

MAY 29 2013

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE ANNUAL UPDATE)
TO PUBLISHED AVOIDED COST RATES) CASE NOS. AVU-E-13-03
BASED ON THE UPDATED NATURAL GAS) IPC-E-13-13
PRICE FORECAST OF THE U.S. ENERGY) PAC-E-13-09
INFORMATION ADMINISTRATION (EIA) and)
UPDATED COST OF CAPITAL FOR AVISTA) ORDER NO. 32817
CORPORATION DBA AVISTA UTILITIES.)**

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 published avoided cost rates paid to PURPA qualifying cogeneration and small power production facilities (QFs) by Avista, Idaho Power and PacifiCorp. Avoided cost rates are the purchase price paid to QFs for purchases of QF capacity and energy. Two recent events have triggered an updated calculation of published avoided cost rates: (1) the release of a new natural gas price forecast by the U.S. Energy Information Administration (EIA) and (2) the conclusion of a general rate case for Avista.

EIA UPDATE TO THE NATURAL GAS PRICE FORECAST

One of the key input variables in the computation of published avoided cost rates is a long-term natural gas price forecast. In accordance with the methodology approved in Order No. 32697, the “reference case” natural gas price forecast for the Mountain Region’s Electric Power sector found in EIA’s *Annual Energy Outlook* is to be used as the basis for computing published avoided cost rates. In Order No. 32697, this Commission stated that each year the final release of the *Annual Energy Outlook* should automatically trigger a re-calculation of the published avoided cost rates. In Order 32802, the Commission clarified that the update should occur on June 1 or within 30 days of the final release of the *Annual Energy Outlook*, whichever is later. This clarification was to accommodate for the possibility that, in any given year, the final release of EIA data might not occur in time to meet a June 1 effective date.

AVISTA GENERAL RATE CASE

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.

Consequently, an appropriate time to incorporate new cost of capital figures is following a general rate case. On March 27, 2013, the Commission issued final Order No. 32769 in Avista's general rate case. See AVU-E-12-08. Pursuant to the Commission's Order, Avista's weighted cost of capital and carrying charge rate were updated.

REVISED PUBLISHED AVOIDED COST RATES

Commission Staff recomputed published avoided cost rates for Idaho Power and PacifiCorp using EIA's most recent annual natural gas price forecast. Staff recomputed avoided cost rates for Avista using EIA's most recent annual natural gas price forecast and Avista's updated cost of capital and carrying charge rate. Staff provided Avista, Idaho Power and PacifiCorp with worksheets on May 14, 2013, for review and comment showing the computation of the revised avoided cost rates. Idaho Power and PacifiCorp responded by letter accepting Staff's avoided cost calculations based on EIA's *Annual Energy Outlook 2013* natural gas price forecast and consistent with the Commission's approved SAR methodology. Avista responded by letter accepting Staff's avoided cost calculations based on EIA's *Annual Energy Outlook 2013* natural gas price forecast, Avista's new cost of capital, and consistent with the Commission's approved SAR methodology.

FINDINGS AND CONCLUSIONS

The Idaho Public Utilities Commission has jurisdiction over Avista Corporation dba Avista Utilities, Idaho Power Company and PacifiCorp dba Rocky Mountain Power 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 and to implement FERC rules.

Pursuant to its authority, the Commission has reviewed and considered the filings of record. We find that the accuracy of the calculations and resulting rates disseminated by Staff regarding EIA's most recent annual natural gas price forecast have not been challenged. The annual update to the SAR methodology's natural gas price forecast is a relatively simple arithmetic re-calculation. Likewise, we find that Avista concurs with the calculations based on its updated capital cost assumptions. We observe that the utilities noted what amount to clerical errors in the SAR model. These errors do not affect the re-calculation of avoided costs. We

find, based upon our review of the totality of the updates and resulting calculations, that the updated published avoided cost rates are fair, just and reasonable. We direct Staff to correct the clerical errors noted by the utilities.

ORDER

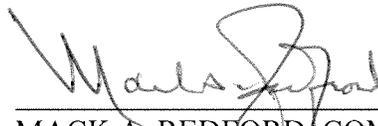
IT IS HEREBY ORDERED that the updates to published avoided cost rates for Avista, Idaho Power, and PacifiCorp are approved, effective June 1, 2013.

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 29th day of May 2013.



PAUL KJELLANDER, PRESIDENT

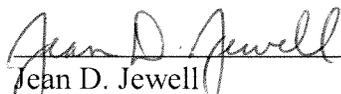


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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