

**Avista Corp.**

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IDAHO PUBLIC  
UTILITIES COMMISSION  
November 20, 2012



**Via Regular Mail**

Jean Jewell  
Idaho Public Utilities Commission  
472 W. Washington Street  
Boise, ID 93702

**Re: Joint Petition of Avista Corporation and Kootenai Electric Cooperative, Inc. for  
Approval of Amendment to Power Purchase Agreement  
IPUC Docket No. AVU-E-12-09**

Dear Ms. Jewell:

Please find enclosed for filing an original and seven copies of the Joint Petition of Avista Corporation ("Avista") and Kootenai Electric Cooperative, Inc. ("KEC") for approval of the amendment to the power purchase agreement between Avista and KEC ("PPA") extending the term of the PPA through December 31, 2013. The amendment to the PPA and the PPA are attached to the Joint Petition. 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".

Michael G. Andrea  
Senior Counsel

Enclosures

cc: Greg Adams

**For Avista Corporation**  
Michael G. Andrea (ISB No. 8308)  
Senior Counsel  
Avista Corporation  
1411 East Mission Ave., MSC-23  
Spokane, WA 99202  
Phone: (509) 495-2564  
Facsimile: (509) 495-5690  
Email: michael.andrea@avistacorp.com

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**For Kootenai Electric Cooperative, Inc.**  
Greg Adams (ISB No. 7454)  
Richardson & O'Leary PLLC  
515 N. 27<sup>th</sup> St.  
Boise, ID 83702  
Phone: (208) 938-2236  
Facsimile: (208) 938-7904  
Email: [greg@richardsonandoleary.com](mailto:greg@richardsonandoleary.com)

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE JOINT PETITION )  
OF AVISTA CORPORATION AND ) **CASE NO. AVU-E-12-09**  
KOOTENAI ELECTRIC COOPERATIVE, )  
INC. FOR APPROVAL OF AMENDMENT ) JOINT PETITION OF AVISTA  
TO POWER PURCHASE AND SALE ) CORPORATION AND KOOTENAI  
AGREEMENT ) ELECTRIC COOPERATIVE, INC.  
\_\_\_\_\_ )

Avista Corporation ("Avista") and Kootenai Electric Cooperative, Inc. ("KEC")  
(collectively, the "Parties") hereby jointly petition the Idaho Public Utilities Commission  
("Commission") for an order approving the Amendment ("Amendment") to Power  
Purchase Agreement ("Agreement") between KEC and Avista with a requested effective  
date of January 1, 2013. The Amendment is attached hereto as Attachment A. The  
Agreement is attached hereto as Attachment B.

1. **Names and Addresses of Petitioners**

Avista Corporation  
1411 East Mission Avenue  
Spokane, WA 99202

Kootenai Electric Cooperative, Inc.  
2451 W. Dakota Avenue  
Hayden, Idaho 83835-0278

2. **Nature of Businesses**

Avista is a corporation created and organized under the laws of the State of Washington with its principal office in Spokane, Washington. Avista is an investor-owned utility engaged in, among other things, the business of generating, transmitting, and distributing electric power to wholesale and retail customers in Idaho and Washington. Avista also provides natural gas service to customers in Idaho, Washington, and Oregon. As such, Avista's rates, charges, services and practices are regulated, in part, by this Commission.

KEC is electric cooperative with its headquarters in Hayden, Idaho, that will own and operate a landfill gas electric power generating facility located at the Kootenai County Solid Waste Facility near Bellgrove, Idaho ("Facility"). The Facility is capable of generating up to approximately 3.2 megawatts of energy. The Facility is a Qualifying Facility pursuant to the Public Utility Regulatory Policies of Act of 1978 ("PURPA").

### 3. Names of Representatives

All communications, pleadings, and orders with respect to this proceeding should be directed to:

#### **For Avista Corporation:**

Steve Silkworth  
Manager, Wholesale Marketing and  
Contracts  
Avista Corporation  
1411 E. Mission Ave., MSC-7  
Spokane, WA 99202  
Phone: 509-495-8093  
Fax: (509) 495-4272  
E-mail: [steve.silkworth@avistacorp.com](mailto:steve.silkworth@avistacorp.com)

Michael G. Andrea  
Senior Counsel  
Avista Corporation  
1411 E. Mission Ave., MSC-23  
Spokane, WA 99202  
Phone: 509-495-2564  
Fax: (509) 777-5468  
E-mail: [michael.andrea@avistacorp.com](mailto:michael.andrea@avistacorp.com)

#### **For Kootenai Electric Cooperative, Inc.:**

Doug Elliott  
General Manager  
Kootenai Electric Cooperative, Inc.  
2451 W. Dakota Avenue  
Hayden, Id 83835-0278  
Telephone: (208) 292-3227  
Fax: (208) 209-0427  
Email: [delliott@kec.com](mailto:delliott@kec.com)

Greg Adams  
Richardson & O'Leary PLLC  
515 N. 27<sup>th</sup> St.  
Boise, ID 83702  
Phone: (208) 938-2236  
Facsimile: (208) 938-7904  
Email: [greg@richardsonandoleary.com](mailto:greg@richardsonandoleary.com)

### 4. Description of Agreement

The Agreement is a power purchase agreement under which KEC generates and delivers the Net Output of its Facility to Avista's electric system on an as-available basis. The Agreement was originally approved by the Commission in Order No. 32459 issued in Docket No. AVU-E-12-01 on February 15, 2012. The Term of the Agreement was originally due to expire on December 31, 2012. The Amendment extends the Term of the Agreement through December 31, 2013 and Exhibit D has also been updated to include the Avoided Cost Rates for 2013.

For the Term of the Agreement, Avista will purchase the Net Output of the Facility that is delivered to the Point of Delivery. Avista will purchase such Net Output (up to a maximum of 10 aMW) pursuant to Schedule 62 of its Idaho tariff at the lesser of (i) 85 percent (85%) of the weighted average of the daily on-peak and off-peak Dow Jones Mid-Columbia Non-Firm Index, or (ii) the applicable rate based upon the On-Peak or Off-Peak Avoided Cost Rates For Non-Fueled Projects Smaller Than Ten Average Megawatts - Non-Levelized in effect on the Effective Date ("Avoided Cost Rates"). Pursuant to the Amendment, the Term of the Agreement shall continue through December 31, 2013, unless the Agreement is terminated earlier pursuant to its terms. KEC may terminate the Agreement at any time during the Term by providing Avista written notice 30 days before such termination.

**5. Joint Request for Approval**

Avista and KEC jointly request that the Commission issue an order (i) accepting the Agreement as amended by the Amendment, without change or condition, with an effective date of January 1, 2013, and (ii) declaring that all payments made by Avista for purchases of energy under the Agreement be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this <sup>20<sup>th</sup></sup> 20th day of November 2012.

**AVISTA CORPORATION**



Michael G. Andrea  
Senior Counsel

**KOOTENAI ELECTRIC  
COOPERATIVE, INC.**



Greg Adams  
Attorney for Kootenai Electric Cooperative, Inc.

**ATTACHMENT A**



November 19, 2012

Kootenai Electric Cooperative  
Attn: Doug Elliot  
2451 W. Dakota Ave  
P.O. Box 276  
Hayden, ID 83835-0278

**Re: Amendment to the Power Purchase Agreement Between Kootenai Electric Cooperative and Avista Corporation**

Dear Mr. Elliot:

Kootenai Electric Cooperative, Inc. ("Seller") and Avista Corporation ("Avista"), referred to herein individually as a "Party" and collectively as the "Parties," entered into that certain Power Purchase Agreement dated January 5, 2012, ("Power Purchase Agreement") under which Avista purchases energy from a 3.2 MW nameplate capacity electric power generating facility ("Facility") at the Kootenai County Solid Waste Facility near Bellgrove, Idaho. The Power Purchase Agreement was originally approved by the Idaho Public Utilities Commission ("Commission") in Order No. 32459 issued in Docket No. AVU-E-12-01 on February 15, 2012. The Power Purchase Agreement is due to expire by its terms on December 31, 2012. Avista understands that Seller would like to amend the Power Purchase Agreement to extend the term.

The Parties hereby agree to amend the Power Purchase Agreement to extend the term through December 31, 2013. Accordingly, Section 4.1 of the Power Purchase Agreement is amended to change the expiration date of the Term from December 31, 2012 to December 31, 2013. Except as expressly provided herein, all other terms and conditions of the Power Purchase Agreement remain in full force and effect, including Seller's right in Section 4.1 to terminate the Agreement with 30 days prior written notice to Avista.

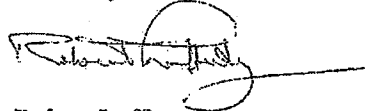
The Parties agree that this Amendment will be construed in accordance with Section 210 of PURPA and other applicable laws and regulations. This Amendment shall become finally effective upon the Commission's approval of all terms and provisions herein without change or condition and declaration that all payments to be made to Seller under the Power Purchase Agreement, as amended, shall be allowed as prudently incurred expenses for ratemaking purposes. This Amendment to the Power Purchase Agreement shall, subject to such Commission approval, become effective on January 1, 2013, or such other date set by Commission order. Upon the effective date of this



Amendment, this Amendment shall be incorporated in the Power Purchase Agreement and all references to the Power Purchase Agreement shall be deemed to be references to the Power Purchase Agreement as amended by this Amendment.

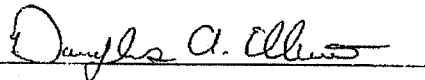
If the terms set forth herein for the extension of the term of the Power Purchase Agreement are acceptable, please execute below and return an original executed copy of this letter to me. Please call Steve Silkworth at 509 495-8093 if you have any questions.

Sincerely,



Robert Lafferty  
Director, Power Supply

ACCEPTED AND AGREED TO:



Name: Douglas A. Elliott

Date: November 19, 2012

Kootenai Electric Cooperative

**ATTACHMENT B**

POWER PURCHASE AGREEMENT

BETWEEN

KOOTENAI ELECTRIC COOPERATIVE, INC.

AND

AVISTA CORPORATION

1. DEFINITIONS	- 4 -
2. WARRANTIES	- 7 -
3. CONDITIONS PRIOR TO COMMERCIAL OPERATION	- 8 -
4. TERM OF AGREEMENT AND COMMERCIAL OPERATION DATE	- 9 -
5. NET OUTPUT AMOUNTS	- 9 -
6. SCHEDULING	-10-
7. PURCHASE PRICES AND PAYMENT	-10 -
8. INSURANCE	-11-
9. CURTAILMENT, INTERRUPTION OR REDUCTION OF DELIVERY	-12 -
10. OPERATION	-13-
II. INTERCONNECTION AND TRANSMISSION	-14 -
12. FORCE MAJEURE	-14 -
13. INDEMNITY	-15 -
14. ASSIGNMENT	- 16-
15. NO UNSPECIFIED THIRD PARTY BENEFICIARIES	-16 -
16. DEFAULT AND TERMINATION	-16 -
17. DISPUTE RESOLUTION	- 17 -
18. RELEASE BY SELLER	- 17 -
19. GOVERNMENTAL AUTHORITY	- 18-
20. SEVERAL OBLIGATIONS	- 18-

21. IMPLEMENTATION	-18 -
22. NON-WAIVER	-18 -
23. AMENDMENT	-18 -
24. CHOICE OF LAWS AND VENUE	-18 -
25. HEADINGS	-19 -
26. SEVERABILITY	- 19-
27. COUNTERPARTS	- 19 -
28. TAXES	- 19-
29. NOTICES	- 19 -
30. SURVIVAL	- 19 -
31. ENTIRE AGREEMENT	-20-
EXHIBIT A	
EXHIBITB	
EXHIBITC	
EXHIBITD	
EXHIBITE	
EXHIBITF	
EXHIBITG	

## POWER PURCHASE AGREEMENT

This Agreement is made by and between Avista Corporation, a Washington corporation ("Avista"), and Kootenai Electric Cooperative, Inc. an Idaho corporation ("Seller"). Avista and Seller are sometimes referred to individually as a "Party" and collectively as the "Parties."

### RECITALS

WHEREAS, Seller will design, construct, own, operate and maintain a 3.2 MW nameplate capacity ("Expected Capacity") electric power generating facility ("Facility") at the Kootenai County Solid Waste Facility near Bellgrove, Idaho, as more fully described in Exhibit C; and

WHEREAS, Seller will operate the Facility as a Qualifying Facility, as defined by the Public Utility Regulatory Policies Act of 1978 ("PURPA"); and

WHEREAS, Seller will deliver and sell, and Avista will purchase, Net Output generated by the Facility on a non-firm as available basis subject to the terms of this Agreement; and

WHEREAS, Seller and Avista are parties to the Interconnection and Operating Agreement dated November 15, 2011 (Avista Contract No. AV-TR11-0205-1) ("Interconnection and Operating Agreement"); and

WHEREAS, Seller and Avista are parties to the Facilities for Integration and Operation of Fighting Creek Facility Letter Agreement dated December 5, 2011 (incorporated as Exhibit G) which sets forth the scope of work and responsibilities of the Parties regarding the construction and installation of the Parties' respective facilities for the integration and operation of Seller's Facility.

**NOW, THEREFORE**, in consideration of the mutual agreements set forth herein, the Parties agree as follows.

#### **1. DEFINITIONS**

Except as otherwise defined in this Agreement, whenever used in this Agreement and exhibits hereto, the following terms shall have the following meanings:

**1.1 "Agreement"** means this Power Purchase Agreement, including all exhibits, and any written amendments.

**1.2 "Alternate Point of Delivery"** shall have the meaning provided in Section 11.2 of this Agreement and is further clarified in Exhibit C of this Agreement.

**1.3 "Ancillary Services"** means those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation

of the electrical systems in accordance with Prudent Utility Practices and any existing or future WECC requirements.

1.4 "Avoided Cost Rates" shall have the meaning provided in Section 7.3 of this Agreement.

1.5 "aMW" means average megawatt(s). An average megawatt is calculated by dividing the total generation in MWh over a given period of time (e.g., a calendar month) by the number of hours in that period of time.

1.6 "Balancing Authority Area" means an electrical system or systems bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other Balancing Authority Areas and contributing to frequency regulation of the interconnection. A Balancing Authority Area must be certified by the applicable reliability council (such as WECC or other reliability council).

1.7 "Base Energy" means all monthly Net Output except Net Output that is Excess Energy.

1.8 "Business Day" means every day other than a Saturday or Sunday or a national holiday. National holidays shall be those holidays observed NERC.

1.9 "Commission" means the Idaho Public Utilities Commission, or its successor.

1.10 "Effective Date" shall have the meaning provided in Section 4.1 of this Agreement.

1.11 "Excess Energy" shall have the meaning provided in Section 7.4 of this Agreement.

1.12 "Expected Capacity" shall have the meaning provided in the recitals of this Agreement.

1.13 "Facility" means the electric energy generating facilities, including all equipment and structures necessary to generate and supply electric energy, more particularly described at Exhibit C.

1.14 "Facility Output" means the capability and electric energy generated by the Facility expressed in kilowatt-hours.

1.15 "Facility Service Power" means the electric energy generated and used by the Facility during its operation to operate equipment that is auxiliary to primary generation equipment including, but not limited to, pumping, generator excitation, cooling or other operations related to the production of electric energy by the Facility.

- 1.16 **"Force Majeure"** shall have the meaning provided in Section 12 of this Agreement.
- 1.17 **"FERC"** means the Federal Energy Regulatory Commission, or its successor.
- 1.18 **"Independent Engineering Certification"** means certifications detailed in Section 3.3 provided by a professional engineer registered in the state in which the Facility is located and who has no direct or indirect, legal, or equitable ownership interest in the Facility.
- 1.19 **"Initial Capacity Determination"** shall have the meaning provided in Section 3.4 of this Agreement.
- 1.20 **"Interconnection and Operating Agreement"** means, as applicable, the agreement between Seller and Avista or Seller and a Transmitting Entity that is providing interconnection service which governs how the Net Output is delivered to Avista's or the Transmitting Entity's electrical system at the point of interconnection during the Term of this Agreement and that is attached hereto as Exhibit F.
- 1.21 **"Losses"** means the loss of electrical energy expressed in kilowatt hours (kWh), including the Meter Location Adjustment Factor ("MLAF") as described in section 7.2, occurring as a result of the transformation and transmission of energy between the point of interconnection on Seller's system and the Point of Delivery.
- 1.22 **"MW"** means megawatt. One thousand kilowatts equals one megawatt.
- 1.23 **"MWh"** means megawatt-hour. One thousand kilowatt-hours equals one megawatt-hour.
- 1.24 **"Market Energy Rate"** means an energy price that shall be 85 percent (85%) of the weighted average of the daily on-peak and off-peak Dow Jones Mid-Columbia Non-Firm Index (Dow Jones Mid-C Non-Firm Index), or its successor, or as agreed by the Parties if no successor exists.
- 1.25 **"Nameplate Capacity Rating"** means the maximum generating capacity of the Facility, as determined by the manufacturer, and expressed in kilowatts (kW).
- 1.26 **"NERC"** means the North American Electric Reliability Corporation or its successor.
- 1.27 **"Net Output"** means the capability and electric energy generated by the Facility, less Facility Service Power and Losses, that is delivered to the Point of Delivery, or at the Alternate Point of Delivery if applicable under Section 11.2, expressed in kilowatt-hours. Net Output is further described in Section 7.2.
- 1.28 **"Off-Peak"** means all hours other than On-Peak hours.



1.29 **"On-Peak"** means the hours ending 0700 through 2200 Pacific Prevailing time, Monday through Sunday, including national holidays.

1.30 **"Point of Delivery"** means the location, as specified in Exhibit C of this Agreement, where the electric energy produced by the Facility is delivered to Avista's electrical system.

1.31 **"Prudent Utility Practices"** means the practices, methods, and acts commonly and ordinarily used in electrical engineering and operations by a significant portion of the electric power generation and transmission industry, in the exercise of reasonable judgment in the light of the facts known or that should have been known at the time a decision was made, that would have been expected to accomplish the desired result in a manner consistent with law, regulation, reliability, safety, environmental protection, economy, and expedition.

1.32 **"Qualifying Facility" or "QF"** means a generating facility which meets the requirements for "QF" status under PURPA and part 292 of FERC's Regulations, 18 C.F.R. Part 292, and which has obtained certification of its QF status.

1.33 **"Term"** shall have the meaning provided in Section 4.1 of this Agreement.

1.34 **"Transmitting Entity"** means any entity or entities including Seller that provide transmission and/or interconnection service to deliver electric energy from the Facility to Avista's electrical system at the Point of Delivery or at the Alternate Point of Delivery if applicable under Section 11.2. For purposes of this Agreement, Seller is the Transmitting Entity.

1.35 **"WECC"** means the Western Electricity Coordinating Council or its successor.

## 2. **WARRANTIES**

2.1 **No Warranty by Avista.** Avista makes no warranties, expressed or implied, regarding any aspect of Seller's design, specifications, equipment or facilities, including, but not limited to, safety, durability, reliability, strength, capacity, adequacy or economic feasibility, and any review, acceptance or failure to review Seller's design, specifications, equipment or Facility shall not be an endorsement or a confirmation by Avista. Avista assumes no responsibility or obligation with regard to any NERC and/or WECC reliability standard associated with the Facility or the delivery of electric energy from the Facility to the Point of Delivery or at the Alternate Point of Delivery if applicable under Section 11.2.

2.2 **Seller's Warranty.** Seller warrants and represents that: (a) Seller has investigated and determined that it is capable of performing and will perform the obligations hereunder and has not relied upon the advice, experience or expertise of Avista in connection with the transactions contemplated by this Agreement; (b) all professionals and experts including, but not limited to, engineers, attorneys or accountants, that Seller may have consulted or relied on in undertaking the transactions contemplated by this Agreement have been solely those of Seller; (c) Seller will comply with all applicable laws and regulations and shall obtain

