

Avista Corp.

1411 East Mission PO Box 3727
Spokane, Washington 99220-3727
Telephone 509-489-0500
Toll Free 800-727-9170

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2013 MAY 22 AM 10:16

IDAHO PUBLIC
May 21, 2013 COMMISSION

Via Overnight Mail

Jean Jewell
Idaho Public Utilities Commission
472 W. Washington Street
Boise, ID 83702

**Re: Request for Clarification of Avista Corporation
IPUC Docket No. AVU-E-11-03**

Dear Ms. Jewell:

Please find enclosed for filing in the above-referenced docket an original and seven copies of the Request for Clarification of Avista Corporation. Please let me know if you have any questions regarding this filing.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael G. Andrea", written in a cursive style.

Michael G. Andrea
Senior Counsel

Enclosures

cc: Service List

MICHAEL G. ANDREA (ISB No. 8308)
Avista Corporation
1411 E. Mission Ave., MSC-23
Spokane, WA 99202
Telephone: (509) 495-2564
michael.andrea@avistacorp.com

Attorney for Avista Corporation

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE COMMISSION'S)
REVIEW OF PURPA QF CONTRACT)
PROVISIONS INCLUDING THE) CASE NO. GNR-E-11-03
SURROGATE AVOIDED RESOURCES)
(SAR) AND INTEGRATED RESOURCE) REQUEST FOR CLARIFICATION OF
PLANNING (IRP) METHODOLOGIES FOR) AVISTA CORPORATION
CALCULATING AVOIDED COST RATES)
)
)
)

Pursuant to Idaho Public Utilities Commission ("Commission") Rules of Procedure 53 and 325, Avista Corporation ("Avista") respectfully requests clarification of Order No. 32697 issued in the above-captioned proceeding. Specifically, as discussed herein, Avista requests that the Commission clarify that a renewed or extended power purchase agreement ("PPA") under the Public Utility Regulatory Policies Act of 1978 for a QF project will include immediate payment for capacity only if such QF project was being paid for capacity at the end of the term of the PPA that is being renewed or extended.

I. Request for Clarification

In Order No. 32697, the Commission found it reasonable for the utilities to only begin payments for capacity at such time that the utility becomes capacity deficient and that paying for capacity only when the utility becomes capacity deficient results in avoided cost rates that more

accurately reflect true avoided costs. Order No. 32697 at 21. The Commission provided an exception for existing QF projects that seek to renew or extend existing PPAs with a utility. *Id.* at 21. Specifically, the Commission stated:

It is logical that, if a QF project is being paid for capacity at the end of the contract term and the parties are seeking renewal/extension of the contract, the renewal/extension would include immediate payment of capacity. An existing QF's capacity would have already been included in the utility's load and resource balance and could not be considered surplus power. Therefore, we find it reasonable to allow QFs entering into contract extensions or renewals to be paid capacity for the full term of the extension or renewal.

Id.

Accordingly, the Commission held that QFs shall not receive compensation for capacity until the utility is capacity deficient. *Id.* at 52.

Although the Commission recognized that, logically only QF projects that are being paid for capacity at the end of an existing PPA term should receive immediate payment for capacity in a new or extended PPA, the Commission did not expressly include that qualification in the ordering paragraph holding that QFs shall not receive compensation for capacity until the utility is capacity deficient. *See id.* at 52. On rehearing in Order No. 32802, the Commission reiterated that "when an existing QF under a current contract desires to continue to sell energy to the same utility after expiration of the current contract, and the parties enter into a new contract for the sale and purchase of energy, the QF is entitled to be paid capacity for the full term of the new agreement." Order No. 32802 at 2. However, the Commission did not in that order make clear that a renewed or extended PPA for a QF project will include immediate payment for capacity only if such QF project was being paid for capacity at the end of the term of the PPA that is being renewed or extended.

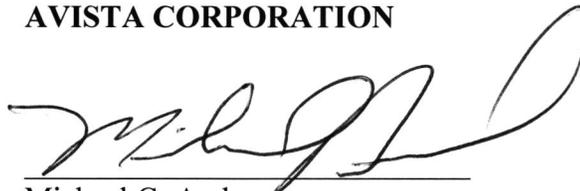
Avista understands the Commission's intent to be as suggested in Order No. 32697—i.e., a renewed or extended PPA for a QF project will include immediate payment for capacity only if the QF project seeking such renewal or extension was being paid for capacity at the end of the term of the PPA that is being renewed or extended. *See* Order No. 32697 at 21. However, absent clarification on this point, there is a potential for future litigation over whether, for example, a QF project that enters into a short-term PPA during the term of which the utility is not capacity deficient and therefore the QF is not paid for capacity under that short-term PPA, is automatically entitled to be paid for capacity under a renewed or extended PPA. Accordingly, Avista respectfully requests that the Commission clarify that a renewed or extended PPA for a QF project will include immediate payment for capacity only if the QF project seeking such renewal or extension was being paid for capacity at the end of the term of the PPA that is being renewed or extended.

II. Conclusion

As discussed herein, Avista respectfully requests that the Commission clarify Order No. 32697 by clearly stating that a renewed or extended PPA for a QF project will include immediate payment for capacity only if the QF project seeking such renewal or extension was being paid for capacity at the end of the term of the PPA that is being renewed or extended.

Respectfully submitted this 21st day of May 2013.

AVISTA CORPORATION



Michael G. Andrea
Senior Counsel
Attorney for Avista Corporation

CERTIFICATE OF SERVICE

I hereby certify that on this 21st day of May 2013, true and correct copies of the foregoing Request for Clarification of Avista Corporation were delivered to the following persons via Email (unless otherwise indicated).

Jean Jewell
Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83702
Email: jean.jewell@puc.idaho.gov

Kris Sassar
Deputy Attorneys General
Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83702
Email: don.howell@puc.idaho.gov
kris.sassar@puc.idaho.gov

Dean J. Miller
Chas. F. McDevitt
McDevitt, & Miller, LLP
PO Box 2564
Boise, ID 83701-2564
Email: joe@mcdevitt-miller.com
has@mcdevitt-miller.com

Peter Richardson
Gregory M. Adams
Richardson & O'Leary
515 N. 27th St.
PO Box 7218 Boise, ID 83702
Email: peter@richardsonandoleary.com
greg@richardsonandoleary.com

Daniel E. Solander
Senior Counsel
Rocky Mountain Power
201 S. Main Street, Suite 2300
Salt Lake City, UT 84111
Email: Daniel.solander@pacificorp.com

Dr. Don Reading
670 Hill Road
Boise, ID 83703
Email: dreading@mindspring.com

Donovan E. Walker
Idaho Power Company
PO Box 70
Boise, ID 83707-0070
Email: dwalker@idahopower.com
lnordstrom@idahopower.com

R. Greg Ferney
Mimura Law Offices, PLLC
2176 E. Franklin Rd., Suite 120
Meridian, ID 83642
Email: greg@mimuralaw.com

Ted S. Sorenson, P.E.
Sorenson Engineering, Inc.
5203 South 11th East
Idaho Falls, ID 83404
Email: ted@sorenson.net

Robert D. Kahn
Executive Director
Northwest and Intermountain Power
Producers Coalition
1117 Minor Ave., Suite 300
Seattle, WA 9810
Email: rkahn@nippc.org

Glenn Ikemoto
Margaret Ruger
Idaho Windfarms, LLC
672 Blair Ave.
Piedmont, CA 94611
E-mail: glenni@envisionwind.com
Margaret@envisionwind.com

Deborah E. Nelson
Kelsey J. Nunez
Givens Pursley LLP
601 Bannock St. (83702)
PO Box 2720
Boise, ID 83701-2720
Email: den@givenspursley.com
kjn@givenspursley.com

Tauna Christensen
Energy Integrity Project
769 N 1100 E
Shelley, ID 83274
Email: tauna@energyintegrityproject.org

Bill Piske, Manager
Interconnect Solar Development, LLC
1303 E. Carter
Boise, ID 83706
Email: billpiske@cableone.net

C. Thomas Arkoosh
Capitol Law Group, PLLC
205 N. 10th St., 4th Floor
PO Box 2598
Boise, ID 83701
Email: tarkoosh@capitollawgroup.com

Bill Brown, Chair
Board of Commissioners of Adams County,
Idaho
PO Box 48
Council, ID 83612
Email: dbbrown@frontiernet.net

Ronald L. Williams
Williams Bradbury, P.C.
1015 W. Hays St.
Boise ID, 83702
Email: ron@williamsbradbury.com

Scott Montgomery
President, Cedar Creek Wind, LLC
668 Rockwood Drive
North Salt Lake, Uta 84054
Email: scott@westernenergy.us

Marv Lewallen
Clearwater Paper Corporation
601 W. Riverside Ave., Suite 1100
Spokane, WA 99201
Email:
marv.lewallen@clearwaterpaper.com

Wade Thomas
General Counsel, Dynamis Energy
776 E. Riverside Drive, Suite 15
Eagle, ID 83616
Email: wthomas@dynamisenerg.com

James Carkulis
Managing Member
EXERGY DEVELOPMENT GROUP OF
IDAHO, LLC
802 West Banock Street, Ste. 1200
Boise, Idaho 83702
Email:jcarkulis@exergydevelopment.com

Robert A. Paul
Grand View Solar II
15960 Vista Circle
Desert Hot Springs, CA
Email: robertapaul@gmail.com

John R. Lowe
Consultant to Renewable Energy
Coalition
12050 SW Tremont Street
Portland, OR 97225
Email: jravenesanmarcos@yahoo.com

Don Sturtevant
Energy Director
J. R. Simplot Company
ONE CAPITAL CENTER
999 Main Street, P.O. Box 27
Boise, Idaho 83707-0027
Email: don.sturtevant@simplot.com

Twin Falls Canal Company
c/o Brian Olmstead, General Manager
P.O. Box 326
Twin Falls, Idaho 83303-0326
Email: olmstead@tfcanal.com

North Side Canal Company
c/o Ted Diehl, General Manager
921 N. Lincoln St.
Jerome, Idaho 83338
Email: nscanal@cableone.net

R. Greg Ferney
Mimura Law Offices, PLLC
2176 E. Franklin, Rd., Suite 120
Meridian, ID 83642

MJ Humphries
Blue Ribbon Energy LLC
4515 S. Ammon Road
Ammon, ID 83406
Email: blueribbonenergy@gmail.com

Arron F. Jepson
Blue ribbon Energy LLC
10660 South 540 East
Sandy, UT 84070
Email: arronesq@aol.com

Magan Walseth Decker
Senior Staff Counsel
Renewable Northwest Project
421 SW 6th Ave., Suite 1125
Portland, OR 97204
Email: megan@rnp.org

Benjamin J. Otto
Idaho Conservation League
710 N. 6th St.
P.O. Box 844
Boise, Idaho 83702
Ph: (208) 345-6933 x 12
Fax: (208) 344-0344
Email: botto@idahoconservation.org

Liz Woodruff
Ken Miller
Clean Energy Program Director
Snake River Alliance
Box 1731
Boise, 10 83701
Email: lwoodruff@snakeriveralliance.org
kmiller@snakeriveralliance.org

Don Schoenbeck
RCS
Email: dws@r-c-s-inc.com

Lori Thomas
Capital Law Group, PLLC
Email: lthomas@capitolawgroup.com

J. Kahle Becker
The Alaska Center
1020 W. Main St., Suite 400
Boise, ID 83702
Email: kahle@kahlebeckerlaw.com

Michael J. Uda
Uda Law Firm P.C.
7 W. 6th Ave., Suite 4E
Helena, MT 59601
Email: muda@mthelena.com



Michael G. Andrea