

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE JOINT )  
APPLICATION OF AVISTA CORPORATION ) CASE NO. AVU-E-16-08  
AND STIMSON LUMBER COMPANY TO )  
APPROVE THE FIRST AMENDMENT TO ) ORDER NO. 33678  
THEIR POWER PURCHASE AGREEMENT )**

On October 24, 2016, Avista Corporation and Stimson Lumber Company filed a joint Application asking the Commission to approve the First Amendment to their Power Purchase and Sale Agreement (“Agreement”). The Amendment extends the term of their Agreement – set to expire January 14, 2017 – through December 31, 2019. The Agreement falls under the Public Utility Regulatory Policies Act of 1978 (PURPA), and is a contract for the sale and purchase of electric energy generated by Stimson Lumber’s thermal wood waste small power electric generation plant (Facility) near Plummer, Idaho. The Commission issued a Notice of Application and Notice of Modified Procedure. Order No. 33643. Staff timely filed comments. Neither Avista nor Stimson Lumber filed a reply.

**BACKGROUND**

PURPA was enacted in 1978 “to lessen the country’s dependence on foreign oil and to encourage the promotion and development of renewable energy technologies as alternatives to fossil fuels.” Order No. 32580 at 3, *citing FERC v. Mississippi*, 456 U.S. 742, 745-46 (1982). PURPA and its implementing regulations require electric utilities to purchase the power produced by qualifying facilities (QFs), such as Stimson Lumber’s Facility here. 16 U.S.C. § 824a-3(b); 18 C.F.R. § 292.303(a). Avista’s Agreement with Stimson Lumber is a PURPA contract, and Stimson Lumber’s Facility is a QF. Application at 2.

The rate that a QF receives for the sale of its power to a utility, referred to as the “avoided cost” rate, is approved by the Commission, and represents “the ‘incremental cost’ to the purchasing utility which, but for the purchase of power from the QF, such utility would either generate itself or purchase from another source.” Order No. 33419 at 3, *citing Rosebud Enterprises v. Idaho PUC*, 128 Idaho 624, 627, 917 P.2d 781, 784 (1996); 18 C.F.R. § 292.101(b)(6) (defining “avoided cost”).

For QFs such as Stimson Lumber’s thermal wood waste facility, generating less than 10 average megawatts (aMW) of energy,<sup>1</sup> the Commission calculates and publishes rates with a Surrogate Avoidable Resource (SAR) methodology, using long-term natural gas price forecasts.<sup>2</sup> Order No. 31092 at 3; Application at 2. These published avoided cost rates are periodically updated as new natural gas price forecasts are issued. *Id.* at 9.

### **THE AGREEMENT**

Avista and Stimson Lumber’s Agreement was first approved by the Commission in 2007. Order No. 32436 at 1. The First Amendment extends the term of Avista and Stimson Lumber’s Agreement through December 31, 2019, using applicable Idaho rates as in effect June 15, 2016.<sup>3</sup> Application at 3-4; Supplemental Attachment A to Amendment. Avista and Stimson Lumber jointly requested that the Commission issue an Order with an effective date of January 15, 2017, approving their First Amendment, and finding that all payments made by Avista for energy purchases under the Agreement be allowed as prudently incurred expenses for ratemaking purposes.

### **STAFF COMMENTS**

Staff confirmed that, with Avista’s Supplemental Attachment A filed on November 4, 2016, all rates are correct. Staff further determined that all other terms and conditions in the proposed Amendment and Agreement are consistent with prior Commission Orders. Staff recommended that the Commission approve the Amendment and Agreement and find that all payments from Avista to Stimson Lumber be allowed as prudently incurred expenses for ratemaking purposes.

### **FINDINGS AND CONCLUSIONS**

The Idaho Public Utilities Commission has jurisdiction over Avista, an electric utility, and the issues raised in this matter under the authority and power granted it under Title 61 of the Idaho Code and PURPA. The Commission has authority under PURPA and Federal Energy

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<sup>1</sup> The Facility is capable of generating up to about 6.5 MW of energy. Application at 2.

<sup>2</sup> The published rate eligibility limit for wind and solar QFs is 100 kilowatts (kW). Order No. 31092 at 3; Order No. 32176 at 11-12 (reducing eligibility cap for small wind and solar QFs to 100 kW); Order No. 32262 (affirming reduced eligibility cap for small wind and solar QFs).

<sup>3</sup> Commission Staff noted that the filing included an error associated with the light load hours rate for the period from March 2019 to June 2019. Staff Comments at 2. Avista filed a Supplemental Attachment A on November 4, 2016, correcting the error.

Regulatory Commission (FERC) regulations to set avoided costs, to order electric utilities to enter into fixed-term obligations for the purchase of energy from QFs, and to implement FERC rules.


The Commission has reviewed the record in this case, including the Application, the Amendment and Supplemental Attachment, and the comments and recommendations of Commission Staff. We find that Stimson Lumber's Facility is qualified to receive the published avoided cost rates contained in the Supplemental Attachment. We further find that the proposed Amendment and Agreement contain acceptable contract provisions consistent with PURPA, FERC regulations, and this Commission's prior Orders. We therefore approve the Amendment and Agreement without change or condition. Finally, we find it reasonable to allow payments made under the Agreement as prudently incurred expenses for ratemaking purposes.

### **ORDER**

IT IS HEREBY ORDERED that Avista and Stimson Lumber's Application is approved as set forth above.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

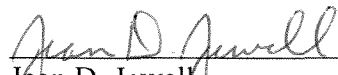
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 20<sup>th</sup>  
day of December 2016.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
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ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Jean D. Jewell  
Commission Secretary

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