

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: KRISTINE SASSER
DEPUTY ATTORNEY GENERAL**

DATE: AUGUST 22, 2014

**SUBJECT: JOINT PETITION OF AVISTA CORPORATION AND KOOTENAI
ELECTRIC COOPERATIVE FOR APPROVAL OF ITS AS-AVAILABLE
POWER PURCHASE AGREEMENT, CASE NO. AVU-E-14-09**

On August 15, 2014, Avista Corporation ("Avista") and Kootenai Electric Cooperative, Inc. ("Kootenai") jointly petitioned the Commission for an Order approving a Power Purchase Agreement between Kootenai and Avista ("Agreement") with a requested effective date of August 15, 2014. Kootenai owns and operates a landfill gas electric power generating facility located at the Kootenai County Solid Waste Facility near Bellgrove, Idaho ("Facility"). The Facility is capable of generating up to approximately 3.2 megawatts of energy.

THE ORIGINAL AGREEMENT

Kootenai is under contract to sell the output of its Facility to Idaho Power Company pursuant to an Oregon PURPA Standard Energy Sales Agreement. However, Kootenai has claimed a force majeure event because the Facility is unable to deliver its output to Idaho Power due to a transmission line outage caused by a wildfire. Idaho Power has accepted Kootenai's claim of force majeure and has consented to Kootenai temporarily selling its output to Avista.

Pursuant to the terms of its Agreement with Avista, Kootenai will generate and deliver the net output of its Facility to Avista's electric system on an as-available basis from August 15, 2014 through August 24, 2014. Avista will purchase Kootenai's output (up to a maximum of 10 aMW) pursuant to Schedule 62 of its Idaho tariff at the lesser of (i) 85 percent (85%) of the Powerdex hourly Mid-Columbia 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 FIRST AMENDMENT TO THE AGREEMENT

After execution of its Agreement with Avista, Kootenai became aware of an updated transmission line outage notice that will result in an inability to deliver and sell to Idaho Power until at least August 31, 2014. Due to the extended outage, Idaho Power has consented to Kootenai selling its output to Avista through August 31, 2014. Consequently, Avista and Kootenai executed the First Amendment to the Agreement which extends the term through August 31, 2014. All other terms of the Agreement remain the same.

Avista and Kootenai jointly request that the Commission issue an Order (i) accepting the Agreement, without change or condition, with an effective date of August 15, 2014, (ii) accepting the First Amendment to the Agreement, without change or condition, with an effective date of August 21, 2014, and (iii) declaring that all payments made by Avista for purchases of energy under the Agreement be allowed as prudently incurred expenses for ratemaking purposes.

STAFF RECOMMENDATION

The original Joint Petition proposed sales for the period August 15 through August 24, 2014. On August 21 the Petitioners amended the Agreement to extend to August 31, 2014, due to an extension of the transmission outage. Staff believes that the incurred expenses associated with purchases of energy under the original and amended Agreement are prudent and recommends that this Petition be approved by the Commission. Staff further recommends that the Commission declare all payments made by Avista for purchases of energy under the Agreement and Amendment be allowed as prudently incurred expenses for ratemaking purposes.

The rates contained in the Agreement are consistent with non-firm energy rates under Avista’s Schedule 62. Although the extremely short duration of the Agreement—approximately two weeks—is unusual, as is the fact that deliveries of power have already commenced, Staff believes this is reasonable based on the exigent circumstances caused by the transmission outage preventing delivery by Kootenai to Idaho Power.

Staff recommends approval without further process or procedure.

COMMISSION DECISION

Does the Commission wish to approve the Agreement, including the Amendment extending the contract until August 31, 2014, between Avista and Kootenai without further process or procedure?



Kristine A. Sasser
Deputy Attorney General

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