

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AVISTA
AVOIDED COST RATES FOR FUELED PROJECTS
SMALLER THAN TEN MEGAWATTS
September 1, 2009
\$/MWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2009	2010	2011	2012	2013	2014		
1	21.61	21.93	22.26	22.60	22.94	23.28	2009	21.61
2	21.76	22.09	22.42	22.76	23.10	23.45	2010	21.93
3	21.91	22.24	22.58	22.92	23.26	23.61	2011	22.26
4	22.06	22.40	22.73	23.07	23.42	23.77	2012	22.60
5	22.21	22.55	22.88	23.23	23.58	23.93	2013	22.94
6	22.35	22.69	23.03	23.38	23.73	24.09	2014	23.28
7	22.50	22.83	23.18	23.53	23.88	24.24	2015	23.63
8	22.63	22.97	23.32	23.67	24.03	24.39	2016	23.99
9	22.77	23.11	23.46	23.81	24.17	24.53	2017	24.35
10	22.90	23.24	23.59	23.95	24.31	24.67	2018	24.71
11	23.03	23.37	23.72	24.08	24.44	24.81	2019	25.09
12	23.15	23.50	23.85	24.21	24.58	24.95	2020	25.46
13	23.27	23.62	23.98	24.34	24.70	25.08	2021	25.85
14	23.39	23.74	24.10	24.46	24.83	25.20	2022	26.24
15	23.50	23.86	24.22	24.58	24.95	25.33	2023	26.63
16	23.61	23.97	24.33	24.70	25.07	25.45	2024	27.04
17	23.72	24.08	24.44	24.81	25.19	25.56	2025	27.45
18	23.83	24.19	24.55	24.92	25.30	25.68	2026	27.86
19	23.93	24.29	24.66	25.03	25.40	25.79	2027	28.28
20	24.03	24.39	24.76	25.13	25.51	25.89	2028	28.71
							2029	29.14
							2030	29.58
							2031	30.03
							2032	30.49
							2033	30.95
							2034	31.42

EFFECTIVE DATE

ADJUSTABLE COMPONENT

9/1/2009

55.21

The total avoided cost rate in each year is the sum of the adjustable component and the fixed component from either of the tables above.

Example 1. A 20-year levelized contract with a 2009 on-line date would receive the following rates:

Years	Rate
1	23.66 + 55.21
2-20	23.66 + Adjustable component in each year

Example 2. A 4-year non-levelized contract with a 2009 on-line date would receive the following rates:

Years	Rate
1	21.26 + 55.21
2	21.58 + Adjustable component in year 2010
3	21.91 + Adjustable component in year 2011
4	22.23 + Adjustable component in year 2012

Note: The rates shown in this table have been computed using the Northwest Power and Conservation Council's December 29, 2008 Fuel Price Forecast. (See Order No. 30480).

AVISTA
AVOIDED COST RATES FOR NON-FUELED PROJECTS
SMALLER THAN TEN MEGAWATTS
September 1, 2009
\$/MWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2009	2010	2011	2012	2013	2014		
1	76.82	75.91	78.04	80.32	82.23	84.18	2009	76.82
2	76.38	76.93	79.13	81.24	83.17	85.14	2010	75.91
3	76.89	77.97	80.08	82.14	84.09	86.12	2011	78.04
4	77.65	78.91	80.98	83.03	85.03	87.07	2012	80.32
5	78.42	79.80	81.86	83.93	85.94	88.02	2013	82.23
6	79.19	80.66	82.73	84.80	86.85	88.94	2014	84.18
7	79.96	81.50	83.58	85.67	87.73	89.85	2015	86.18
8	80.74	82.33	84.42	86.52	88.60	90.73	2016	88.34
9	81.50	83.14	85.24	87.35	89.45	91.60	2017	90.43
10	82.25	83.93	86.04	88.17	90.28	92.45	2018	92.70
11	82.99	84.70	86.82	88.96	91.10	93.29	2019	94.89
12	83.71	85.45	87.59	89.74	91.90	94.10	2020	97.15
13	84.42	86.19	88.34	90.51	92.68	94.92	2021	99.46
14	85.11	86.90	89.07	91.25	93.46	95.74	2022	101.83
15	85.78	87.60	89.78	92.00	94.24	96.56	2023	104.26
16	86.44	88.29	90.49	92.74	95.02	97.37	2024	106.74
17	87.09	88.97	91.20	93.48	95.79	98.17	2025	109.29
18	87.73	89.64	91.90	94.21	96.55	98.95	2026	112.40
19	88.36	90.31	92.60	94.93	97.28	99.70	2027	115.61
20	88.99	90.97	93.28	95.62	97.99	100.44	2028	118.91
							2029	122.31
							2030	125.82
							2031	128.66
							2032	132.11
							2033	135.65
							2034	139.30

Note: The rates shown in this table have been computed using the Northwest Power and Conservation Council's December 29, 2008 Fuel Price Forecast. (See Order No. 30480).