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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA'S PETITION FOR AN EXTENSION TO FILE ITS 2019 ELECTRIC INTEGRATED RESOURCE PLAN	)	**CASE NO. AVU-E-19-01**
	)	**COMMENTS OF THE COMMISSION STAFF**

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Edward Jewell, Deputy Attorney General, submits the following comments.

BACKGROUND

On January 30, 2019, Avista Corporation ("Company") filed a Petition seeking an extension of the August 31, 2019, filing date for the Company's 2019 Integrated Resource Plan ("IRP").

The Company bases its request on numerous potentially significant legislative proposals in Washington, Oregon, and Montana that if passed, would have a significant impact on the regional electric market. The Company points to proposed legislation in Washington, particularly S.B. 5116 among others, which requires an elimination of coal generation sources serving Washington customers by 2025, 80% carbon-free energy serving Washington customers by 2030, and 100% carbon-free energy serving Washington customers by 2045. Petition at 3-4. The Company states that Oregon is considering a cap and trade bill that the Company believes may impact its Coyote Springs 2 generating facility. *Id.* at 4. Meanwhile, Montana House Bill 203 would allow Montana to issue half a billion dollars of bonds to buy Colstrip. *Id.*

The Company states that the requested extension would allow the Company to update its IRP models to reflect the potentially changed legislative landscape. The Company also states that the current deadline would not allow adequate time to incorporate changed legislation into its models, and therefore, any model runs would be premature.

STAFF ANALYSIS

Staff reviewed the Company's petition and researched the issues and impacts regarding the Company's proposal. Staff's analysis was based on understanding the value of the proposed IRP extension while mitigating the effects of a delay on filings that depend on information contained in the IRP. As a result of its investigation, Staff has come to the following conclusions:

1. A six-month extension to the 2019 IRP is appropriate in order to allow the Company to integrate the effects of potential legislation that could result in major changes to its long-term resource plan.
2. IRP methodology based Public Utility Regulatory Policies Act of 1978 ("PURPA") avoided cost rates will be affected by an extension and the effects should be mitigated.
3. The capacity deficiency period filing related to Surrogate Avoided Resource ("SAR") methodology published avoided cost rates will also be affected by an extension and should be mitigated.
4. The Company's 2020 Energy Efficiency Annual Conservation Plan ("ACP") will be affected by an extension, but the effects can be mitigated by Staff and the Company collaborating, using all information available to determine new energy efficiency savings goals.

Each of the conclusions will be discussed in more detail in the sections below along with Staff's recommendations.

Appropriateness of Six-Month Extension

Staff believes the Company's request for a six-month extension is appropriate because, without an extension, the Company's IRP plan could become irrelevant and less informative in a relatively short period of time due to the possible impacts of legislation identified above. Granting an extension provides the Company time to incorporate any final passed legislation that could have large impacts on the regional resource mix, electric markets, and ultimately on the Company's resource plan.

One of the major impacts identified by Staff is the effect legislation could have on Avista's Colstrip power plant. For example, the retirement date for Colstrip driven by legislation in Washington State could change, and as a result, the Company could see a capacity deficiency for the Avista system or possibly just Washington customers sooner than the current December 2026 deficit date. In addition, all of the potential energy bills mentioned in the Company's petition can impact the regional electric market. Staff agrees with the Company that delaying the IRP would create more certainty regarding its long-term resource plans due to unknown details of potential energy bills. *See* Response to Production Request No. 3. By waiting for the specific details from final approved bills, the Company can be more precise in its modeling without having the need to model potential legislative variations as uncertainties through "what-if" scenarios. This would result in better use of the Company's resources and in a higher quality final product.

Staff realizes the IRP is a snap shot at a specific point in time and believes extending the schedule is the best option for the Company to capture any effects of potential legislation. Because the results of all the legislation should be known by the end of June of this year, a six-month extension allows the Company a reasonable amount of time to incorporate any outcomes.

However, if the Commission authorizes the extension, Staff identified two issues that rely on the IRP that would be impacted by the extension: PURPA avoided cost update filings and the 2020 Energy Efficiency ACP.

Effect on IRP Methodology (PURPA) Annual Update

For determining avoided cost of IRP-method PURPA contracts, the load forecast, the natural gas forecast, and long-term contract commitments are required to be updated annually on October 15. Order No. 32697 at 22 (timing of filing changed from June 1 to October 15 of each year, in Order No 32802 at 2). Staff recommends that Avista follow through with this filing on October 15 even if the proposed extension is approved by the Commission.

The effect of filing the annual update on its normal schedule in 2019 with approval of an IRP extension would be no different than what would occur in a year when no IRP is required to be filed. However, with the exception of inputs included in the annual update, avoided costs negotiated in contracts will reflect assumptions from the 2017 IRP that will be over 2 years old. If the Commission authorizes the extension, Staff does not believe the use of 2017 IRP data can be avoided. However, some of this risk will be mitigated by utilizing the most current load, natural gas price, and long-term contract information available at the time of the October 15th annual update filing. In addition, Staff believes that none of the annual update inputs are changed by the legislation and should not be affected by an extension to the IRP timeline.

To calculate the IRP method avoided energy cost, the Company uses the latest preferred portfolio. If the extension is approved, the Company will need to continue to use the 2017 IRP preferred portfolio in conjunction with the natural gas price forecast, load forecast, and long-term contract inputs from the annual update for contracts negotiated prior to the 2019 IRP being finalized. When the 2019 IRP results are finalized, the annual update inputs should be incorporated into the 2019 preferred portfolio models for determining avoided energy cost in IRP methodology based contracts that are negotiated moving forward.

Similarly, the Company will need to utilize the existing resources from the 2017 IRP to determine avoided capacity cost until a new load and resource balance can be established in the 2019 IRP. In past IRP's, the load and resource balance is usually determined early in the IRP process and would typically be known by October 15 regardless of an extension. However, because of legislation on the Colstrip power plant, its operating life will likely be determined late in the process during the capacity expansion planning phase and will not be known until closer to when the 2019 IRP is finalized. Staff believes that using the latest load and long-term contract inputs from the October 15 annual update in conjunction with the 2017 IRP existing resources will result in the best possible estimate of avoided capacity cost until the 2019 IRP is finalized.

Effect on SAR Methodology (PURPA) Updates

There are two filings that Avista is required to file to update SAR-based PURPA published avoided cost rates: (1) an annual update to the natural gas price forecast used to re-calculate avoided energy cost, and (2) a biannual update to the capacity deficiency amount and period for re-calculating avoided capacity cost. The natural gas price update is triggered by the release of EIA's Annual Energy Outlook and is not affected by the IRP. Staff recommends that it should be filed based on the schedule contained in current Commission orders. However, the update to the capacity deficiency amount and period for re-calculating avoided capacity cost will be affected by extending the IRP timeline. Staff further recommends the Company submit an updated capacity deficiency period and amount based on the most recent load forecast and long-term contract commitments, but would still use the existing resources acknowledged in the 2017 IRP for SAR-based rates at the same time they submit the IRP Methodology annual update on October 15, 2019; and file an additional capacity deficiency period update when the 2019 IRP is finally acknowledged.

The effects of an IRP extension on SAR-based avoided capacity cost rates are similar to the effects on IRP-based avoided capacity cost rates, as described above. Normally for published rates, the deficit period update is filed biannually upon acknowledgment of the IRP. *Id.* at 23 (Timing of filing changed from the time of the IRP filing to upon acknowledgement of the IRP, in Order No. 33917). But if the extension is approved, published rate PURPA contracts that are signed during the delay period will contain avoided capacity payments based on information that is well over two years old. Staff's recommendation would allow the capacity deficiency to be updated based on the most recent load forecast and long-term contract commitments, but would still use the existing resources acknowledged in the 2017 IRP. Once the 2019 IRP has been acknowledged, the Company should make a subsequent filing per current Commission Order to update the capacity deficiency period and amount using updated resource assumptions from the IRP.

Staff believes this approach mitigates the effect of the extension by requiring the Company to update its published rates using the latest and best information known at the time when published rates are normally updated. When the Company files a subsequent update to the capacity deficiency amount and period after the 2019 IRP is acknowledged, published rates will reflect avoided capacity payments with the most up-to-date load and resource balance from the 2019 IRP.

2020 Energy Efficiency ACP

The Company plans to complete its 2020 Energy Efficiency ACP in November 2019 and recognizes the extension could have a potential impact on the energy efficiency savings target identified in the plan. *See* Response to Production Request No. 2. The Company has proposed utilizing the 2017 IRP's electric energy efficiency savings target to determine a savings target for 2020 in the absence of a 2019 IRP target for their 2020 Energy Efficiency ACP. *Id.* Staff disagrees with this proposal because the 2017 IRP savings targets were based on screening potential savings under the Total Resource Cost ("TRC") when the Company has agreed to use the Utility Cost Test ("UCT") for screening potential savings in the 2019 IRP following Order No. 33769. Due to the timing of that order, the UCT could not be included in the Conservation Potential Assessment ("CPA") for the 2017 IRP. Avista and Staff agreed that the Company would increase the net amount of its MWh target by 28 percent in 2018 and 2019.

Because of the issues with the 2017 IRP electric energy efficiency savings target, Staff recommends the Company use its monthly check-ins, Advisory Committee, and additional meetings to work with Staff and interested parties in coming months to find a reasonable target for the 2020 Energy Efficiency ACP. Avista's existing energy efficiency program data provides a reasonable foundation, conjointly with the CPA, to build a new savings target.

STAFF RECOMMENDATION

Staff recommends the Commission authorize the following:

1. The Company be granted a six-month extension to file its 2019 IRP, filing its IRP by February 29, 2020.
2. The Company continue to file the annual IRP-method PURPA update by October 15, 2019.
3. The Company file an updated capacity deficiency amount and period for determining SAR avoided capacity cost on October 15, 2019, based on Commission-acknowledged 2017 IRP existing resource assumptions and on the most current load forecast and long-term contract commitments.

4. The Company file an updated capacity deficiency amount and period for determining SAR avoided capacity cost after acknowledgment of the 2019 IRP.
5. The Company work with Staff and interested parties to find an appropriate target for the 2020 Energy Efficiency ACP.

Respectfully submitted this 28th day of March 2019.

ED Jewell

Edward Jewell
Deputy Attorney General

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 28TH DAY OF MARCH 2019, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. AVU-E-19-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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