



Staff had three additional recommendations not specifically tied to the content of the proposed Amendment No. 3. First, Staff recommended that if the Seller modifies the Facility in the future, the Company only include Net Power Costs (“NPC”) in the Power Cost Adjustment mechanism (“PCA”) that reflects rates for any energy delivered appropriate for the Facility as modified, regardless of the compensation paid to the Seller. Second, Staff recommended that in the future, any extension of the contract term of any existing Public Utility Regulatory Policies Act of 1978 (“PURPA”) agreement be treated as a renewal agreement, instead of an amendment. Finally, Staff recommended that the Commission approve avoided cost rates in Attachments A and B to Staff’s comments for new or renewal Surrogate Avoided Resource (“SAR”) method PURPA contracts with an effective date on or after September 1, 2023.

Avoided Cost Rates reflecting Updated Cost of Capital

With respect to avoided cost rates, Staff recommended that the Commission approve the following for any SAR-based PURPA contracts with an effective date on or after September 1, 2023:

1. The avoided cost rates in Attachment A to Staff’s comments for new contracts where avoided cost of capacity does not start until the first deficit year occurs; and
2. The avoided cost rates in Attachment B to Staff’s comments for renewal contracts where avoided cost of capacity starts immediately.

Staff explained that on August 31, 2023, the Commission issued Order No. 35909, approving a Stipulation and Settlement with an effective date of September 1, 2023, which contained new cost of capital parameters as shown in Table No. 1. Staff updated the cost of capital information used in the SAR model accordingly to reflect the change. Staff then re-calculated avoided cost rates for new contracts (Attachment A) and renewal contracts (Attachment B), using the updated SAR model.

**Table No. 1: Capital Costs Approved in Order No. 35909**

<b>Component</b>	<b>Capital Structure</b>	<b>Cost</b>	<b>Weighted Cost</b>
Total Debt	50.00%	4.97%	2.49%
Common Equity	50.00%	9.40%	4.70%
Total	100.00%	-	7.19%

Avoided Cost Rates for the Agreement

Staff recommended that the Parties use the avoided cost rates in Table No. 2 below, which are based on Attachment B. Staff explained that the updated avoided cost rates are slightly higher

than the proposed avoided cost rates due to a slightly higher cost of capital authorized through Order No. 35909.

**Table No. 2: Updated Avoided Cost Rates**

	<b>Heavy Load Hour Prices (\$/MWh)</b>	<b>Light Load Hour Prices (\$/MWh)</b>
<b>2024 Jan-Feb</b>	63.04	57.64
<b>2024 Mar-Jun</b>	49.03	44.83
<b>2024 Jul-Dec</b>	63.04	57.64
<b>2025 Jan-Feb</b>	59.74	54.34
<b>2025 Mar-Jun</b>	46.47	42.27
<b>2025 Jul-Dec</b>	59.74	54.34

If the Commission approves the avoided cost rates contained in Attachment B with an effective date of September 1, 2023, Staff recommended the Parties update Amendment No. 3 through a compliance filing, using the avoided cost rates contained in Table No. 2, because (1) the Parties entered into Amendment No. 3 on September 21, 2023, which was after September 1, 2023, and (2) the Facility should receive immediate capacity payments since the Facility is being paid for capacity at the end of its contract term.

#### **B. Company Comments**

Avista generally supported Staff's recommendations, and Avista intends to file an amendment to update the Agreement consistent with Staff's comments. Avista expects to submit updated copies of the amendment to the Commission after the proposed edits have been reviewed and approved by both parties to the Agreement.

### **COMMISSION FINDINGS AND DECISION**

The Commission has jurisdiction over the Company's Application and the issues in this case under Title 61 of the Idaho Code including *Idaho Code* §§ 61-301 through 303. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of all public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provisions of law, and to fix the same by order. *Idaho Code* §§ 61-501 through 503.

Having reviewed the Application, the record, the comments of the parties, and all submitted materials, the Commission finds that it is fair, just, and reasonable to approve the avoided cost rates as contained in Attachments A and B to Staff's comments for new or renewal SAR-based PURPA agreements with an effective date on or after September 1, 2023. Further, the Commission approves Amendment No. 3 subject to Staff's recommended language modifications and adjusted

for the newly approved avoided cost rates. The Company shall submit a compliance filing that complies with this Order.

### ORDER

IT IS HEREBY ORDERED that the Commission approves the avoided cost rates as contained in Attachments A and B to Staff's comments for new or renewal SAR-based PURPA agreements with an effective date on or after September 1, 2023.

IT IS FURTHER ORDERED that Amendment No. 3 is approved subject to the language modifications and updated avoided cost rates as provided by this Order. The Company shall submit a compliance filing within thirty (30) days that complies with this Order.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date upon this Order regarding 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. *Idaho Code* §§ 61-626 and 62-619.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this 8<sup>th</sup> day of December 2023.

  
ERIC ANDERSON, PRESIDENT

  
JOHN R. HAMMOND JR., COMMISSIONER

  
EDWARD LODGE, COMMISSIONER

ATTEST:

  
Monica Barrios-Sanchez  
Interim Commission Secretary

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