

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE JOINT PETITION OF AVISTA CORPORATION AND CLEARWATER PAPER CORPORATION FOR APPROVAL OF AMENDMENT NO. 1 TO THE ELECTRIC SERVICE AGREEMENT)))))))	CASE NO. AVU-E-15-06 ORDER NO. 33350
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On May 13, 2015, Avista Corporation and Clearwater Paper Corporation (collectively the “Parties”) filed a Joint Petition requesting that the Commission approve an amendment to their Electric Service Agreement (“Agreement”) approved by the Commission in June 2013. See Order No. 32841. In their amendment dated May 4, 2015, the Parties agreed to make two modifications to their Agreement outlined in greater detail below. The Parties requested that their Petition be processed under Modified Procedure with an effective date of August 1, 2015.¹

On June 3, 2015, the Commission issued a Notice of Petition and Modified Procedure requesting public comment on the Petition no later than July 17, 2015. Commission Staff was the only party to comment and recommended the Commission approve Amendment No. 1.

BACKGROUND

The Parties’ current Agreement provides that Clearwater will utilize its own generating units to serve its load and that all electric power requirements in excess of the power generated by Clearwater “shall be purchased and received from Avista.” Joint Petition at 2. Avista serves Clearwater’s additional power needs under the utility’s Schedule 25P rates (Extra Large General Service). By its terms, the current Agreement terminates on June 30, 2018. *Id.*

AMENDMENTS TO THE AGREEMENT

As noted above, the Parties proposed two modifications to their Agreement. First, while Clearwater uses its own generation to meet a portion of its energy needs, “it has additional generating capacity that generally is not economical given current energy rates and wholesale market conditions. . . .” Joint Petition at 3. However, at certain times, the Parties contemplate that wholesale energy prices may increase to a level that would make Clearwater’s ability to produce additional capacity economical. During such periods, Avista may require additional

¹ The Parties had initially asked for an effective date of July 1, 2015, but subsequently agreed to Staff’s request to extend the proposed effective date to August 1, 2015.

generation “in order to meet its system load requirement, and in lieu of purchasing energy in a higher price wholesale market, would instead purchase from Clearwater such ‘Incremental Energy’ at a mutually agreed upon price.” *Id.* The rate for the purchase of such Incremental Energy is not set out in the amendment but will be “a mutually agreed upon price” at the time the Parties agree to sell/purchase the Incremental Energy. The Parties maintain that the ability to purchase such Incremental Energy would benefit both Clearwater and Avista by providing a lower cost alternative to making market purchases.

Second, the Parties have agreed to extend the length of their existing Agreement by three years, to now terminate on June 30, 2021. Instead of continuing the existing Agreement on a year-to-year basis (see Section 2 of the Agreement), the Parties maintain that the three-year extension allows them to plan for both generation by Clearwater and meeting customer demand by Avista.

STAFF COMMENTS

Staff recommended the Commission approve the proposed changes to the Parties’ current Agreement. Staff observed that Avista will be able to call upon Clearwater to provide Incremental Energy at times when it is needed by Avista, and Clearwater will receive additional revenue when it is able to deliver Incremental Energy. Staff noted that Avista must first request that Clearwater generate the Incremental Energy and the Parties must agree upon a price for such Incremental Energy.

Incremental Energy

Staff expected the production of Incremental Energy to occur only under two circumstances. First, the price of Incremental Energy must be advantageous to Avista when wholesale market prices are higher than the cost of Clearwater’s additional generation. Second, extremely low natural gas or biomass fuel prices would probably have to exist, making the generation of Clearwater’s Incremental Energy below wholesale market prices. Comments at 3.

Excess Energy

Also under the current Agreement, Clearwater is permitted to generate “Excess Energy.” Excess Energy is a condition where Clearwater generates more electric power than is required to meet its own obligations. *Id.* Under the terms of the present Agreement, Avista credits Clearwater for any excess power generated during a billing period in a manner consistent with its Net Metering Schedule 63. Avista reported in a response to Staff Production Request

No. 4 that Clearwater has not produced a single hour of Excess Energy between 2005 and the present. *Id.* at 4.

Contract Extension

Finally, Staff also supported the Parties' Amendment to extend the current contract by three years, or until June 30, 2021. All other provisions of the current Agreement will remain the same. *Id.* Consequently, Staff recommended the Commission approve Amendment No. 1 to the Electric Service Agreement between Avista and Clearwater without change or condition.

DISCUSSION AND FINDINGS

Based upon our review of the Parties' Petition, the Amendment, and Staff comments, we approve the two amendments to the Parties' Electric Service Agreement with one additional condition. Generally, we find that Avista's ability to purchase Incremental Energy from Clearwater in certain conditions would be beneficial to both parties and ratepayers. In addition, we adopt the Parties' proposal to extend their existing Agreement by three years to now terminate on June 30, 2021.

The Commission finds that one additional condition is appropriate. *Idaho Code* §§ 61-502 and 61-503. The Parties acknowledge that the rates for the purchase for such Incremental Energy is not set out in the Amendment. Section 1.2 simply states that Avista and Clearwater will "mutually agree upon [the] price in writing. . . ." We understand the costs of such Incremental Energy will be included in its net power supply costs and normally recovered through Avista's annual Power Cost Adjustment (PCA) mechanism. If the Parties agree to the generation and purchase of Incremental Energy, then Avista will report such purchase of Incremental Energy to the Commission Secretary showing the details of such purchase within 14 days of such purchase. This reporting requirement will allow Staff to track the purchase of Incremental Energy as part of Avista's annual PCA mechanism.


ORDER

IT IS HEREBY ORDERED that Amendment No. 1 to Avista and Clearwater's 2013 Electric Service Agreement is approved as conditioned below.

IT IS FURTHER ORDERED that when Avista purchases Incremental Energy from Clearwater under the terms of the amended Agreement, Avista shall report such purchases to the Commission Secretary within 14 days of the purchase transaction and provide the details of the transaction.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. AVU-E-15-06 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in 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 30th day of July 2015.

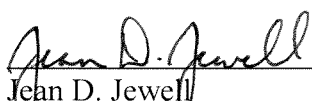


PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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