

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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3
4 IN THE MATTER OF THE AVISTA)
5 UTILITIES’ APPLICATION FOR) DOCKET NO. UE-03 ____
6 APPROVAL OF COMPLIANCE PLANS)
7 PURSUANT TO WAC 480-107, RULES) WAC 480-107 COMPLIANCE
8 RELATING TO ELECTRIC COMPANIES) FILING
9 PURCHASES OF ELECTRICITY FROM)
10 QUALIFYING FACILITIES AND)
11 INDEPENDENT POWER PRODUCERS)
12 AND PURCHASES OF ELECTRICAL)
13 SAVINGS FROM CONSERVATION)
14 SUPPLIERS)

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16
17 COMES NOW, Avista Utilities (“Avista”), Applicant in the above-titled matter, and
18 respectfully requests that the Commission issue an order approving its compliance plan pursuant
19 to WAC 480-107, rules relating to Electric Companies Purchases of Electricity from Qualifying
20 Facilities and Independent Power Producers and Purchases of Electrical Savings from
21 Conservation Suppliers.

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23 **I. INTRODUCTION AND SUMMARY**

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25 Avista is required to file a Request for Proposals (“RFP”) for electric resources and savings
26 under WAC 480-107. WAC 480-107 provides that the RFP shall be filed within ninety days of
27 the filing of Avista’s least cost plan. Avista submitted its latest least cost plan, or Integrated
28 Resource Plan (“IRP”) on April 30, 2003. The aspects of this filing are consistent with Avista’s
29 IRP.

1 This filing is comprised of six sections. Section II provides procedural information. Section
2 III discusses Avista's load and resource balances, and explains that because the Company has
3 adequate resources through 2007 the resource block size as described in WAC 480-107-040 is
4 zero. Section IV discusses WAC 480-107-050, detailing Avista's avoided cost schedule. It
5 explains that the avoided cost schedule is a price ceiling under which any new PURPA resources
6 over one megawatt would be contracted for, with terms and conditions including a negotiated
7 price.

8 Avista's zero block size renders certain sections of WAC 480-107 inappropriate in this filing.
9 The Company therefore requests of the Commission waivers of sections WAC 480-107-010, -
10 060, -070, and -080 in Section V. Section VI provides a summary of Avista's request for
11 authorizations.

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13 **II. PROCEDURAL INFORMATION**

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15 The name of the Applicant is Avista Utilities, a wholly owned subsidiary of Avista
16 Corporation. Avista Corporation is a Washington corporation, whose principle business office is
17 East 1411 Mission Avenue in Spokane, Washington. The Applicant is an investor-owned utility
18 engaged in the generation, transmission, and distribution of electricity principally in certain
19 portions of eastern Washington and in northern Idaho. The Applicant also provides natural gas
20 distribution service in certain portions of eastern Washington, northern Idaho, Oregon, and
21 California.

22 The Applicant is subject to the jurisdiction of the Washington Utilities and Transportation
23 Commission, the Idaho Public Utilities Commission, the Montana Public Service Commission,

1 the Oregon Public Utilities Commission, the California Public Utilities Commission, and the
2 Federal Energy Regulatory Commission. Communications in reference to this application
3 should be addressed to:

4 Clint Kalich
5 Manager of Resource Planning and Analysis
6 Avista Utilities
7 E. 1411 Mission Avenue
8 Post Office Box 3727
9 Spokane, WA 99220
10 Phone: 509.495.4532 Fax: 509.495.8856
11

12 **III. WAC 480-107-040—SIZE OF RESOURCE BLOCK**

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14 The Company presently tracks its loads and resources through 2023. Based on these
15 tabulations, Avista has adequate resources to meet its requirements, even under adverse
16 hydroelectric and load conditions, through 2007. Exhibit A provides summaries of the
17 Company's energy and capacity requirements through 2013. For energy, Avista begins with a
18 surplus of 72 aMW in 2004, rising to 80 aMW in 2005. The last surplus year, 2007, shows a
19 surplus of 12 aMW. The first deficit year for energy is 2008, with a deficiency of 24 aMW. By
20 2013 the deficit rises to 396 aMW. On the capacity side, Avista is surplus through 2009.
21 Surpluses begin in 2004 at 400 MW, and fall to 66 MW in 2009. The first deficit year, 2010,
22 shows a value of 41 MW. By 2013 the deficit increases to 374 MW.

23 Given that Avista requires neither energy resources prior to 2008, nor capacity resources
24 prior to 2010, it believes that a resource block size of zero megawatts is appropriate for this RFP
25 filing under WAC 480-107-040. This information is consistent with the Company's 2003 IRP.

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1 **IV. WAC 480-107-050—AVOIDED COST SCHEDULES**

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3 Exhibit B contains an avoided cost schedule for use in providing baseline payments for
4 Qualifying Facilities, and satisfies Avista’s obligation to purchase power under Section 210 of
5 the Public Utility Regulatory Policies Act of 1978. The avoided cost schedule is derived from
6 the analytical work performed for the 2003 IRP, and represents the average annual market price
7 for power at the Mid-Columbia over 200 Monte Carlo iterations hydroelectric generation, loads,
8 and natural gas prices.

9 The prices represent values for the combination of energy and capacity, with resource
10 assumptions being taken from the Northwest Power Planning Council’s forthcoming Fifth Power
11 Plan. During the early years of the forecast prices reflect energy prices, as the region is in a
12 surplus position. However, later in the forecast prices rise to recover the fixed capacity costs
13 associated with the construction of new resources. The new resource pool consists primarily of
14 combined-cycle combustion turbines.

15 The schedule explains that the ten-year levelized payment for projects beginning in 2004
16 would be \$42.92 per MWh. The twenty-year payment level would be \$49.94 per MWh. Both
17 values were calculated using Avista’s 8.22 percent after-tax weighted average cost of capital.

18 For projects over one megawatt, avoided costs are intended to illustrate expected ceiling
19 prices as part of either offers or negotiations for power projects.
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1 **V. WAC 480-107-010, -060, -070, and -080 WAIVERS**

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3 Avista respectfully requests that the Commission waive the provisions of WAC 480-107-010,
4 -060, -070, and -080. Certain circumstances unique to Avista at this time underlie this request:

5 1. The Company does not require new resources until at least 2008 for energy and 2010 for
6 capacity. These conclusions are discussed above and detailed in our recently filed IRP. A
7 deferral of these provisions will have no impact on these results or Avista's plan to meet future
8 resource deficiencies many years out. The Company today expects to issue an RFP after the
9 2005 IRP that will address future deficiencies. Where Avista's resource needs unexpectedly
10 increase, it will accelerate the timing of its next resource acquisition.

11 2. Avista does not wish to send false signals to the market by suggesting it requires any
12 additional resources. Such an action would mislead developers to spend their resources to
13 research and write proposals. It would also not be cost-effective for the Company to spend time
14 preparing an RFP when new resources are not required.

15 3. The underlying policy intent of the Commission's competitive bidding rule is still being
16 fulfilled. The rule was adopted to open a market to all energy projects to compete for supplying
17 new resources and to hold utilities to consistent standards. Having completed an RFP process in
18 late 2000, Avista has market information that is current. The Company continues to receive
19 resource and market price information through means other than an RFP. Avista does not
20 believe that submitting a 2003 RFP would provide any significantly different market information
21 that could be used by either the Company or the Commission.

1 **VI. REQUEST FOR AUTHORIZATIONS**

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3 Avista respectfully requests that the Commission approve the Company's compliance plan
4 for WAC 480-107. Specifically, Avista requests the following authorizations:

5 1. Authorization is requested, pursuant to WAC 480-107-040 for a resource block size of
6 zero megawatts, which is consistent with Avista's 2003 IRP.

7 2. Authorization is requested, pursuant to WAC 480-107-050, to apply as a ceiling price to
8 projects over one megawatts avoided costs based on Exhibit B.

9 3. Authorization is requested, based on the resource block size of zero megawatts, to waive
10 the provisions of WAC 480-107-010, -060, -070, and -080.

11 4. Authorization is requested, pursuant to WAC 480-107-060 and -070, to approve this
12 compliance plan as the Company's RFP in lieu of a formal solicitation.

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19 DATED this 30th day of July, 2003

20 Avista Utilities

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22 By: _____/s/_____
23 Clint Kalich
24 Manager of Resource Planning & Analysis

Exhibit A

Energy Loads and Resources (aMW)

Last Updated June 11, 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
REQUIREMENTS										
System Load	(985)	(1,014)	(1,051)	(1,083)	(1,120)	(1,165)	(1,207)	(1,248)	(1,285)	(1,326)
Contracts Out	(44)	(7)	(6)	(6)	(6)	(5)	(4)	(4)	(3)	(3)
Total Requirements	(1,028)	(1,021)	(1,057)	(1,089)	(1,126)	(1,171)	(1,211)	(1,251)	(1,288)	(1,329)
RESOURCES										
Hydro	550	545	530	530	529	524	499	496	477	477
Contracts In	163	164	181	183	183	183	182	76	61	61
Base Load Thermals	234	242	234	234	242	242	242	242	242	242
Gas Dispatch Units	164	160	160	164	158	164	164	160	160	164
Total Resources	1,111	1,111	1,106	1,111	1,112	1,113	1,087	974	940	943
Surplus (Deficit)	82	90	49	22	(13)	(58)	(124)	(277)	(347)	(386)

CONTINGENCY PLANNING										
<i>Confidence Interval</i>	(153)	(153)	(153)	(153)	(153)	(153)	(153)	(153)	(153)	(153)
<i>WNP-3 Obligation</i>	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)
<i>Peaking Units</i>	178	178	178	178	178	178	178	178	178	178
Surplus (Deficit) net position	72	80	38	12	(24)	(68)	(135)	(288)	(358)	(396)

Capacity Loads and Resources (MW)

Last Updated June 11, 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
REQUIREMENTS										
System Load	(1,424)	(1,469)	(1,524)	(1,569)	(1,624)	(1,690)	(1,753)	(1,812)	(1,868)	(1,928)
Operating Reserves	(107)	(107)	(105)	(105)	(105)	(104)	(102)	(102)	(100)	(100)
Total Requirements	(1,531)	(1,576)	(1,629)	(1,674)	(1,729)	(1,794)	(1,855)	(1,914)	(1,968)	(2,028)
RESOURCES										
Hydro	1,177	1,177	1,135	1,134	1,133	1,131	1,084	1,083	1,044	1,043
Net Contracts	70	19	43	45	45	45	46	(54)	(73)	(73)
Base Thermal	272	272	272	272	272	272	272	272	272	272
Gas Dispatch	176	176	176	176	176	176	176	176	176	176
Gas Peaking Units	236	236	236	236	236	236	236	236	236	236
Total Resources	1,931	1,880	1,862	1,863	1,862	1,860	1,814	1,713	1,655	1,654
Surplus (Deficit)	400	304	233	189	133	66	(41)	(201)	(313)	(374)

Exhibit B

Avoided Cost Schedule

Year	Price (\$/MWh)
2004	33.72
2005	35.06
2006	36.49
2007	38.20
2008	42.44
2009	45.98
2010	50.10
2011	52.97
2012	55.35
2013	57.39
2014	58.28
2015	60.20
2016	62.63
2017	64.87
2018	65.41
2019	67.28
2020	69.19
2021	70.32
2022	71.28
2023	75.71

10-Yr. LC 42.92

20-Yr. LC 49.94

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August 1, 2003

Ms. Carole Washburn, Executive Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive Southwest
Olympia, WA 98504-8002

RE: Purchases of Electricity from Qualifying Facilities and Independent Power Producers and Purchasers of Electrical Savings from Conservation Suppliers: WAC 480-107

Dear Ms. Washburn:

Enclosed for filing with the Commission are an original and nineteen copies of a petition requesting approval of the Company's compliance plan pursuant to WAC 480-107, rules relating to purchases of electricity or electrical savings from power producers or conservation suppliers.

If you have any questions regarding this filing, please contact me at 509.495.4532.

Sincerely,

/s/

Clint Kalich
Manager of Resource Planning & Analysis

enclosure