

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE JOINT)
APPLICATION OF AVISTA CORPORATION) CASE NO. AVU-E-12-01
AND KOOTENAI ELECTRIC)
COOPERATIVE FOR APPROVAL OF A) ORDER NO. 32952
POWER PURCHASE AGREEMENT.)**

On November 20, 2013, Avista Corporation and Kootenai Electric Cooperative (Kootenai Electric) (collectively “the Parties”) filed a Joint Petition with the Commission requesting approval of an amendment to the existing Power Purchase Agreement (Agreement) between Avista and Kootenai Electric. The Parties request that the Agreement be extended through December 31, 2014.

Kootenai Electric is an electric cooperative that owns and operates a landfill gas electric power generating facility (the Project) located at the Kootenai County Solid Waste Facility near Bellgrove, Idaho. The Project is a qualifying facility under the applicable provisions of the Public Utility Regulatory Policies Act of 1978 (PURPA) and is capable of generating up to 3.2 megawatts (maximum capacity, nameplate) of energy. By this Order, the Commission approves the amendment to the Agreement between Avista and Kootenai Electric for the sale and purchase of electric energy.

THE AMENDMENT

Pursuant to the Power Purchase Agreement, Kootenai generates and delivers the net output of its facility to Avista’s electric system on an as-available basis. The Agreement was originally approved by the Commission in Case No. AVU-E-12-01 on February 15, 2012. Order No. 32459. The term of the original Agreement was due to expire on December 31, 2012. The parties requested, and the Commission approved, an amendment to the Agreement which extended the term through December 31, 2013. This second amendment requests an extension for an additional year, through December 31, 2014.

For the term of the Agreement, Avista will purchase the net output of the facility that is delivered to the point of delivery. Avista will purchase such net output (up to a maximum of 10 aMW) at a rate equal to the lesser of (i) 85 percent of the weighted average of the daily on-peak and off-peak Powerdex Mid-Columbia Hourly Index, or (ii) the applicable rate based upon

the on-Peak or off-Peak avoided cost rates for non-fueled projects smaller than 10 average megawatts (non-levelized) in effect on the effective date (“avoided cost rates”).

The Parties request that the Commission approve the second amendment to the Agreement without change or condition, with an effective date of January 1, 2014, and declare that all payments made by Avista for purchases of energy under the Agreement be allowed as prudently incurred expenses for ratemaking purposes.

Staff reviewed the second amendment and confirmed that the rates contained in the Agreement have been properly updated to include the Commission-approved published avoided cost rates for 2014. Consequently, Staff recommended that the second amendment be approved by the Commission without further process.

DISCUSSION AND CONCLUSIONS

The Idaho Public Utilities Commission has jurisdiction over Avista Corporation, an electric utility, and the issues raised in this matter pursuant to the authority and power granted it under Title 61 of the Idaho Code and the Public Utility Regulatory Policies Act of 1978 (PURPA). The Commission has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission (FERC) to set avoided costs, to order electric utilities to enter into fixed-term obligations for the purchase of energy from qualified facilities (QFs) and to implement FERC rules.

The Commission has reviewed the record in this case, including the Joint Petition, the Agreement, and the recommendation of Commission Staff. Avista will purchase the Project’s net output at the lesser of (i) 85% of the weighted average of the daily on-peak and off-peak Powerdex Mid-Columbia Hourly Index, or (ii) the applicable rate based upon the on-peak or off-peak avoided cost rates for non-fueled projects smaller than ten average megawatts – non-levelized – in effect on the effective date. We find that the amendments and avoided cost rates set out in the Agreement are just and reasonable. Therefore, we approve the amendment to continue the Agreement between Avista and Kootenai through December 31, 2014, or until such time as Kootenai provides Avista 30 days’ written notice of termination. We further approve use of the Powerdex index for pricing. We find it reasonable to allow payments made under the Agreement as prudently incurred expenses for ratemaking purposes.

ORDER

IT IS HEREBY ORDERED that the second amendment to the Power Purchase Agreement executed by Kootenai on November 7, 2013, between Avista Corporation and Kootenai Electric Cooperative is approved without change or condition.

IT IS FURTHER ORDERED that the Agreement shall be effective January 1, 2014.

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. 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 18th day of December 2013.



PAUL KJELLANDER, PRESIDENT



MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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