Office of the Secretary
Service Date
January 5, 2018

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE ANNUAL COMPLIANCE FILING OF AVISTA CORPORATION TO UPDATE THE LOAD AND GAS FORECASTS IN THE INCREMENTAL COST INTEGRATED RESOURCE PLAN AVOIDED COST MODEL AND ESTABLISH ITS CAPACITY DEFICIENCY PERIOD TO BE USED FOR AVOIDED COST CALCULATIONS	)	**CASE NO. AVU-E-17-10** **ORDER NO. 33958**

Under 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). The Commission further directed that utilities file a case every two years to determine the capacity deficiency period for the SAR avoided cost methodology. *Id.* at 23 (timing of filing changed from the time of the IRP filing to upon acknowledgment of the IRP, in Order No. 33917).

On October 12, 2017, per the Commission's directives, Avista Corporation submitted its annual updates for fuel prices and load forecast and information about new and expiring contracts. The Company combined the filing with its request to approve its first capacity deficit of December 2026, to be used for SAR avoided cost calculations.

The Commission issued Notice of the Application and Notice of Modified Procedure. Order No. 33926. Staff timely filed the only comments, and the Company filed a reply letter. The Commission now accepts and approves Avista's filing.

COMPLIANCE FILING

Avista explained it combined the capacity deficiency date filing with the annual update to the load and fuel price forecast due to the timing of its filing of its 2017 Electric IRP, which occurred on August 31, 2017. Filing at 2. Avista indicated it consulted with Staff prior to combining these filings. *Id.*

Avista updated its load and fuel (natural gas) price forecast for each year from 2018 through 2040. *Id.* at 2-3. For the load forecast, Avista provided the forecasted energy (average megawatt) and one-hour peak (megawatt) for each year. *Id.* Avista explained that the energy forecast grows an average of 0.43 percent per year, and the peak forecast grows by 0.38 percent. *Id.* at 2.

Regarding its updated natural gas price forecast, Avista stated the forecast blends its national price forecasting consultant's most recent forecasts and forward market prices as of September 28, 2017. *Id.* at 3. Avista provided forecasted prices at Henry Hub and Stanfield. *Id.* at 3-4.

Regarding contract additions and terminations, Avista explained it has signed three new long-term PURPA contracts since the last annual update, one of which is in Idaho, and no new Power Purchase Agreements (PPAs). *Id.* at 4. The Idaho PURPA agreement is a two-year agreement with Stimson Lumber. *Id.* The other two are Washington agreements with Deep Creek Energy that extend a prior agreement. *Id.*

Finally, regarding the capacity deficiency period, Avista indicated its 2017 IRP identifies a first deficit at the end of 2026. *Id.* Avista stated it "has since updated its load forecasts and the first sustained capacity deficit begins in December 2026 and October 2026 for energy based on the updated information. These deficits are a direct result of the expiration of the Lancaster PPA." *Id.*

STAFF COMMENTS AND COMPANY REPLY

Staff reviewed the Company's Application and attachments. Staff noted the Company calculated its capacity deficit using an updated load and resource balance rather than the balance in the Company's 2017 IRP. Although the difference between the two balances was insignificant, Staff believes the Company should use the data from its most recent approved IRP "unless a major change has occurred since the preparation of the IRP." Staff Comments at 3-4.

Staff observed that the Company failed to file a capacity deficiency case after its 2015 IRP, per Order No. 33917. *Id.* at 4. This oversight would have impacted SAR-based PURPA contracts; but because Avista had no new SAR-based PURPA contracts filed since 2015, Staff believes the oversight had no negative impact. *See id.* Staff also noted that the Commission recently changed the filing timeline for capacity deficiency cases in October 2017, by ordering that "each Idaho electric utility shall submit its updated capacity deficiency filing after the Commission has acknowledged its IRP report, rather than upon its IRP filing, thus amending Order No. 32697." Order No. 33917 (quoted in Staff Comments at 4). Thus, Staff expects the Company to file future capacity deficiency cases after the Commission acknowledges the Company's IRP reports.

As to Avista's proposed capacity deficiency date, Staff believes the changes in the 2017 IRP, which caused the proposed shift in the first deficit date, are reasonable. Staff Comments at 4. Staff also believes Avista's new load and natural gas forecasts are reasonable. *Id.* at 5.

Based on its review, Staff recommended the Commission "authorize 2026 as the first capacity deficit year for valuing contracts that use the SAR methodology." *Id.* at 6. Staff also recommended the Commission approve Avista's updated load forecast, natural gas forecast, and long-term PURPA contracts for the IRP methodology. *Id.*

Avista filed a reply letter stating it "appreciates Staff's work on this matter and supports Staff's recommendations." Reply.

DISCUSSION AND FINDINGS

The Commission has jurisdiction over Avista 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 Avista's filing and attachments and Staff's Comments. We find that Avista's filing complies with Commission Order Nos. 32697 and 32802. Based on our review, we accept the updated inputs to Avista's IRP avoided cost calculation for filing.

We also approve December 2026 as Avista's capacity deficit for the SAR methodology. We do not share Staff's concern that Avista used a load and resource balance updated from its 2017 IRP. Staff Comments at 3-4. In establishing the capacity deficiency update process, we noted that the "capacity deficiency determined through the IRP planning process will be the starting point, and will be presumed to be correct subject to the outcome of the proceeding." Order

No. 32697 at 23. Recognizing that IRPs are long-term plans that are "flexible and responsive to its customers' needs over time," *id.*, we find it appropriate for a utility to use the most updated information available in calculating its capacity deficit date.

O R D E R

IT IS HEREBY ORDERED that Avista's annual updates to its load and gas price forecast and long-term contract status for its incremental cost IRP methodology are accepted, effective October 15, 2017.

IT IS FURTHER ORDERED that Avista's December 2026 first capacity deficit date is approved for the SAR methodology.

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

PAUL KJELLANDER, PRESIDENT

Kristine Raper

KRISTINE RAPER, COMMISSIONER

Eric Anderson

ERIC ANDERSON, COMMISSIONER

ATTEST:

Diane M. Hanian

Diane M. Hanian
Commission Secretary

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