Office of the Secretary
Service Date
December 17, 2018

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE ANNUAL COMPLIANCE FILING OF AVISTA TO UPDATE INPUTS IN THE INCREMENTAL COST INTEGRATED RESOURCE PLAN AVOIDED COST MODEL	))))))	**CASE NO. AVU-E-18-11** **ORDER NO. 34216**

On October 22, 2018, Avista Corporation (Avista 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, Avista 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. Order No. 34188. 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[1] 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). But 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 [an avoided cost] result based on each individual utility's need for energy." Order No. 32697 at 17. The variables in Avista'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, Avista provided updates to its load forecast, natural gas forecast, and contract information. The Company anticipates that its load forecast will escalate at an annual average growth rate of 0.43 percent for energy and 0.33 percent for 1-Hour Peak through 2040. Application at 2. The Company used a blend of two price forecasts developed by national price forecasting consultants and forward market prices for Henry's Hub and Stanfield to develop its natural gas forecast. *Id.* at 3. The Company indicated that it signed three long-term PURPA contracts since its 2017 filing and two long-term power-purchase agreements (PPAs). *Id.* at 4. Two of the PURPA contracts are extensions of previous contracts at new rates and terms. *Id.* One long-term PPA is for a customer solar program in Washington and the other is an exchange agreement with Douglas County Public Utility District. *Id.*

STAFF COMMENTS

Staff reviewed the Company's forecasts and contract updates, and recommended the Commission approve them. Staff Comments at 2. Staff noted the 2018 load forecast shows a slight decrease compared to the 2017 forecast, reflecting similar projected economic conditions in Avista's service territory in 2018 as in 2017. *Id.* at 3. When analyzing the Company's 2018 gas price forecast, Staff compared that forecast to the Company's 2017 forecast, two EIA natural gas price forecasts, and forecasts from Rocky Mountain Power and Idaho Power Company. Staff said

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[1] *See* Order No. 33785 (regarding battery storage facilities).

these comparisons show the Company's 2018 forecast is acceptable and reasonable. *Id.* at 3-5. 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. *Id.* at 5. Finally, Staff verified the contract information in the Company's Application is correct. *Id.* Staff concluded the Company's load and gas price forecasts and long-term contract changes are consistent with Order Nos. 32697 and 32802. Accordingly, Staff recommended the Commission accept the forecasts and contract changes. *Id.* at 5-6.

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 Federal Energy Commission (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 Avista's filing and Staff's recommendation. We find that Avista'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 Avista's IRP avoided cost calculation are reasonable, and we accept them.

ORDER

IT IS HEREBY ORDERED that Avista'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 17th day of December 2018.

PAUL KJELLANDER, PRESIDENT

KRISTINE RAPER, COMMISSIONER

ERIC ANDERSON, COMMISSIONER

ATTEST:

Diane M. Hanian
Commission Secretary

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