

DECISION MEMORANDUM

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

FROM: RICK STERLING

DATE: NOVEMBER 28, 2012

**RE: JOINT PETITION OF AVISTA CORPORATION AND KOOTENAI
ELECTRIC COOPERATIVE, INC. FOR APPROVAL OF AMENDMENT
TO POWER PURCHASE AGREEMENT; CASE NO. AVU-E-12-01**

On November 23, 2012, Avista Corporation ("Avista") and Kootenai Electric Cooperative, Inc. ("KEC") submitted a joint petition seeking Commission approval of an amendment to an existing power purchase agreement ("Amendment").

KEC is an electric cooperative with its headquarters in Hayden, Idaho, that owns and operates a landfill gas electric power generating facility located at the Kootenai County Solid Waste Facility near Bellgrove, Idaho ("Facility"). The Facility has a nameplate capacity of approximately 3.2 MW. The Facility is a Qualifying Facility pursuant to the Public Utility Regulatory Policies of Act of 1978 ("PURPA").

Under the power purchase Agreement, KEC 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 Order No. 32459 issued in Case No. AVU-E-12-01 on February 15, 2012. The term of the Agreement was originally due to expire on December 31, 2012. The Amendment extends the term of the Agreement for another year, through December 31, 2013.

On a long-term basis, Kootenai desires to sell the Facility's output to Idaho Power, rather than to Avista. *See* Case No. IPC-E-11-23. That proceeding is yet to be fully resolved, so in the meantime, Kootenai needs to extend its existing sales Agreement with Avista in order to continue to sell the Facility's output.

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) pursuant to Schedule 62 of its Idaho tariff at the lesser of (i) 85 percent of the weighted average of the daily on-peak and off-peak Dow Jones Mid-Columbia Non-Firm 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 ("Avoided Cost Rates"). Staff has reviewed the Amendment to confirm that the rates contained in Exhibit D have been properly updated to include the Commission-approved published avoided cost rates for 2013. Pursuant to the Amendment, the Agreement shall continue through December 31, 2013, unless the Agreement is terminated earlier pursuant to its terms. KEC may terminate the Agreement at any time during the term by providing Avista written notice 30 days before such termination.

Avista and KEC jointly request that the Commission issue an order (i) accepting the Agreement as amended by the Amendment, without change or condition, with an effective date of January 1, 2013, and (ii) declaring that all payments made by Avista for purchases of energy under the Agreement be allowed as prudently incurred expenses for ratemaking purposes.

STAFF RECOMMENDATIONS

Because the proposed Amendment simply extends the existing Agreement under its original terms, Staff does not believe further process or procedure is necessary. Staff recommends approval of the proposed Amendment, without change or condition, with an effective date of January 1, 2013. Staff further recommends that the Commission declare that all payments made by Avista for purchases of energy under the Agreement be allowed as prudently incurred expenses for ratemaking purposes.

COMMISSION DECISION

1. Does the Commission wish to accept the amended Agreement jointly submitted by Avista and KEC to extend their existing power sales Agreement by one year without change or condition, with an effective date of January 1, 2013?

2. Does the Commission wish to declare that all payments made by Avista for purchases of energy under the Agreement be allowed as prudently incurred expenses for ratemaking purposes?


Rick Sterling

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