Office of the Secretary
Service Date
January 2, 2020

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA'S ANNUAL COMPLIANCE FILING TO UPDATE THE LOAD AND GAS FORECASTS IN THE INCREMENTAL COST INTEGRATED RESOURCE PLAN AVOIDED COST MODEL	)))))	**CASE NO. AVU-E-19-11** **ORDER NO. 34521**

On October 17, 2019, Avista Corporation dba Avista Utilities ("Avista" or "Company") filed an Application, in compliance with Order Nos. 32697 and 32802, requesting the Commission update the load forecast, natural gas forecast, and contract information used as inputs to determine the avoided cost rates paid to qualifying facilities ("QF" or "QF's") that are above the project eligibility cap under the Public Utility Regulatory Policies Act of 1978 ("PURPA").

On November 12, 2019, the Commission issued a Notice of Application and Notice of Modified Procedure. Order No. 34481.

On December 3, 2019, Commission Staff filed Comments.

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 QF's 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 Integrated Resource Plan ("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 QF's with a design capacity of up to 100 kilowatts ("kW"), and for QF's of all other resource types with a design capacity of up to 10 average megawatts. But if a QF's design capacity is above the published rate eligibility caps, the utility must use the IRP method as a starting point 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

The Company proposes to update the load forecast, natural gas forecast, and QF contract additions used as inputs in the Company's IRP method. The Company proposes a peak energy forecast annual average growth rate of 0.3% for 2020 through 2045. Application at 2. The Company proposes a peak forecast growth rate of 0.34% in the winter and 0.44% in the summer for 2020 through 2045. *Id.* The Company's natural gas forecast uses a blend of two national price forecasting consultants' most recent forecasts and forward market prices as of June 12, 2019. *Id.* at 3. For contract updates, the Company states that it has signed one long-term extension of a PURPA contract, three long-term power purchase agreements ("PPA's"), and that two long-term PPA's have expired since its 2018 filing.

COMMENTS

Staff reviewed the Application and recommends approval of the updated load forecast, natural gas forecast, and long-term contracts used as inputs in the IRP avoided cost methodology. The Staff compared the load forecast to last year's filing in AVU-E-18-11 and determined the Company's forecast for modest growth continues to be reasonable. *See* Staff Comments at 2. The Company's natural gas forecast uses a blend of two national price forecasting consultant's most recent forecasts and forward market prices as of June 12, 2019. Application at 3. Staff compared this year's analysis with last year's forecast in AVU-E-18-11, and also compared the forecast to those submitted by PacifiCorp and Idaho Power. Staff found the differences between the forecasts to be reasonable, particularly in the first few years of the forecasts, and that the forecasts predicting low future natural gas prices continue to be reasonable because continued development of shale gas and tight oil plays is predicted to outpace gas consumption. *See* Staff Comments at 3-4. Staff verified the contract information submitted by the Company is correct. *Id.* at 5.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503. In addition, the Commission has authority under PURPA and Federal Energy Regulatory Commission ("FERC") regulations to set avoided costs, to order electric utilities to enter into fixed-term obligations for the purchase of energy from QF's, and to implement FERC rules. The Commission may enter any final order consistent with its authority under Title 61 and PURPA.

Pursuant to this authority, we have reviewed the record, including the Application and Comments. We find that the filing complies with our directives in Order Nos. 32697 and 32802, the load growth and natural gas price forecasts are reasonable given the information available at this time, and the contract information is correct.

O R D E R

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, 2019.

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 2nd day of January 2020.

PAUL KJELLANDER, PRESIDENT

KRISTINE RAPER, COMMISSIONER

ERIC ANDERSON, COMMISSIONER

ATTEST:

Diane M. Hanian
Commission Secretary

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