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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE JOINT PETITION)
OF AVISTA CORPORATION AND STIMSON) **CASE NO. AVU-E-19-16**
LUMBER COMPANY FOR APPROVAL OF)
POWER PURCHASE AND SALE)
AGREEMENT) **AMENDED COMMENTS OF**
) **THE COMMISSION STAFF**
)

The Staff of the Idaho Public Utilities Commission (“Staff”) submits the following comments regarding the above referenced case.

BACKGROUND

On December 31, 2019, Avista Corporation (“Avista” or “Company”) asked the Commission to approve or reject a proposed Power Purchase Agreement (“Agreement”) with Stimson Lumber Company (“Stimson” or “Seller”) for the energy generated by a thermal wood waste small power electric generation plant operated by Stimson in Plummer, Idaho (“Facility”). The Facility is a qualifying facility (“QF”) under the Public Utility Regulatory Policies Act of 1978 (“PURPA”).

Staff filed comments on February 7, 2020. On February 14, 2020, Avista filed Amendment No. 1 to the proposed Agreement that proposes to extend the contract term to December 31, 2021, two years from the proposed effective date of January 1, 2020.

STAFF ANALYSIS

Staff recommends approval of the proposed Agreement and Amendment No. 1 conditioned on the parties making two modifications: (1) modifying prices for the lapsed contract period to be the lesser of the avoided cost rates without capacity payment and 85% of the non-firm market energy price for each month; and (2) modifying avoided cost rates for the second year of the Agreement based on the new published rates for Avista effective on February 7, 2020 in Order No. 34547.

The Company has addressed three of the four recommended modifications Staff proposed in its original comments through Amendment No. 1. The Company corrected the definition of Market Energy Cost as it pertains to 90/110, extended the Agreement term from one year to two years to address Staff's concern with capacity payments, and deleted the mistaken date in Amended Exhibit E. However, the Company has not addressed Staff's recommendation to modify the prices that should be paid during the lapsed contract period. Staff recommended in its original comments filed on February 7, 2020, that the prices should be the lesser of the avoided cost rates without capacity payment and 85% of the non-firm market energy price for each month.

In addition, Staff has discovered a new issue as a result of the proposed contract term extension. This issue is that published rates changed on February 7, 2020, which fell between when the original Agreement was signed on December 23, 2019 and when Amendment No. 1 was entered into by the parties that extended the Agreement from one to two years. (Amendment No. 1 did not state when exactly parties signed the amendment; it only stated the amendment will become effective on February 14, 2020. However, it is reasonable to believe they signed after Staff filed its comments on February 7, 2020.)

Prices for the Lapsed Contract Period

As discussed in Staff's original comments, Staff believes that there is no obligation set forth by Commission order or by the Federal Regulatory Commission to guarantee a specific rate for a period when a project continues to operate but with a lapsed contract. Staff continues to believe that a lapsed contract period is avoidable and should be discouraged. Staff proposed to use the lesser of the avoided cost rates without capacity payment reflected in the following table and 85% of the non-firm market energy price for each month.

Contract Term	Heavy Load Hours (\$/MWh)	Light Load Hours (\$/MWh)
January to February of 2020	32.88	27.48
March to June of 2020	25.57	21.37
July to December of 2020	32.88	27.48

Contract Term Extension

Because the facility was receiving capacity payments at the end of the previous contract and because the parties amended the contract extending it to two years, Staff believes the facility can account for avoided capacity through the Company’s resource planning cycles and should receive capacity payments from the approval date through the length of the amended term of two years. However, new published avoided cost rates were authorized by the Commission on February 7, 2020, and the amended contract extending the contract term by one year was not signed until after February 7, 2020. Staff believes the second year of the contract should use the new published avoided cost rates.

Staff examined three rate structure options illustrated in the table below. In Option 1, rates that were authorized prior to February 7, 2020 are applied to both years. This is the option that the party’s submitted in their Amendment No.1

Staff believes Option 2 is consistent with past Commission Orders and recommends it for determining contract rates. Staff’s rationale is based on when the commitment for each year was made and which rates were in effect at the time. A commitment for the first year of the contract was signed in the original contract prior to February 7, 2020, before the new rates went into effect. The second-year commitment was made when the amended contract was signed, which Staff believes happened after February 7, 2020, a time when the new rates were in effect.

Option 3 applies new published avoided cost rates to both years. Staff does not believe this option is reasonable because the original contract was signed before February 7, 2020, and the commitment by the parties for the first year was made when the former rates were still in effect.

	Published Rates Before Feb 7, 2020	Published Rates After Feb 7, 2020
Option 1	Year 1 and Year 2	
Option 2	Year 1	Year 2
Option 3		Year 1 and Year 2

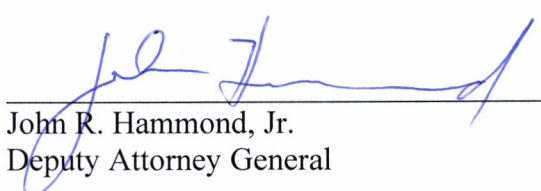
Therefore, Staff proposes a modification to the rates applied to the second year based on the new published avoided cost rates shown in the following table.

	Amendment No. 1 Rates (\$/MWh)		Staff's Proposed Rates (\$/MWh)	
2021 Jan-Feb	54.20	48.80	53.75	48.35
2021 Mar-Jun	42.15	37.95	41.81	37.61
2021 Jul-Dec	54.20	48.80	53.75	48.35

STAFF RECOMMENDATION

Staff recommends approval of the Agreement and Amendment No. 1 between Avista and Stimson conditioned on the parties making two modifications: first, modifying prices for the lapsed contract period to be the lesser of the avoided cost rates without capacity payment for the agreement and 85% of the non-firm market energy price for each month; and second, modifying avoided cost rates for the second year of the contract based on the new published rates for Avista effective on February 7, 2020 in Order No. 34547. Staff also recommends the Commission declare Avista's payments to Stimson Lumber Company for the purchase of energy generated by the Stimson project be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this ^{10th} day of March 2020.



John R. Hammond, Jr.
Deputy Attorney General

Technical Staff: Yao Yin

i:umisc:comments/avue19.16jhlkssdrfy amended comments

CERTIFICATE OF SERVICE


I HEREBY CERTIFY THAT I HAVE THIS 10th DAY OF MARCH 2020, SERVED THE FOREGOING **AMENDED COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-E-19-16, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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