



Avista Corp.

1411 East Mission P.O. Box 3727
Spokane, Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

July 25, 2017

Steven King, Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, Washington 98504-7250

RE: Updated Washington Avoided Cost Schedule 62, Tariff WN U-28, Electric Service

Dear Mr. King:

Attached for filing with the Commission is the Company's proposed tariff revision:

Eleventh Revision Sheet 62 Canceling Tenth Revision Sheet 62

The purpose of this annual filing is to update the Standard Power Rates offered in Avista's Schedule 62, "Small Power Production and Cogeneration Schedule". This schedule is applicable to any entity that:

- a) installs and owns a facility that generates electricity and is directly interconnected with Avista's system in the State of Washington;
- b) such facility is a Qualifying Facility (QF), meaning either a cogeneration facility or a small power production facility, pursuant to Section 201 of the Public Utility Regulatory Policies Act of 1978 (PURPA) and defined in WAC 480-107-007;
- c) offers all of its output for sale to Avista pursuant to WAC 480-107-095(2); and
- d) enters into written agreements with Avista for both the production from the facility and interconnection to Avista's system that will be subject to regulatory approvals.

Avista files annual updates to Schedule 62 toward the end of each year with a tariff effective date of January 1st the following year. The Company, in this filing, is proposing to modify the Standard Power Rates earlier than January 1, 2018 due to the decline in avoided costs. Based on the avoided

costs included in the Company's draft 2017 electric Integrated Resource Plan (IRP), which will be filed with the Commission on August 31, 2017, the Standard Power Rates have dropped by over \$20/MWh.¹ The Company recognizes that it generally files to update the Standard Power Rates based on the avoided costs of its most recently acknowledged IRP. Due to recent requests the Company has received for contract rates from QFs, the Company believes it is in our customers' best interests to update the Standard Power Rates as soon as possible. If the rates are not updated immediately, and instead are updated after the Company files its IRP, customers could potentially pay over \$20/MWh more for a QF that qualifies for Standard Power Rates.


The Company has included a new provision in Schedule 62 in which it will offer separate Standard Power Rates to QFs that have a contract in place prior to September 1, 2017. The Company currently has three QFs with PURPA contracts in place in Washington, two of which receive Standard Power Rates. Both of the QFs receiving Standard Power Rates have been providing capacity and energy to the Company for many years, which the Company includes in its resource planning. Because of this, the Company proposes to continue to provide a capacity payment for the capacity they have been providing, if or when they renew their contracts. To determine the value of the capacity payment the Company used the annual capacity value of a large natural gas fired resource from its 2017 IRP, based on if Avista were to be short on capacity beginning in 2018 instead of the end of 2026.

Because the Company is long on capacity until the end of 2026, the Standard Power Rates from 2018 – 2022 for new QFs will receive a capacity payment of \$0/kW-year. Based on current conditions, QFs that sign a PURPA contract for Standard Power Rates will not receive a capacity payment greater than \$0/kW-year until 2027.

The Standard Power Rates included within the proposed Schedule 62 are for years 2018 through 2022. If the Company's proposed tariff modifications are approved with an effective date of September 1, 2017 as requested, it is highly unlikely that a QF will request a contract for Standard Power Rates with a delivery date in 2017.

A copy of the workpapers supporting the Company's request is enclosed with this filing. As mentioned, Avista requests the tariff revision to become effective September 1, 2017. If you have any questions regarding this filing, please contact Shawn Bonfield at 509-495-2782 or shawn.bonfield@avistacorp.com or myself at 509-495-8620 or pat.ehrbar@avistacorp.com.

Sincerely,



Patrick Ehrbar
Senior Manager, Rates & Tariffs

¹ It should be noted that in the past the avoided costs have not changed from the time the Company submitted its draft IRP to its Technical Advisory Group (TAC), to the time the final IRP is filed with the Commission and later acknowledged. The Company's 2017 IRP was submitted to its TAC on June 30, 2017. In addition, the Commission does not approve the avoided costs included in the IRP, however acknowledges that the IRP met all requirements from previous orders and WAC 480-100-238.