

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. GNR-E-17-02
OF IDAHO POWER COMPANY TO)	
REVIEW THE SURROGATE AVOIDABLE)	NOTICE OF
RESOURCE (SAR) METHODOLOGY FOR)	MODIFIED PROCEDURE
CALCULATING PUBLISHED AVOIDED)	
COST RATES)	ORDER NO. 33831
)	

Each year since 2013, Staff has calculated updated published avoided cost rates for contracts between the three Idaho utilities (Idaho Power, PacifiCorp, and Avista) and qualifying facilities under the Public Utility Regulatory Policies Act (PURPA). Order No. 32697; *see* Case Nos. IPC-E-17-07, PAC-E-17-05, AVU-E-17-02. The annual update reflects the updated natural gas price forecast of the U.S. Energy Information Administration (EIA), and each year, Staff has used the EIA's Mountain Region natural gas forecast. *See* Order Nos. 32817, 33041, 33305, 33538. Idaho Power Company filed an objection to Staff's May 2017 proposed update, asserting that it should be calculated using the EIA's Henry Hub forecast rather than the EIA's Mountain Region forecast. *See* Idaho Power Objection in Case No. IPC-E-17-07.

The Commission approved Staff's proposed published avoided cost rates as reasonable but directed the Commission Secretary to accept Idaho Power's Objection in Case No. IPC-E-17-07 as an application to initiate a generic proceeding. Order No. 33773. The Commission issued a Notice of the generic proceeding, and set a deadline for petitions to intervene. Order No. 33778. The Commission received and granted Petitions to Intervene by Avista Corporation, the Idaho Hydroelectric Power Producers Trust d/b/a Idahydro, Renewable Energy Coalition (REC), the J.R. Simplot Company, and Tamarack Energy Partnership. Order Nos. 33788, 33794, 33802, 33807, 33809. The Commission Secretary issued a Notice of Parties, including these named intervenors, and PacifiCorp, which is a party by virtue of being one of Idaho's three electric utilities in this generic case.

The parties informally conferred and agreed that the sole issue is whether the Commission should use the EIA's Henry Hub forecast instead of the EIA's Mountain Region forecast in calculating published avoided cost rates each year. The parties did not agree how to process this case. Staff thus brought that issue before the Commission at its July 31, 2017 decision meeting. According to Staff, Avista and Idaho Power agreed with Staff's proposal that this case

be processed by Modified Procedure. Staff represented that Simplot and REC indicated they believed a technical hearing was necessary. No party filed a motion asking the Commission to set such a hearing. Rules 202 and 203 of the Commission's Rules of Procedure, IDAPA 31.01.01.202 and .203, state that "[p]ersons desiring a hearing must specifically request a hearing in their written protests or comments" and state "reasons why modified procedure should not be used. . . ."

Based on our review of the record to date, and absent a written submission by a person or party requesting an alternative, the Commission has preliminarily determined that it is appropriate to review this case through Modified Procedure. This preliminary finding does not preclude future consideration of a technical hearing should a request be submitted.

NOTICE OF MODIFIED PROCEDURE

YOU ARE HEREBY NOTIFIED that the issue to be decided in this case is whether the Commission should use the EIA's Henry Hub forecast instead of the EIA's Mountain Region forecast to calculate published avoided cost rates each year. As noted above, Idaho Power has objected to Staff's use of the EIA's Mountain Region natural gas forecast in calculating updated published avoided cost rates. Idaho Power proposed that the updated published avoided cost rates should have been calculated using the EIA's Henry Hub natural gas forecast. *See* Idaho Power Objection (hereafter referred to as the "Application," per Order No. 33773).

YOU ARE FURTHER NOTIFIED that Idaho Power uses the Henry Hub forecast in the Company's Integrated Resource Plan (IRP) process, and in arriving at avoided cost rates calculated under the Incremental Cost IRP method (for projects that exceed the published rate eligibility cap). Application at 2.

YOU ARE FURTHER NOTIFIED that the Company asserts that using the Mountain Region forecast (as proposed by Staff and adopted by the Commission in Order No. 33773) to calculate published avoided cost rates results in rates that are over \$8 per megawatt-hour (MWh) more than using the Henry Hub forecast for the same calculation. *Id.*

YOU ARE FURTHER NOTIFIED that, according to the Company, Order No. 32697 does not specify which subset of the EIA's forecast Staff must use in calculating updates to the Commission's published avoided cost rates. *Id.* at 3. The Company asserts that the Henry Hub EIA forecast is used by the Public Utility Commission of Oregon to update its published avoided cost pricing. *Id.* at 6. The Company contends, "Customers are harmed by an avoided cost methodology that results in inflated prices based on natural gas forecasts that are not applicable to

the utility.” *Id.* at 6. The Company further contends, “[t]he continued use of the Mountain Region natural gas forecast that does not represent prices that are utilized by Idaho Power, results in an artificially high price that customers should not be required to pay.” *Id.* at 7.

YOU ARE FURTHER NOTIFIED that the Company argues, using the EIA’s Henry Hub forecast “would result in a closer approximation of the Company’s avoided cost pricing, which for published rates is locked in for 20-year term contracts, and results in a substantial cost savings to Idaho Power customers in the mandatory PURPA purchase requirements of potentially hundreds of millions of dollars.” *Id.* at 7-8.

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter, and that the Commission will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission’s Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application must file a written comment in support or opposition with the Commission within twenty-one (21) days from the service date of this Notice. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this case shall be mailed to the Commission at the address below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission’s home page at www.puc.idaho.gov. Click the “Case Comment or Question Form”

under the “Consumers” tab, and complete the comment form using the case number as it appears on the front of this document.¹

YOU ARE FURTHER NOTIFIED that if a party wishes to reply to the comments, the party must file its reply within 14 days from the comment deadline.

YOU ARE FURTHER NOTIFIED that if no written comments, protests, or request for hearing are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments and/or request for hearing are received within the time limit set, the Commission will consider them and, in its discretion, may set the matter for formal hearing.

ORDER

IT IS HEREBY ORDERED that this case be processed by Modified Procedure, IDAPA 31.01.01.201-.204. Persons interested in submitting written comments in this matter must do so no later than 21 days from the service date of this Order.

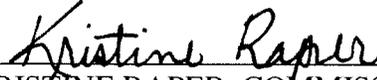
IT IS FURTHER ORDERED that if a party wishes to file a reply, the party must file the reply within 14 days from the comment deadline.

¹ Parties may access public comments through the Commission’s electronic docket for the case. Parties must serve their documents on all other parties as specified in the Notice of Parties to this case.

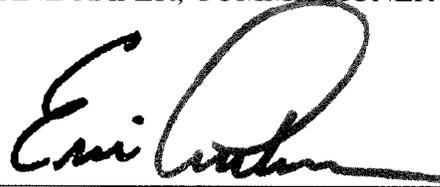
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *2nd* day of August 2017.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

O:GNR-E-17-02_djh2