

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE ANNUAL) CASE NO. IPC-E-17-15
COMPLIANCE FILING OF IDAHO POWER)
COMPANY TO UPDATE THE LOAD AND) ORDER NO. 33957
GAS FORECASTS IN THE INCREMENTAL)
COST INTEGRATED RESOURCE PLAN)
AVOIDED COST MODEL)
)

Pursuant to the Public Utility Regulatory Policies Act of 1978 (PURPA) and the implementing regulations of the Federal Energy Regulatory Commission (FERC), the Idaho Public Utilities Commission (Commission) has approved an incremental cost Integrated Resource Plan (IRP) methodology, and a Surrogate Avoided Resource (SAR) methodology to calculate avoided cost rates paid to certain PURPA qualifying facilities (QFs). The avoided cost rate is the purchase price paid to QFs for purchases of QF energy and capacity.

To ensure that avoided costs most accurately reflect utilities' true avoided cost, the Commission has directed utilities to "update fuel price forecasts and load forecasts annually – between IRP filings," and to update the Commission about its "long-term contract commitments because of [their] potential effect . . . on a utility's load and resource balance." Order No. 32697 at 22 (timing of filing changed from June 1 to October 15 of each year, in Order No. 32802 at 3).

On October 13, 2017, per the Commission's directives, Idaho Power Company filed its annual updates for fuel prices and load forecast and information about new and expiring contracts. The Commission issued a Notice of Application and Notice of Modified Procedure. Order No. 33925. Staff timely filed the only comments, and the Company did not reply. The Commission now accepts and approves Idaho Power's filing.

COMPLIANCE FILING

Idaho Power provided its updated load forecast, natural gas forecast, and contract information, explaining the information was incorporated into its IRP avoided cost model to be used as the starting point for negotiation of its contractual avoided cost rates as of October 15, 2017. Filing at 2. Idaho Power provided the October 2017 and October 2016 average annual load forecasts for years 2017 through 2034. *Id.* at 2-3. The updated load forecast "shows, on average, an increase in [the Company's] customer loads when compared to the October 2016 load forecast." *Id.*

The Company's updated natural gas forecast is the Energy Information Administration's (EIA) Natural Gas Henry Hub Spot Price: High Oil and Gas Resource and Technology forecast, published January 5, 2017, which it used in its 2017 IRP process (adjusted for pricing at Sumas and transport for Idaho City Gate delivery). *Id.* at 4. The Company explained the 2017 forecast shows "a decrease in the average annual natural gas prices over the remaining period" compared to the 2016 forecast. *Id.* at 4-5.

Idaho Power also summarized its contract terminations, expirations and additions since its 2016 update. *Id.* at 6-7 (*see also* Attachment 1 to Application).

Idaho Power asked the Commission to accept its updated load forecast, natural gas forecast, and contract information.

STAFF COMMENTS

Staff reviewed the Company's filing and attachments. Staff found the Company's updated load forecast to be reasonable. Staff Comments at 2. Staff also verified that the Company's contract information updates were accurate. *Id.* at 3.

Staff noted that the Company changed the natural gas forecast from its prior update, which used the EIA's Natural Gas Henry Hub Spot Price Reference Case, to the Henry Hub Spot Price High Oil and Gas Resource and Technology Case. *Id.* The Company's updated gas price forecast reflects some of the lowest possible gas price forecasts, estimated to be in the 5 to 10 percentile range. *See id.* at 3. Staff conceded "it is difficult to determine the accuracy of any forecast, especially a forecast with a 20-year time horizon." *Id.* In discovery, Idaho Power asserted its choice of forecast is supported by future trading prices from the Intercontinental Exchange (ICE). *Id.* Staff reiterated its concern from comments on Idaho Power's IRP (which the Commission has yet to acknowledge)(Case No. IPC-E-17-11), that the ICE transactions "reflect the price for which today's market players are willing to buy and sell options over the next seven years, rather than a reflection of actual future spot market prices over the 20-year forecast period." *Id.* Staff stated, "using a gas price forecast estimated to be in the 5 to 10 percentile range, reflecting some of the lowest possible gas price forecasts is in stark contrast to the Company's water and load assumptions in the 70 to 95 percentile range, reflecting some of the highest possible water and load conditions." *Id.* Staff recommended accepting the Company's proposed gas forecast, but urged the Company "to look closely at the assumptions and caveats the EIA uses to develop the various gas price forecasts." *Id.*

Based on its review, Staff recommended the Commission approve the updated load forecast, natural gas forecast, and long-term contracts to be used in the IRP methodology. *Id.* at 4. Staff also recommended, if the Company uses a different EIA forecast as its base forecast, it “must justify the change including an examination of the underlying assumptions that EIA or other third party entities used to develop that forecast.” *Id.* at 4.

DISCUSSION AND FINDINGS

The Commission has jurisdiction over Idaho Power and the issues raised in this matter under Title 61 of the Idaho Code and PURPA. The Commission has authority under PURPA and 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.

Pursuant to this authority, we have reviewed and considered the record in this case, including Idaho Power’s filing and attachments and Staff’s Comments. We find that the Company’s filing complies with the directives issued by this Commission in Order Nos. 32697 and 32802. Based on our review, we accept the updated inputs to Idaho Power’s IRP avoided cost calculation for filing. We further find it appropriate, going forward, that if the Company changes its EIA base forecast, it should provide a reasonable basis for such change.

ORDER

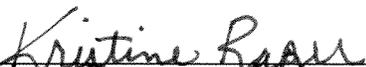
IT IS HEREBY ORDERED that Idaho Power’s annual update to its load and gas price forecast and long-term contract status for purposes of its incremental cost IRP methodology are accepted, effective October 15, 2017.

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 *5th*
day of January 2018.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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