



Avista Corp.
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Spokane, Washington 99220-0500
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January 21, 2014

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
P O Box 83720
Boise, ID 83720-0074

RECEIVED
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IDAHO PUBLIC
UTILITIES COMMISSION

Dear Ms. Jewell:

Re: Avista Application No. AVU-E-14-01

Dear Ms. Jewell:

Enclosed for filing with the Commission is an original and seven (7) copies of Avista Corporation, doing business as Avista Utilities application, proposing revisions to tariff Schedule 62 "Cogeneration and Small Power Production Schedule."

Please direct any questions on this matter to Clint Kalich, Manager of Resource Planning at (509) 495-4532 or Michael Andrea, Senior Counsel at (509) 495-2564.

Sincerely,

Linda Gervais
Manager, Regulatory Policy
Avista Utilities
linda.gervais@avistacorp.com
509-495-4975

Enclosures

1 MICHAEL G. ANDREA
2 SENIOR COUNSEL FOR
3 AVISTA CORPORATION
4 P.O. BOX 3727
5 1411 EAST MISSION AVENUE
6 SPOKANE, WASHINGTON 99220-3727
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9

10 BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

11 IN THE MATTER OF THE APPLICATION)
12 OF AVISTA CORPORATION FOR THE) CASE NO. AVU-E-14-01
13 PROPOSED REVISIONS TO TARIFF)
14 SCHEDULE 62 COGENERATION AND SMALL)
15 POWER PRODUCTION SCHEDULE)

16

17 **I. INTRODUCTION**

18 Avista Corporation, doing business as Avista Utilities (hereinafter Avista or Company),
19 at 1411 East Mission Avenue, Spokane, Washington, respectfully proposes revisions to tariff
20 Schedule 62 "Cogeneration and Small Power Production Schedule." Provided as Attachment A
21 are the proposed revisions to the following tariff sheets, I.P.U.C. No. 28:

22	Fourth Revision Sheet 62	Canceling	Third Revision Sheet 62
23	Fourth Revision Sheet 62A	Canceling	Third Revision Sheet 62A
24	Fifth Revision Sheet 62B	Canceling	Fourth Revision Sheet 62B
25	Original Sheet 62C	New	
26	Original Sheet 62D	New	
27	Original Sheet 62E	New	
28	Original Sheet 62F	New	
29	Original Sheet 62G	New	

30

31 The Company requests that this filing be processed under the Commission's Modified
32 Procedure rules.

33

1 Communications in reference to this Application should be addressed to:

2 Michael G. Andrea
3 Senior Counsel
4 Avista Corporation
5 P.O. Box 3727
6 1411 E. Mission Avenue, MSC-
7 Spokane, WA 99220-3727
8 Phone: (509) 495-2564
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12 II. BACKGROUND

13 In Case No. GNR-E-11-03, several parties expressed an interest in the investor-owned
14 utilities, including Avista, developing and adopting certain procedures to be used by QF
15 developers and such utilities to negotiate and enter into power purchase agreements under
16 PURPA. In Order No. 32697, the Commission directed the parties to participate in workshops
17 “to begin to form a structure for fair and reasonable contracting procedures and rules¹.” Avista
18 participated in the workshops on contracting procedures for QFs held on September 17, 2013 and
19 November 14, 2013. Draft proposed contracting procedures prepared by the utilities (including
20 Avista) and certain QF developers were discussed at those workshops; however, a consensus on
21 a complete set of contracting procedures to be used by all utilities was not reached. In a letter
22 dated December 12, 2013 filed in the Case, Avista stated that it intended to develop a complete
23 set of procedures to be used when it is negotiating and entering into contracts with QF
24 developers. Avista further proposed that, to the extent that such procedures are to be filed with
25 the Commission, such procedures would be filed in a new utility-specific case.

26

1 Order No. 32697 at 48.

1 preliminary determinations regarding its proposed project and its desire to sell output to
2 Avista under PURPA.

3
4 **C. Draft Power Purchase Agreement**

5 Under Section (1)E of the contracting procedures, if after receiving an indicative pricing
6 proposal from Avista, a QF developer determines that it wants to negotiate a power
7 purchase agreement with Avista under PURPA, the QF developer may request that
8 Avista prepare a draft power purchase agreement. In connection with such request, the
9 QF developer is to provide Avista with any additional information that Avista reasonably
10 determines is necessary for the preparation of the power purchase agreement. Upon
11 satisfactory receipt of all such information, Avista shall, within fifteen (15) business
12 days, provide the QF developer with a draft power purchase agreement containing a
13 comprehensive set of proposed terms and conditions for the sale by the QF developer and
14 purchase by Avista of the QF's output.

15
16 Upon its receipt of a draft power purchase agreement, the QF developer is to have ninety
17 (90) calendar days to review the draft power purchase agreement and to either (a) notify
18 Avista that it accepts the terms and conditions of the draft power purchase agreement
19 without any material change and is ready to execute a power purchase agreement that is
20 the same or substantially similar to the draft power purchase agreement, or (b) provide
21 Avista an initial set of comments and proposed changes to the draft power purchase
22 agreement.

23
24 If the QF developer provides any comments or proposed changes to the draft power
25 purchase agreement, the QF developer shall contact Avista to commence negotiations.
26 Section (1)J of the contracting procedures sets forth general guidelines to be used during
27 such negotiation of any draft power purchase agreement, including requirements that
28 Avista not unreasonably delay such negotiations and that Avista respond in good faith to
29 any additions, deletions or modifications to the draft power purchase agreement that are
30 proposed by the QF developer.

31
32 When the parties are in full agreement with the terms and conditions of the draft power

1 purchase agreement, including the price for delivered power, Avista shall, within ten (10)
2 business days, prepare and forward to the QF developer a final, executable version of the
3 power purchase agreement. Upon its receipt of the final, executable version of the power
4 purchase agreement, the QF developer shall have five (5) business days to execute and
5 return the final power purchase agreement to Avista. If the QF developer timely executes
6 and returns the power purchase agreement to Avista, Avista will, within ten (10) business
7 days of its receipt of the executed power purchase agreement, execute the power purchase
8 agreement and submit the fully executed power purchase agreement to the Commission
9 for approval.

10
11 If the QF developer fails to comply with the timelines in the contracting procedures set
12 forth in Schedule 62, Avista shall have no obligation to the QF developer unless or until
13 its project is resubmitted to Avista in accordance with the contracting procedures. Thus,
14 if the QF developer does not execute the final power purchase agreement tendered to the
15 QF developer within five (5) business days as required by Section (1)L of the contracting
16 procedures, the final power purchase agreement tendered to the QF developer by Avista
17 will be deemed withdrawn and Avista shall have no further obligation to the QF
18 developer unless or until the QF developer resubmits its project in accordance with the
19 contracting procedures.

20
21 **D. Dispute Resolution**

22 If, in the course of negotiating the draft power purchase agreement, the parties are unable
23 to agree on any term or terms of the draft power purchase agreement, such disputes will
24 be resolved in accordance with Section (3) of the contracting procedures. Specifically, if
25 the QF developer believes that an agreement cannot be reached on one or more terms of a
26 power purchase agreement, the QF developer must notify Avista in writing that it
27 believes an agreement cannot be reached on a specific term or terms. The QF developer
28 and Avista shall attempt in good faith for a period not less than sixty (60) days (or such
29 other time as may be mutually agreed) to resolve such concerns.
30
31

1 **IV. CONCLUSION**

2 WHEREFORE, Applicant respectfully request that the Commission issue an
3 Order approving its proposed contracting procedures set forth in tariff Schedule 62 with an
4 effective date rendered on and after February 14, 2014, with this application being processed
5 under Modified Procedure.

6 DATED at Spokane, Washington, this 21st day of January, 2014.

7 AVISTA CORPORATION

8 By  _____

9 Michael G. Andrea,
10 Senior Counsel

Tariff Sheets

Clean

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 62
COGENERATION AND SMALL POWER PRODUCTION SCHEDULE - IDAHO

AVAILABLE:

In all electric territory served by the Company in the State of Idaho.

APPLICABLE:

To Qualifying Facilities that intend to interconnect to the Company's electrical system at an interconnection point within the State of Idaho or that intend to deliver the output to the Company at a point of delivery on the Company's electrical system within the State of Idaho.

To be eligible for the rates provided under this tariff, the Facility must be a Qualifying Facility with a maximum generating capability equal to or less than the Eligibility Cap.

A Customer selling the output of any Qualifying Facility (including both Qualifying facilities with a maximum generating capability equal to or less than the Eligibility Cap and Qualifying Facilities with a maximum generating capability greater than the Eligibility Cap) will be required to enter into a written agreement with the Company in accordance with the contracting procedures set forth in this tariff. Any such agreement is subject to the approval of the Idaho Public Utilities Commission.

DEFINITIONS:

"Customer" as used herein means any individual, partnership, corporation, association, governmental agency, political subdivision, municipality or other entity.

"Cogeneration Facility" means equipment used to produce electric energy and forms of useful thermal energy (such as heat or steam), used for industrial, commercial, heating, or cooling purposes, through the sequential use of energy.

"Daily Shape Adjustment" means an adjustment to rates based on a difference between on-peak (6 am to 10pm) rates and off-peak (10 pm to 6 am) rates of \$5 per MWh. The Daily Shape Adjustment increases the on-peak rate and decreases the off-peak rate such that the difference between the on-peak and off-peak rate is \$5/MWh and the average rate weighted by the number of on-peak and off-peak hours is equal to the unadjusted avoided cost.

"Eligibility Cap" means for all Qualifying Facilities except wind and solar Qualifying Facilities, ten (10) average megawatts in any given month. For wind and solar Qualifying Facilities, "Eligibility Cap" means one-hundred (100) kilowatts nameplate capacity.

"Facility" means the source of electricity owned by the Customer that is located on the Customer's side of the PCC, and all facilities ancillary and appurtenant thereto, including interconnection equipment, which the Customer requests to interconnect to the Company's distribution system.

"In-Service Date" means the date on which the Facility and System Modifications (if applicable) are complete and ready for service, even if the Facility is not placed in service on or by that date.

Issued January 21, 2014

Effective February 24, 2014

Issued by Avista Utilities

By 

Kelly O. Norwood

VP, State & Federal Regulation

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 62 – continued

“Integration Charges” means the integration charge applicable to wind generation approved by the Idaho Public Utilities Commission in Order No. 30500, or as superseded “Interconnection Service Agreement” is an agreement for interconnection service, between the Customer and the Company, or the Customer and a 3rd party transmission provider. The agreement also includes any amendments or supplements thereto entered into by the Customer and the Company.

“Market Rate” shall be 85 percent (85%) of the weighted average of the Intercontinental Exchange (“ICE”) daily On- and Off-Peak Non-Firm energy Index prices for electricity at the Mid-Columbia hub (“Mid-C”).

“Point Of Common Coupling” (or PCC) means the point where the Customer’s local electric power system connects to the Company’s distribution system, such as the electric power revenue meter or at the location of the equipment designated to interrupt, separate or disconnect the connection between the Customer and the Company.

“Qualifying Facility” shall mean a cogeneration Facility or a Small Power Production Facility that is a “Qualifying Facility” as that term is defined in the Federal Energy Regulatory Commission’s regulations, 18 C.F.R. § 292.101(b)(1) (2010), as may be amended or superseded.

“Seasonal Factors” means a seasonal weighting of 0.84 for the period March through June, and 1.08 for the period July through February.

“Small Power Production Facility” means the equipment used to produce output including electric energy solely by the use of biomass, waste, solar power, wind, water or any other renewable resource.

RATES:

The Company agrees to pay the following rates for the purchase of output from Facilities for which this tariff applies and that is delivered to the Company’s system. These rates are adjusted periodically and are on file with the Idaho Public Utilities Commission.

- (1) Levelized Fueled Rates – These rates shall apply when the Customer chooses to supply output including energy and capacity under Levelized Avoided Cost Rates for Fueled Facilities. The rates shall apply to natural gas fueled Facilities and shall depend upon the on-line operation date and term of the agreement and shall be fixed for the term. The adjustable component rate shall be changed periodically subject to Idaho Public Utilities Commission orders. Both the fixed and adjustable rate components are subject to Seasonal Factors, a Daily Shape Adjustment, and Integration Charges. The resultant rate shall be applied to the Facility output for all kilowatt-hours up to the Eligibility Cap in any given month.

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SCHEDULE 62 - continued

- (2) Non-Levelized Fueled Rates – These rates shall apply when the Customer chooses to supply output including energy and capacity under Non-Levelized Avoided Cost Rates for Fueled Facilities. The fixed component rate shall be fixed for the term of the agreement. The adjustable component rate shall be changed periodically subject to Idaho Public Utilities Commission orders. Both the fixed and adjustable rate components are subject to Seasonal Factors, a Daily Shape Adjustment, and Integration Charges. The resultant rate shall be applied to the Facility output for all kilowatt-hours up to the Eligibility Cap in any given month.
- (3) Short-Term Rate - The Short-Term Rate shall be applicable when the Customer chooses to supply output including energy and capacity at market-based rates under contract. The Short-Term Rate shall be the lower of the applicable Non-Levelized Non-Fueled Rate or the Market Rate. The rate is subject to a Seasonal Factor, a Daily Shape Adjustment, and Integration Charges. The resultant rate shall be applied to the Facility output for all kilowatt-hours up to the Eligibility Cap in any given month.
- (4) Levelized Non-Fueled Rates - These rates shall apply when the Customer chooses to supply output including energy and capacity under Levelized Avoided Cost Rates for Non-Fueled Facilities. These rates shall apply to Facilities that do not use natural gas as their primary fuel. The rates shall depend upon the on-line operation date and term of the agreement and shall be fixed for the term. The rate components are subject to Seasonal Factors, a Daily Shape Adjustment, and Integration Charges. The resultant rate shall be applied to the Facility output for all kilowatt-hours up to the Eligibility Cap in any given month.
- (5) Non-Levelized Non-Fueled Rates - These rates shall apply when the Customer chooses to supply output including energy and capacity under a contract based on Non-Levelized Avoided Cost Rates for Non-Fueled Facilities. These rates shall apply to Facilities that do not use natural gas as their primary fuel, and shall be fixed for the term. The rates are subject to a Seasonal Factor, a Daily Shape Adjustment, and Integration Charges. The resultant rate shall be applied to the Facility output, for all kilowatt-hours up to the Eligibility Cap in any given month.

CONTRACTING PROCEDURES:

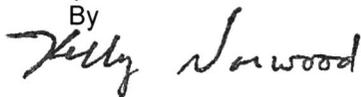
The Company agrees to adhere to the following contract procedures for the purchase of output from Customers who own Qualifying Facilities for which this tariff applies and that is delivered to the Company's system. These contracting procedures are adjusted periodically and are on file with the Idaho Public Utilities Commission.

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AVISTA CORPORATION
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SCHEDULE 62 – continued

(1) Procedures

A. To obtain an indicative pricing proposal for a proposed Qualifying Facility, the Customer shall provide the Company information that is reasonably required to develop such a proposal. General information regarding a Qualifying Facility shall include, but not be limited to:

- i) Qualifying Facility owner name, organizational structure and chart, and contact information;
- ii) generation and other related technology applicable to the Qualifying Facility;
- iii) design capacity, station service requirements, and the net amount of power, all in kilowatts (kW), to be delivered to the Company's electric system by the Qualifying Facility;
- iv) schedule of estimated Qualifying Facility electric output, in an 8,760-hour electronic spreadsheet format;
- v) ability, if any, of Qualifying Facility to respond to dispatch orders from the Company;
- vi) map of Qualifying Facility location, electrical interconnection point, and point of delivery;
- vii) anticipated commencement date for delivery of electric output;
- viii) list of acquired and outstanding Qualifying Facility permits, including a description of the status and timeline for acquisition of any outstanding permits;
- ix) demonstration of ability to obtain Qualifying Facility status;
- x) fuel type(s) and source(s);
- xi) plans to obtain, or actual, fuel and transportation agreements, if applicable;
- xii) where Qualifying Facility is or will be interconnected to an electrical system besides the Company's, plans to obtain, or actual, electricity transmission agreements with the interconnected system;
- xiii) interconnection agreement status; and
- xiv) proposed contracting term and pricing provisions for the sale of electric output to the Company (i.e., fixed, escalating, indexed).

B. Where the Company determines that the Customer has not provided sufficient information as required by Section (1).A, the Company shall, within ten (10) business days, notify the Customer in writing of any deficiencies.

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SCHEDULE 62 – continued

- C. Following satisfactory receipt of all information required in Section (1).A, the Company shall, within twenty five (25) business days, provide the Customer with an indicative pricing proposal containing terms and conditions tailored to the individual characteristics of the proposed Qualifying Facility; provided, however, that for Qualifying Facilities eligible for Published Rates pursuant to the Idaho Public Utilities Commission's eligibility requirements, the Company will provide such indicative pricing proposal within ten (10) business days.
- D. The indicative pricing proposal provided to the Customer pursuant to Section (1).C will not be final or binding on either party. Prices and other terms and conditions will become final and binding on the parties under only two conditions:
- i) full execution of a power purchase agreement by both parties that is approved by the Idaho Public Utilities Commission, or
 - ii) determination by the Idaho Public Utilities that:
 - a. the Qualifying Facility has filed a meritorious complaint, following the guidelines outlined in Section (3). below, alleging a "legally enforceable obligation" has arisen and, but for the conduct of the Company, there would be a contract, and
 - b. the Qualifying Facility can deliver its electrical output within 180 days of such determination.
- E. If the Customer desires to proceed with contracting its Qualifying Facility with the Company after reviewing the indicative pricing proposal, it shall request in writing that the Company prepare a draft power purchase agreement to serve as the basis for negotiations between the parties. In connection with such request, the Customer shall provide the Company with any additional Qualifying Facility information that the Company reasonably determines necessary for the preparation of a draft power purchase agreement, which may include, but shall not be limited to:
- i) updated information of the categories described in Section (1).A;
 - ii) evidence of site control for the entire contracting term;
 - iii) anticipated timelines for completion of key Qualifying Facility milestones, to include:
 - a. licenses, permits, and other necessary approvals;
 - b. funding;

Issued January 21, 2014

Effective February 24, 2014

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VP, State & Federal Regulation

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 62 – continued

- c. Qualifying Facility engineering and drawings;
 - d. significant equipment purchases;
 - e. construction agreement(s);
 - f. interconnection agreement(s); and
 - g. signing of 3rd-party transmission agreements, where applicable
- iv) evidence that interconnection studies have been completed, and a demonstration that Qualifying Facility interconnection is to occur on or prior to the requested first delivery date; and,
- v) additional information as explained in the Company's indicative pricing proposal.
- F. If the Company determines that the Customer has not provided sufficient information as required by Section (1).E, the Company shall, within ten (10) business days, notify the Customer in writing of any deficiency.
- G. Following satisfactory receipt of all information required in Section (1).E, the Company shall, within fifteen (15) business days, provide the Customer with a draft power purchase agreement containing a comprehensive set of proposed terms and conditions. The draft shall serve as the basis for subsequent negotiations between the parties and, unless clearly indicated, shall not be construed as a binding proposal by the Company.
- H. Within ninety (90) calendar days after its receipt of the draft power purchase agreement from the Company pursuant to Section (1).G, the Customer shall review the draft power purchase agreement and shall: a) notify the Company in writing that it accepts the terms and conditions of the draft power purchase agreement and is ready to execute a contract with same or similar terms and conditions as the draft contract; or b) prepare an initial set of written comments and proposals based on the draft, and provide them to the Company. The Company shall not be obligated to commence negotiations with a Customer or draft a final contract unless or until the Company has timely received an initial set of written comments and proposals from the Customer, or notice from the Customer that it has no such comments or proposals, in accordance with this Section (1).H.
- I. After Customer has met the provisions of Section (1).H above, Customer shall contact the Company to schedule contract negotiations at such times and places as are mutually agreeable to the parties.

Issued January 21, 2014

Effective February 24, 2014

Issued by Avista Utilities

By 

Kelly O. Norwood

VP, State & Federal Regulation

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 62 – continued

- J. In connection with any contract negotiations between the Company and the Customer, the Company:
- i) shall not unreasonably delay negotiations and shall respond in good faith to any additions, deletions or modifications to the draft power purchase agreement that are proposed by the Customer;
 - ii) may request to visit the site of the proposed Qualifying Facility if such a visit has not previously occurred;
 - iii) shall update its pricing proposals at appropriate intervals to accommodate any changes to the Company's avoided-cost calculations, the proposed Qualifying Facility or proposed terms of the draft power purchase agreement;
 - iv) may request any additional information from the Customer necessary to finalize the terms of the power purchase agreement and to satisfy the Company's due diligence with respect to the Qualifying Facility; and,
 - v) shall resolve disputes related to power purchase agreement terms consistent with Section (3) of this tariff.
- K. When both parties are in full agreement as to all terms and conditions of the draft power purchase agreement, including the price paid for delivered power, the Company shall prepare and forward to the Customer, within ten (10) business days, a final, executable version of the power purchase agreement.
- L. The Customer shall, within five (5) business days, execute and return the final power purchase agreement to the Company.
- M. Where the Customer timely executes and returns the final power purchase agreement to the Company in accordance with Section (1).L, the Company will, within ten (10) business days of its receipt of the power purchase agreement executed by the Customer, execute such power purchase agreement and submit it to the Idaho Public Utilities Commission for approval.

Issued January 21, 2014

Effective February 24, 2014

Issued by Avista Utilities

By



Kelly O. Norwood

VP, State & Federal Regulation

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 62 – continued

- N. Failure of the Customer to meet any timelines set forth in this Section relieves the Company of any obligation under this tariff until such time as the Customer resubmits its Qualifying Facility and the procedures begin anew. If the Customer does not execute the final power purchase agreement per Section (1).L, such final power purchase agreement shall be deemed withdrawn and the Company shall have no further obligation to the Customer under this tariff unless or until such time the Customer resubmits the Qualifying Facility to the Company in accordance with this Schedule.

(2) Interconnection and Transmission Agreements

- A. The Company's obligation to purchase Qualifying Facility electrical output from the Customer will be conditioned on the consummation of an interconnection agreement. Where the Qualifying Facility will not be physically located within the Company's electrical system, the Customer will need to consummate an interconnection agreement with the 3rd-party electrical system.
- B. Where the Qualifying Facility will be interconnected to a 3rd-party electrical system and is requesting either Published Rates, or rates based on firm delivery of its electrical output, the Company's obligation to purchase such electrical output will be conditioned on the Customer obtaining a firm transmission agreement or agreements to deliver all electrical output to the Company's system. Such agreement(s) shall have minimum terms equal to the lesser of: a) the term of the agreement being requested by the Qualifying Facility in Section (1).A.xiv, or b) the minimum term required by the 3rd-party transmission entity to ensure firm roll over transmission rights.

(3) Dispute Resolution

If, in the process of negotiating a power purchase agreement in accordance with this Tariff, the Customer believes that the Company has failed to comply with this Tariff, or that an agreement cannot be reached on one or more terms of such power purchase agreement, the Customer must notify the Company in writing of such belief, and the specific concern or concerns it has. The Customer and the Company shall attempt in good faith for a period not less than sixty (60) days (or such other time as may be mutually agreed) to resolve such concerns.

Issued January 21, 2014

Effective February 24, 2014

Issued by Avista Utilities

By 

Kelly O. Norwood VP, State & Federal Regulation

Tariff Sheets

Underline/Strikethrough

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 62
COGENERATION AND SMALL POWER PRODUCTION SCHEDULE - IDAHO

AVAILABLE:

In all electric territory served by the Company in the State of Idaho.

APPLICABLE:

To Qualifying Facilities that intend to interconnect to the Company's electrical system at an interconnection point within the State of Idaho or that intend to deliver the output to the Company at a point of delivery on the Company's electrical system within the State of Idaho.

To be eligible for the rates provided under this tariff, the Facility must be a Qualifying Facility with a maximum generating capability equal to or less than the Eligibility Cap.

A ~~Customers~~ customer selling the output of any Qualifying Facility (including both Qualifying Facilities with a maximum generating capability equal to or less than the Eligibility Cap and Qualifying Facilities with a maximum generating capability greater than the Eligibility Cap) under this tariff will be required to enter into a written agreement with the Company in accordance with the contracting procedures set forth in this tariff. Any such agreement ~~that~~ is subject to the approval of the Idaho Public Utilities Commission

DEFINITIONS:

"Customer" as used herein means any individual, partnership, corporation, association, governmental agency, political subdivision, municipality or other entity.

"Cogeneration Facility" means equipment used to produce electric energy and forms of useful thermal energy (such as heat or steam), used for industrial, commercial, heating, or cooling purposes, through the sequential use of energy.

"Daily Shape Adjustment" means an adjustment to rates based on a difference between on-peak (6 am to 10pm) rates and off-peak (10 pm to 6 am) rates of \$5 per MWh. The Daily Shape Adjustment increases the on-peak rate and decreases the off-peak rate such that the difference between the on-peak and off-peak rate is \$5/MWh and the average rate weighted by the number of on-peak and off-peak hours is equal to the unadjusted avoided cost.

"Eligibility Cap" means for all Qualifying Facilities except wind and solar Qualifying Facilities, ten (10) average megawatts in any given month. For wind and solar Qualifying Facilities, "Eligibility Cap" means one-hundred (100) kilowatts nameplate capacity.

"Facility" means the source of electricity owned by the Customer that is located on the Customer's side of the PCC, and all facilities ancillary and appurtenant thereto, including interconnection equipment, which the Customer requests to interconnect to the Company's distribution system.

"In-Service Date" means the date on which the Facility and System Modifications (if applicable) are complete and ready for service, even if the Facility is not placed in service on or by that date.

Issued ~~March 8, 2012~~ January 21, 2014 Effective ~~May 1, 2012~~ February 24, 2014

Issued by Avista Utilities
By

Kelly O. Norwood VP, State & Federal Regulation

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 62 – continued

“Integration Charges” means the integration charge applicable to wind generation approved by the Idaho Public Utilities Commission in Order No. 30500, or as superseded “Interconnection Service Agreement” is an agreement for interconnection service, between the Customer and the Company, or the Customer and a 3rd party transmission provider. The agreement also includes any amendments or supplements thereto entered into by the Customer and the Company.

“Market Rate” shall be 85 percent (85%) of the weighted average of the Intercontinental Exchange (“ICE”) daily On- and Off-Peak Non-Firm energy Index prices for electricity at the Mid-Columbia hub (“Mid-C”).

“Point Of Common Coupling” (or PCC) means the point where the Customer’s local electric power system connects to the Company’s distribution system, such as the electric power revenue meter or at the location of the equipment designated to interrupt, separate or disconnect the connection between the Customer and the Company.

“Qualifying Facility” shall mean a cogeneration Facility or a Small Power Production Facility that is a “Qualifying Facility” as that term is defined in the Federal Energy Regulatory Commission’s regulations, 18 C.F.R. § 292.101(b)(1) (2010), as may be amended or superseded.

“Seasonal Factors” means a seasonal weighting of 0.84 for the period March through June, and 1.08 for the period July through February.

“Small Power Production Facility” means the equipment used to produce output including electric energy solely by the use of biomass, waste, solar power, wind, water or any other renewable resource.

RATES:

The Company agrees to pay the following rates for the purchase of output from Facilities for which this tariff applies and that is delivered to the Company’s system. These rates are adjusted periodically and are on file with the Idaho Public Utilities Commission.

- (1) Levelized Fueled Rates – These rates shall apply when the Customer chooses to supply output including energy and capacity under Levelized Avoided Cost Rates for Fueled Facilities. The rates shall apply to natural gas fueled Facilities and shall depend upon the on-line operation date and term of the agreement and shall be fixed for the term. The adjustable component rate shall be changed periodically subject to Idaho Public Utilities Commission orders. Both the fixed and adjustable rate components are subject to Seasonal Factors, a Daily Shape Adjustment, and Integration Charges. The resultant rate shall be applied to the Facility output for all kilowatt-hours up to the Eligibility Cap in any given month.

Issued	March 8, 2012 <u>January 21, 2014</u>	Effective	May 1, 2012 <u>February 24, 2014</u>
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Issued by Avista Utilities
By

Kelly O. Norwood VP, State & Federal Regulation

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 62 - continued

- (2) Non-Levelized Fueled Rates – These rates shall apply when the Customer chooses to supply output including energy and capacity under Non-Levelized Avoided Cost Rates for Fueled Facilities. The fixed component rate shall be fixed for the term of the agreement. The adjustable component rate shall be changed periodically subject to Idaho Public Utilities Commission orders. Both the fixed and adjustable rate components are subject to Seasonal Factors, a Daily Shape Adjustment, and Integration Charges. The resultant rate shall be applied to the Facility output for all kilowatt-hours up to the Eligibility Cap in any given month.
- (3) Short-Term Rate - The Short-Term Rate shall be applicable when the Customer chooses to supply output including energy and capacity at market-based rates under contract. The Short-Term Rate shall be the lower of the applicable Non-Levelized Non-Fueled Rate or the Market Rate. The rate is subject to a Seasonal Factor, a Daily Shape Adjustment, and Integration Charges. The resultant rate shall be applied to the Facility output for all kilowatt-hours up to the Eligibility Cap in any given month.
- (4) Levelized Non-Fueled Rates - These rates shall apply when the Customer chooses to supply output including energy and capacity under Levelized Avoided Cost Rates for Non-Fueled Facilities. These rates shall apply to Facilities that do not use natural gas as their primary fuel. The rates shall depend upon the on-line operation date and term of the agreement and shall be fixed for the term. The rate components are subject to Seasonal Factors, a Daily Shape Adjustment, and Integration Charges. The resultant rate shall be applied to the Facility output for all kilowatt-hours up to the Eligibility Cap in any given month.
- (5) Non-Levelized Non-Fueled Rates - These rates shall apply when the Customer chooses to supply output including energy and capacity under a contract based on Non-Levelized Avoided Cost Rates for Non-Fueled Facilities. These rates shall apply to Facilities that do not use natural gas as their primary fuel, and shall be fixed for the term. The rates are subject to a Seasonal Factor, a Daily Shape Adjustment, and Integration Charges. The resultant rate shall be applied to the Facility output, for all kilowatt-hours up to the Eligibility Cap in any given month.

CONTRACTING PROCEDURES:

The Company agrees to adhere to the following contract procedures for the purchase of output from Customers who own Qualifying Facilities for which this tariff applies and that is delivered to the Company’s system. These contracting procedures are adjusted periodically and are on file with the Idaho Public Utilities Commission.

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AVISTA CORPORATION
dba Avista UtilitiesSCHEDULE 62 – continued(1) Procedures

A. To obtain an indicative pricing proposal for a proposed Qualifying Facility, the Customer shall provide the Company information that is reasonably required to develop such a proposal. General information regarding a Qualifying Facility shall include, but not be limited to:

- i) Qualifying Facility owner name, organizational structure and chart, and contact information;
- ii) generation and other related technology applicable to the Qualifying Facility;
- iii) design capacity, station service requirements, and the net amount of power, all in kilowatts (kW), to be delivered to the Company's electric system by the Qualifying Facility;
- iv) schedule of estimated Qualifying Facility electric output, in an 8,760-hour electronic spreadsheet format;
- v) ability, if any, of Qualifying Facility to respond to dispatch orders from the Company;
- vi) map of Qualifying Facility location, electrical interconnection point, and point of delivery;
- vii) anticipated commencement date for delivery of electric output;
- viii) list of acquired and outstanding Qualifying Facility permits, including a description of the status and timeline for acquisition of any outstanding permits;
- ix) demonstration of ability to obtain Qualifying Facility status;
- x) fuel type(s) and source(s);
- xi) plans to obtain, or actual, fuel and transportation agreements, if applicable;
- xii) where Qualifying Facility is or will be interconnected to an electrical system besides the Company's, plans to obtain, or actual, electricity transmission agreements with the interconnected system;
- xiii) interconnection agreement status; and
- xiv) proposed contracting term and pricing provisions for the sale of electric output to the Company (i.e., fixed, escalating, indexed).

B. Where the Company determines that the Customer has not provided sufficient information as required by Section (1).A, the Company shall, within ten (10) business days, notify the Customer in writing of any deficiencies.

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SCHEDULE 62 – continued

- C. Following satisfactory receipt of all information required in Section (1).A, the Company shall, within twenty five (25) business days, provide the Customer with an indicative pricing proposal containing terms and conditions tailored to the individual characteristics of the proposed Qualifying Facility; provided, however, that for Qualifying Facilities eligible for Published Rates pursuant to the Idaho Public Utilities Commission’s eligibility requirements, the Company will provide such indicative pricing proposal within ten (10) business days.
- D. The indicative pricing proposal provided to the Customer pursuant to Section (1).C will not be final or binding on either party. Prices and other terms and conditions will become final and binding on the parties under only two conditions:
- i) full execution of a power purchase agreement by both parties that is approved by the Idaho Public Utilities Commission, or
 - ii) determination by the Idaho Public Utilities that:
 - a. the Qualifying Facility has filed a meritorious complaint, following the guidelines outlined in Section (3). below, alleging a “legally enforceable obligation” has arisen and, but for the conduct of the Company, there would be a contract, and
 - b. the Qualifying Facility can deliver its electrical output within 180 days of such determination.
- E. If the Customer desires to proceed with contracting its Qualifying Facility with the Company after reviewing the indicative pricing proposal, it shall request in writing that the Company prepare a draft power purchase agreement to serve as the basis for negotiations between the parties. In connection with such request, the Customer shall provide the Company with any additional Qualifying Facility information that the Company reasonably determines necessary for the preparation of a draft power purchase agreement, which may include, but shall not be limited to:
- i) updated information of the categories described in Section (1).A;
 - ii) evidence of site control for the entire contracting term;
 - iii) anticipated timelines for completion of key Qualifying Facility milestones, to include:
 - a. licenses, permits, and other necessary approvals;
 - b. funding;

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- c. Qualifying Facility engineering and drawings;
 - d. significant equipment purchases;
 - e. construction agreement(s);
 - f. interconnection agreement(s); and
 - g. signing of 3rd-party transmission agreements, where applicable
 - iv) evidence that interconnection studies have been completed, and a demonstration that Qualifying Facility interconnection is to occur on or prior to the requested first delivery date; and,
 - v) additional information as explained in the Company's indicative pricing proposal.
- F. If the Company determines that the Customer has not provided sufficient information as required by Section (1).E, the Company shall, within ten (10) business days, notify the Customer in writing of any deficiency.
- G. Following satisfactory receipt of all information required in Section (1).E, the Company shall, within fifteen (15) business days, provide the Customer with a draft power purchase agreement containing a comprehensive set of proposed terms and conditions. The draft shall serve as the basis for subsequent negotiations between the parties and, unless clearly indicated, shall not be construed as a binding proposal by the Company.
- H. Within ninety (90) calendar days after its receipt of the draft power purchase agreement from the Company pursuant to Section (1).G, the Customer shall review the draft power purchase agreement and shall: a) notify the Company in writing that it accepts the terms and conditions of the draft power purchase agreement and is ready to execute a contract with same or similar terms and conditions as the draft contract; or b) prepare an initial set of written comments and proposals based on the draft, and provide them to the Company. The Company shall not be obligated to commence negotiations with a Customer or draft a final contract unless or until the Company has timely received an initial set of written comments and proposals from the Customer, or notice from the Customer that it has no such comments or proposals, in accordance with this Section (1).H.
- I. After Customer has met the provisions of Section (1).H above, Customer shall contact the Company to schedule contract negotiations at such times and places as are mutually agreeable to the parties.

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SCHEDULE 62 – continued

- J. In connection with any contract negotiations between the Company and the Customer, the Company:
- i) shall not unreasonably delay negotiations and shall respond in good faith to any additions, deletions or modifications to the draft power purchase agreement that are proposed by the Customer;
 - ii) may request to visit the site of the proposed Qualifying Facility if such a visit has not previously occurred;
 - iii) shall update its pricing proposals at appropriate intervals to accommodate any changes to the Company's avoided-cost calculations, the proposed Qualifying Facility or proposed terms of the draft power purchase agreement;
 - iv) may request any additional information from the Customer necessary to finalize the terms of the power purchase agreement and to satisfy the Company's due diligence with respect to the Qualifying Facility; and,
 - v) shall resolve disputes related to power purchase agreement terms consistent with Section (3) of this tariff.
- K. When both parties are in full agreement as to all terms and conditions of the draft power purchase agreement, including the price paid for delivered power, the Company shall prepare and forward to the Customer, within ten (10) business days, a final, executable version of the power purchase agreement.
- L. The Customer shall, within five (5) business days, execute and return the final power purchase agreement to the Company.
- M. Where the Customer timely executes and returns the final power purchase agreement to the Company in accordance with Section (1).L, the Company will, within ten (10) business days of its receipt of the power purchase agreement executed by the Customer, execute such power purchase agreement and submit it to the Idaho Public Utilities Commission for approval.

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N. Failure of the Customer to meet any timelines set forth in this Section relieves the Company of any obligation under this tariff until such time as the Customer resubmits its Qualifying Facility and the procedures begin anew. If the Customer does not execute the final power purchase agreement per Section (1).L, such final power purchase agreement shall be deemed withdrawn and the Company shall have no further obligation to the Customer under this tariff unless or until such time the Customer resubmits the Qualifying Facility to the Company in accordance with this Schedule.

(2) Interconnection and Transmission Agreements

- A. The Company's obligation to purchase Qualifying Facility electrical output from the Customer will be conditioned on the consummation of an interconnection agreement. Where the Qualifying Facility will not be physically located within the Company's electrical system, the Customer will need to consummate an interconnection agreement with the 3rd-party electrical system.
- B. Where the Qualifying Facility will be interconnected to a 3rd-party electrical system and is requesting either Published Rates, or rates based on firm delivery of its electrical output, the Company's obligation to purchase such electrical output will be conditioned on the Customer obtaining a firm transmission agreement or agreements to deliver all electrical output to the Company's system. Such agreement(s) shall have minimum terms equal to the lesser of: a) the term of the agreement being requested by the Qualifying Facility in Section (1).A.xiv, or b) the minimum term required by the 3rd-party transmission entity to ensure firm roll over transmission rights.

(3) Dispute Resolution

If, in the process of negotiating a power purchase agreement in accordance with this Tariff, the Customer believes that the Company has failed to comply with this Tariff, or that an agreement cannot be reached on one or more terms of such power purchase agreement, The Customer must notify the Company in writing of such belief, and the specific concern or concerns it has. The Customer and the Company shall attempt in good faith for a period not less than sixty (60) days (or such other time as may be mutually agreed) to resolve such concerns.

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