

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION ) CASE NO. PAC-E-18-09**  
**OF ROCKY MOUNTAIN POWER TO )**  
**UPDATE THE LOAD AND GAS FORECASTS )**  
**USED IN THE INTEGRATED RESOURCE ) ORDER NO. 34213**  
**PLAN AVOIDED COST MODEL )**  
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On October 15, 2018, Rocky Mountain Power, a division of PacifiCorp (Rocky Mountain or the Company) filed its annual updates to certain components of its avoided cost rate calculation for qualifying facilities (QFs) under the Public Utility Regulatory Policies Act of 1978 (PURPA). Specifically, Rocky Mountain updated the load forecast, natural gas forecast, and contract information components that it uses to calculate avoided cost rates under the incremental cost Integrated Resource Plan (IRP) method.

The Commission subsequently set deadlines for interested persons to comment on the Application, and for the Company to file a reply, if necessary. *See* Order No. 34185. Commission Staff filed the only comments in the case, and supported the Company’s Application. The Company did not reply.

Having reviewed the record, the Commission issues this Order approving the Application, as discussed below.

**BACKGROUND**

Under PURPA, electric utilities must purchase electric energy from QFs at rates approved by the applicable state agency—in Idaho, this Commission. 16 U.S.C. § 824a-3; *Idaho Power Co. v. Idaho PUC*, 155 Idaho 780, 780, 316 P.3d 1278, 1287 (2013). The purchase or “avoided cost” rate shall not exceed the “‘incremental cost’ to the purchasing utility of power which, but for the purchase of power from the QF, such utility would either generate itself or purchase from another source.” Order No. 32697 at 7, *citing Rosebud Enterprises v. Idaho PUC*, 128 Idaho 624, 917 P.2d 781 (1996); 18 C.F.R. § 292.101(b)(6)(defining “avoided cost”).

The Commission has established two methods of calculating avoided cost, depending on the size of the QF project: (1) the surrogate avoided resource (SAR) method, and (2) the IRP method. *See* Order No. 32697 at 7-8. The Commission uses the SAR method to establish what are commonly referred to as “published” avoided cost rates. *Id.* Published rates are available for

wind and solar QFs<sup>1</sup> with a design capacity of up to 100 kilowatts (kW), and for QFs of all other resource types with a design capacity of up to 10 average megawatts (aMW). On the other hand, if a QF's design capacity is above the published rate eligibility caps, the utility must use the IRP method to negotiate a project-specific avoided cost rate with the QF. *Id.* at 2; Order No. 32176. The IRP method accounts for “many different variables and produces a[n avoided cost] result based on each individual utility's need for energy.” Order No. 32697 at 17. The variables in Rocky Mountain Power's IRP method are at issue in this case.

With respect to the IRP method, the Commission requires utilities to update fuel price forecasts and load forecasts each year on October 15. Order No. 32802 at 3. All other IRP method variables and assumptions remain fixed between the biennial IRP filings. Order No. 32697 at 22. The Commission expects the utility's load and resource balance to account for long-term contract commitments, and PURPA contracts that have terminated or expired. *Id.*

### THE APPLICATION

In the Application, Rocky Mountain provided updates to its load forecast, natural gas forecast, and contract information. The Company explained that if the Commission approved the updates, the Company would incorporate them into its IRP avoided cost model and use the model to begin negotiating contractual avoided cost rates as of October 15, 2018. Application at 2.

The updated load forecast provided by Rocky Mountain is from July 2018 and “shows a slight increase in load compared to the July 2017 load forecast provided in Case No. PAC-E-17-13 and approved by the Commission in Order No. 33952.” *Id.* Rocky Mountain Power also provided both the July 2018 and the July 2017 load forecasts for years 2018 through 2038. *Id.* at 4.

Rocky Mountain's updated natural gas forecast was prepared on September 28, 2018, and “indicates gas prices [in the Company's most recent Official Forward Price Curve] are down slightly initially then a little higher over the remaining years compared to” its 2017 Official Forward Price Curve. *Id.* at 3. The Company provided both its 2018 and the 2017 forecasts for years 2018 through 2037. *Id.* at 5.

Regarding contract additions and terminations, Rocky Mountain explained that it has signed 16 long-term contracts, 8 of which are with QFs, for a total nameplate capacity of 535.3 megawatts (MW). *Id.* at 3. Eleven long-term contracts have expired and two were terminated, for

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<sup>1</sup> See Order No. 33785 (regarding battery storage facilities).

a total nameplate capacity of 201.1 MW. *Id.* Rocky Mountain provided a list of the contract additions and terminations in Table 3 to the Application. Rocky Mountain indicated it continuously includes new power purchase agreements, terminated or expired contracts, and new contract pricing in its avoided cost IRP model. *Id.*

### **STAFF COMMENTS**

Staff reviewed the Company's forecasts and contract updates, and recommended the Commission approve them. Staff Comments at 6. Staff noted the 2018 load forecast shows a slight increase compared to the 2017 forecast. The Company claimed the higher load forecast for 2018 is related to increased: (1) industrial and commercial use; (2) air conditioning; (3) households (concomitant with a decrease in household size); (4) electric vehicles; and (5) indoor agriculture. *Id.* at 3.

To analyze the Company's 2018 gas price forecast, Staff compared that forecast to the Company's 2017 forecast, as well as to the U.S. Energy Information Administration's natural gas price forecast, and forecasts from Avista Utilities and Idaho Power Company. Staff said these comparisons show the Company's 2018 forecast is acceptable and reasonable. Staff also reported the Company's load and gas price forecasts reflect the most current estimates, and are consistent with the methods used in the Company's IRP.

Finally, Staff verified the contract information in the Company's Application was correct and based on the Commission-approved IRP methodology. Staff concluded the Company's load and gas price forecasts and the long-term contract changes are consistent with Order Nos. 32697 and 32802. Accordingly, Staff recommended the Commission accept the contract updates and information.

### **DISCUSSION AND FINDINGS**

The Commission has jurisdiction over Rocky Mountain 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. Also, the Commission is empowered to resolve complaints between QFs and utilities and to approve QF contracts.

Pursuant to this authority, we have reviewed and considered the record in this case, including Rocky Mountain's Application and Staff's recommendation. We find that Rocky

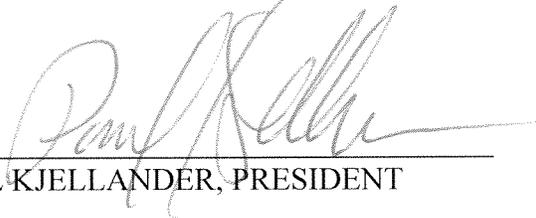
Mountain's filing complies with this Commission's directives in Order Nos. 32697 and 32802. Based on our review of the totality of the updates, we find the updated inputs to Rocky Mountain's IRP avoided cost calculation are reasonable, and we accept them.

**ORDER**

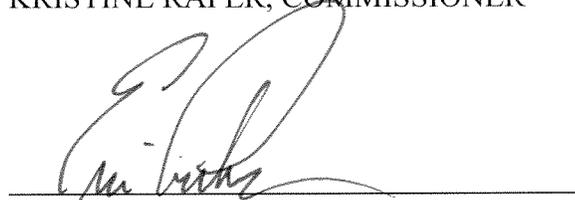
IT IS HEREBY ORDERED that Rocky Mountain Power's annual updates to its load and gas price forecasts and long-term contract status for purposes of its incremental cost IRP methodology are accepted, effective October 15, 2018.

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 with regard to any matter decided in 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 17<sup>th</sup> day of December 2018.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
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ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Diane M. Hanian  
Commission Secretary