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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-24-03**
LUMBER COMPANY FOR APPROVAL OF)
AMENDMENT NO. 6 TO POWER)
PURCHASE AND SALE AGREEMENT) **COMMENTS OF THE**
) **COMMISSION STAFF**
)

COMMISSION STAFF (“STAFF”) OF the Idaho Public Utilities Commission, by and through its Attorney of record, Michael Duval, Deputy Attorney General, submits the following comments.

BACKGROUND

On February 6, 2024, Avista Corporation d/b/a Avista Utilities (“Company”) and Stimson Lumber Company (“Stimson”) (collectively “the Parties”) jointly petitioned the Idaho Public Utilities Commission (“Commission”) requesting an order approving Amendment No. 6 to the Power Purchase Agreement (“PPA”) between the Parties (“Joint Petition”). Amendment No. 6 proposes that Stimson will only be required to pay a use-of-facilities charge in the months when the Facility¹ operates. Currently, Section 31 of the PPA requires Stimson to pay the use-of-facilities charge every month, regardless of whether the Facility operates or not.

¹ The Facility is a thermal wood waste small power electric generation plant located at Plummer, Idaho.

STAFF ANALYSIS

Staff analyzed the purpose of the use-of-facilities charge and the impacts of the proposal on ratepayers. Staff recommends:

1. The Commission reject the Joint Petition. However, Staff is not opposed to the Parties filing a new Joint Petition that allows Stimson to pay use-of-facilities related charges only in the months when the Facility operates, as long as the annual revenue of \$8,448² can be fully recovered; and
2. The Company meet with Staff prior to the next General Rate Case to explore the potential development of a tariff schedule in the next General Rate Case for recovery of use-of-facilities related costs.

Purpose of Use-of-Facilities Charge

Staff recommends rejection of the Joint Petition because it defeats the purpose of use-of-facilities charges.

Stimson pays the monthly use-of-facilities charge for the 13.8 kV facilities in the Plummer Substation, which are for the sole use and purpose of interconnecting the Facility to the Company's system. *See* Response to Staff Production Request No. 2. Originally, the use-of-facilities charge was used to recover both the initial investment of the interconnection facilities and ongoing operation and maintenance ("O&M") costs. *See* Response to Staff Production Request No. 1. The monthly use-of-facilities charge was calculated as follows:

$$\text{Monthly Use-Of-Facilities Charge} = \text{Sole Use Investment} \times \text{Annual Cost Ratio} / 12$$

Where:

Sole Use Investment was the \$60,991 initial investment of the facilities. *See* Responses to Staff Production Request No. 1 and 3 (c).

Annual Cost Ratio was 15.54%. *See* Responses to Staff Production Request No. 1.

After the initial investment was recovered around 2020, the Annual Cost Ratio was reduced to 13.86% to only recover O&M-driven costs. *See* Responses to Staff Production Request No. 1 and 4. This current Annual Cost Ratio allocates a fair share of the Company's *annual* O&M-driven costs to Stimson, independent of whether and how the Facility is operated.

² \$8,448 is equal to \$704/month multiplied by 12 months.

Staff believes if Stimson is allowed to pay use-of-facilities only in the months when the Facility operates, the purpose of the use-of-facilities charge is compromised and Stimson's share of the Company's *annual* O&M-driven costs will not be fully recovered.

Impacts on Ratepayers

Additionally, Staff recommends rejection of the Joint Petition because the proposal will have a negative impact on ratepayers. However, Staff is not opposed to the Parties filing a new Joint Petition that allows Stimson to pay use-of-facilities related charges only in the months when the Facility operates, *as long as the annual revenue of \$8,448 can be fully recovered.*

Currently, Stimson's monthly use-of-facilities charge is \$704. The charge is recorded in FERC Account 456 (Transmission Revenue) and is included in the Company's annual Power Cost Adjustment ("PCA"). *See* Response to Staff Production Request No. 1. In the PCA, both the base rate revenue³ and the actual revenue are \$8,448. However, if the proposal is approved, the actual revenue collected from Stimson will be lower than \$8,448.

Because the difference between the actual revenue and the base rate revenue associated with Stimson will result in a surcharge to customers, ratepayers will be negatively impacted by the reduction in transmission revenue. Staff recommends rejection of the Joint Petition due to the negative impact on ratepayers.

Potential Development of Tariff Schedule

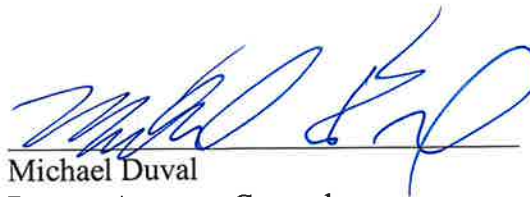
Currently, Avista's use-of-facilities charges are determined on a case-by-case basis. Staff recommends that the Company meet with Staff prior to the next general rate case to explore the potential development of a tariff schedule for recovery of use-of-facilities related costs.

STAFF RECOMMENDATIONS

Staff recommends rejection of the Joint Petition because it compromises the purpose of the use-of-facilities charge and has negative impacts on ratepayers. Staff also recommends that the Company meet with Staff prior to the next general rate case to explore the potential development of a tariff schedule for recovery of use-of-facilities related costs.

³ The base rate revenue was established in Avista's most recent general rate case. Case No. AVU-E-23-01.

Respectfully submitted this 8th day of April 2024.

A handwritten signature in blue ink, appearing to read 'Michael Duval', is written over a horizontal line.

Michael Duval
Deputy Attorney General

Technical Staff: Yao Yin

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE ON THIS 8th DAY OF APRIL 2024, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-E-24-03, BY E-MAILING A COPY THEREOF TO THE FOLLOWING:

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