

## DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSION SECRETARY  
LEGAL  
WORKING FILE**

**FROM: RICK STERLING**

**DATE: OCTOBER 3, 2011**

**RE: CASE NO. AVU-E-11-05; JOINT PETITION OF AVISTA  
CORPORATION AND STIMSON LUMBER COMPANY FOR  
APPROVAL OF AMENDMENT NO. 2 TO POWER PURCHASE  
AND SALE AGREEMENT**

On September 29, 2011, Avista Corporation (Avista; Company) and Stimson Lumber Company (Stimson) (collectively Parties) filed a Joint Petition with the Idaho Public Utilities Commission (Commission) for an Order approving Amendment No. 2 to the Power Purchase Agreement (Agreement) between Avista and Stimson. Amendment No. 2 extends the term of the Agreement for a period up to four months (Extension Period) and updates the Agreement to apply the current published avoided cost rates to all power purchases by Avista under the Agreement during the Extension Period.

Stimson Lumber Company operates a thermal wood waste small power electric generation plant at Plummer, Idaho. Stimson's facility is capable of generating up to approximately 6.5 MW of power. The facility is a qualifying facility (QF) pursuant to the Public Utility Regulatory Policies Act of 1978 (PURPA).

The original Agreement was approved by the Commission in Order No. 30224, issued on January 19, 2007. The original Term of the Agreement was five years and, therefore, the Agreement expired on September 30, 2011.

The Parties have reportedly been negotiating in good faith to replace the original Agreement with a new power purchase agreement. However, the Parties state that it will not be possible to execute a final power purchase agreement prior to the expiration of the original Agreement. Accordingly, the Parties have executed Amendment No. 2 to extend the term of the

Agreement to allow the Parties time to finalize a new power purchase agreement to replace the original Agreement. Specifically, the Amendment amends the original Agreement to extend the term as follows:

The Term of the Agreement shall be for the period commencing on the Effective Date of the Agreement and terminating on the earlier of; (i) the effective date of a new power purchase agreement between the Parties that provides for the sale of the output of the Facility to Avista, or (ii) January 2, 2012.

On August 30, 2011, the Commission issued Order No. 32337, in which the Commission revised the published avoided cost rates for PURPA contracts executed on or after August 30, 2011. Accordingly, the Amendment also amends the Agreement to apply the new applicable published avoided cost rates to the purchase by Avista of all output of the Facility during the Extended Period. The rates included in Amendment No. 2 are lower than the rates in the original Agreement; consequently, Staff has no objection to Amendment No. 2.

#### **STAFF RECOMMENDATION**

Staff recommends that the Commission issue an Order accepting Amendment No. 2 to the Agreement with an effective date of October 1, 2011, without further process.

  
Rick Sterling

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