

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF

FROM: KRISTINE SASSER
DEPUTY ATTORNEY GENERAL

DATE: JANUARY 12, 2012

SUBJECT: AVISTA'S JOINT APPLICATION WITH KOOTENAI ELECTRIC COOPERATIVE FOR APPROVAL OF A POWER PURCHASE AGREEMENT, CASE NO. AVU-E-12-01

On January 9, 2012, Avista Corporation and Kootenai Electric Cooperative (Kootenai Electric) (collectively, the Parties) filed a Joint Application with the Commission requesting approval of a Power Purchase Agreement (Agreement) between Avista and Kootenai Electric. Kootenai Electric is an electric cooperative that proposes to own and operate a landfill gas electric power generating facility (the Project) located at the Kootenai County Solid Waste Facility near Bellgrove, Idaho. The Project is a qualifying facility under the applicable provisions of the Public Utility Regulatory Policies Act of 1978 (PURPA) and is capable of generating up to 3.2 megawatts (maximum capacity, nameplate) of energy. The Parties ask that the Commission approve the Agreement with an effective date of January 5, 2012.

THE AGREEMENT

The Application states that the Agreement shall commence on the effective date and continue through December 31, 2012, unless the Agreement is terminated earlier pursuant to its terms.¹ The Agreement states that Kootenai Electric will generate and deliver and Avista will purchase the net output of the Project on an as-available basis.

The Application further outlines that Avista will purchase the Project's net output (up to a maximum of 10 aMW) pursuant to Schedule 62 of its Idaho tariff at the lesser of (i) 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-

¹ Kootenai Electric may terminate the Agreement at any time during the term by providing Avista 30 days written notice.

fueled projects smaller than ten average megawatts – non-levelized (avoided cost rates) in effect on the effective date of the Agreement. Application at 3.

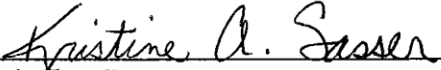
The Parties request that the Commission approve the Agreement without change or condition, with an effective date of January 5, 2012, and declare that all payments made by Avista for purchases of energy under the Agreement be allowed as prudently incurred expenses for ratemaking purposes.

STAFF RECOMMENDATION

Staff recommends that the case be processed by Modified Procedure with a 21-day comment period.

COMMISSION DECISION

Does the Commission wish to process this case under Modified Procedure with a 21-day comment period?



Kristine A. Sasser
Deputy Attorney General

M:AVU-E-12-01_ks