Office of the Secretary
Service Date
May 29, 2013

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE ANNUAL REVISION AND UPDATED CALCULATION OF THE ADJUSTABLE PORTION OF THE AVOIDED-COST RATE(S) FOR EXISTING PURPA CONTRACTS FOR AVISTA CORPORATION DBA AVISTA UTILITIES, FOR IDAHO POWER COMPANY, AND PACIFICORP DBA ROCKY MOUNTAIN POWER	)	**CASE NO. GNR-E-13-01** **ORDER NO. 32815**

The Idaho Public Utilities Commission establishes purchase rates for energy generated by cogeneration and small power production facilities that are qualifying facilities (QFs) under Sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA). In Order No. 28708, Case No. GNR-E-99-1, the Commission established a methodology for the annual adjustable rate portion of avoided costs for those QF contracts using variable costs associated with Colstrip, a coal-fired generating facility in southeast Montana. The Colstrip adjustments apply only to contracts executed prior to January 30, 1995. For those QF contracts with Colstrip-related fuel costs and variable O&M, future Colstrip variable cost adjustments are to be calculated by using FERC Form 1 Colstrip Unit Coal Costs per megawatt hour (MWh) and adding $2.00/MWh (the average variable O&M cost of Colstrip plus 20¢/MWh for generation taxes plus a five percent (5%) adjustment for line loss). As computed by Commission Staff, the Colstrip-related adjustable rate for the 2013-2014 year should change from 14.80 mill/kWh to 15.12 mill/kWh. The same calculated rate revision under the avoided-cost methodology is used by Avista, PacifiCorp dba Rocky Mountain Power and Idaho Power Company. This change in the variable rate affects existing contracts under the previous SAR methodology.

The adjustable portion of the avoided-cost rates under Sumas-based methodology is based on annual average gas prices indexed at Sumas, Washington. Reference Order No. 26135, Case Nos. WWP-E-95-3/IPC-E-95-7/UPL-E-95-2. The purpose of including an adjustable component in the avoided-cost rates is to capture annual changes in natural gas fuel costs. The Sumas adjustments apply to all SAR methodology contracts executed between January 31, 1995 and September 26, 2002. As reported by Avista, the indexed gas prices have decreased by

$1.15/MMBtu. The approved gas price of $4.60/MMBtu plus the $1.15/MMBtu decrease results in a gas price of $3.45/MMBtu for the 2013-2014 year. This, by Staff's calculation, equates to a SAR fuel cost of 24.50 mill/kWh for existing contracts signed under an assumed heat rate of 7,350 Btu/kWh.[1] Under the Commission-approved Sumas-based SAR methodology, the adjustable portion of avoided-cost rates is the same for all of Idaho's major electric utilities.

The Commission Staff by letter dated May 13, 2013, calculated changes to the annual adjustable rate portion of avoided costs for those QF contracts using variable costs associated with Colstrip and Sumas for review by the respective utilities. Avista, Idaho Power and PacifiCorp responded by letter that Staff's calculations are correct for existing contracts under Colstrip-based and Sumas-based methodologies.

FINDINGS AND CONCLUSIONS

The Idaho Public Utilities Commission has jurisdiction over Avista Corporation dba Avista Utilities, Idaho Power Company and PacifiCorp dba Rocky Mountain Power pursuant to the authority and power granted it under Title 61 of the Idaho Code and the Public Utility Regulatory Policies Act of 1978 (PURPA). The Commission has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission (FERC) to set avoided costs, to order electric utilities to enter into fixed-term obligations for the purchase of energy from qualified facilities and to implement FERC rules.

Pursuant to its authority, the Commission has reviewed and considered the filings of record in Case No. GNR-E-13-01. We find that the accuracy of the variable rate methodology figures submitted by Avista (Sumas) and calculated by Staff (Colstrip) in this case have not been challenged. The methodology that this Commission has approved for determining the variable components of the avoided-cost rates is a relatively simple arithmetic re-calculation. We find based upon our review of the calculations of both Colstrip and Sumas updates that the resulting adjustable rates for existing contracts are fair, just and reasonable.

[1] The heat rate used to compute the variable portion was changed from 7,350 to 7,100 in Order No. 29124 on September 26, 2002. New fueled contracts should use a heat rate of 7,100 Btu/kWh to convert gas price to the adjustable portion. Idaho Power's Vaagen Bros. contract should use a heat rate of 7,350 for the conversion because it was the approved heat rate at the time the contract was signed.

ORDER

IT IS HEREBY ORDERED that the Colstrip-related and Sumas-related adjustable portions of the avoided-cost rates for existing PURPA contracts for Avista, Idaho Power, and PacifiCorp are changed effective July 1, 2013.

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 29th day of May 2013.

Paul Kjellander

PAUL KJELLANDER, PRESIDENT

Mack Redford

MACK A. REDFORD, COMMISSIONER

Marsha H. Smith

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Jean D. Jewell

Jean D. Jewell
Commission Secretary

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