Office of the Secretary
Service Date
December 29, 2020

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA CORPORATION'S ANNUAL COMPLIANCE FILING TO UPDATE THE LOAD AND GAS FORECASTS IN THE INCREMENTAL COST INTEGRATED RESOURCE PLAN AVOIDED COST MODEL TO BE USED FOR AVOIDED COST CALCULATIONS	)	**CASE NO. AVU-E-20-10** **ORDER NO. 34880**

On October 15, 2020, Avista Corporation ("Avista" or "Company") applied to update the peak energy forecast, natural gas price forecast, and contracts it uses to calculate its incremental cost Integrated Resource Plan ("IRP Method") avoided cost rates. The Company must update these inputs by October 15 of each year. Order Nos. 32697 and 32802.

On November 16, 2020, the Commission issued a Notice of Application and Notice of Modified Procedure. Order No. 34836. Commission Staff filed comments and the Company filed reply comments.

Now, the Commission approves the annual update.

BACKGROUND

Under the Public Utility Regulatory Policies Act of 1978 ("PURPA") and the Federal Energy Regulatory Commission's ("FERC") implementing regulations, this Commission has approved the IRP Method to calculate avoided cost rates for qualifying facilities ("QFs") that are above the resource-specific project eligibility cap. QFs below the project eligibility cap are eligible to receive published avoided cost rates calculated using the surrogate avoided resource ("SAR Method"). *See* Order No. 32697 at 7-8. The avoided cost rate is the purchase price paid to QFs for the energy and capacity that the QF provides to the utility. 18 C.F.R. § 292.101(b)(6) (defining "avoided cost"). To ensure that avoided costs most accurately reflect the utility's marginal cost of energy and capacity, the Commission has directed utilities to "update fuel price forecasts and load forecasts annually – between IRP filings," and to update the Commission about the utility's "long-term contract commitments because of [their] potential effect . . . on a utility's load and resource balance." *See* Order No. 32697 at 22.

THE APPLICATION

The Company proposed to update the peak and energy load forecast, natural gas forecast, and QF contract additions used as inputs in the Company's IRP Method. The Company's updated energy load forecast escalates at an annual average growth rate from 2021 through 2041 of 0.2%. The Company's updated peak forecast escalates at an average rate of 0.37% in winter and 0.44% over the same time period. The Company's proposed update to its natural gas price forecast was developed using a blend of two national price forecasting consultants' most recent forecasts, the U.S. Energy Information Administration's ("EIA") Annual Energy Outlook, and forward market prices as of June 30, 2020. The forecasted price of natural gas escalates from $2.61/MMBtu at Henry Hub and $2.08/MMBtu at Stanfield in 2021 to $6.03/MMBtu and $5.32 respectively in 2041. The Company stated it has signed five new long-term PURPA contracts and one power purchase agreement ("PPA") since its 2019 update. The new PURPA contracts are three new hydroelectric contracts, a continued biomass contract, and a new solar contract. The PPA is for a battery project that is not expected to deliver energy to the grid and is designed to account for inadvertent delivery of energy while testing the battery system.

STAFF COMMENTS

Staff recommended approval of the updated energy load forecast, natural gas forecast, and long-term contracts. Staff recommended the Company not include the 1-hour peak load forecast in this annual update, and instead include it in the biannual capacity deficiency filing that follows Commission acknowledgment of the Company's IRP. Staff compared the Company's proposed updated load forecast to the 2019 update and the load forecast used in the Company's latest IRP. Staff determined this year's load forecast predicts an average decrease of 1.73% - 1.74% compared to the prior filings. Staff believes the load forecast is reasonable, particularly in the early years of the forecast.

Staff compared the natural gas forecast to prior filings and to the forecasts submitted by Idaho's other major electric utilities. Staff believes the proposed updated natural gas forecasts are reasonable. Staff noted that including the EIA forecast is new with this update. Staff compared the Henry Hub forecasts with and without the EIA forecast and determined they are reasonably equivalent with an overall average difference of 0.24% over the forecast period. The Company's proposed updated natural gas forecasts for Henry Hub are 0.76% to 12.63% lower per year than those in the 2019 update and the forecast used in the Company's most recent IRP. The proposed update to the Stanfield forecast shows decreases from 3.26% to 34.62% per year compared to the 2019 update and the most recent IRP.

Staff found that despite using different inputs and methodologies, the proposed updated natural gas forecasts submitted by all three major electric utilities in Idaho reflect a high level of similarity, especially for the first two years. Staff noted that the two-year timeframe is particularly important because contracts that use the IRP Method to calculate avoided cost rates have a two-year term, after which the contracts can be renewed with updated rates. Staff verified the contract information and found it accurate. Staff notes that contract information is updated continuously within the model used to calculate IRP Method avoided cost rates.

COMPANY REPLY COMMENTS

The Company submitted reply comments concurring with Staff's recommendation that the Commission approve the filing and that the 1-hour peak load forecast not be included in future load and natural gas forecast filings.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, -502 and -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 FERC regulations to set avoided costs, to order electric utilities to enter fixed-term obligations for the purchase of energy from QFs, 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, comments, and reply 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 was confirmed. The 1-hour peak forecast is more properly assessed within the Company's biannual capacity deficiency filing following Commission acknowledgment of the Company's IRP.

ORDER

IT IS HEREBY ORDERED that Avista's annual updates to its energy load, natural gas price forecasts and contracts are reasonable and approved, effective October 15, 2020.

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 29th day of December 2020.

PAUL KJELLANDER, PRESIDENT

KRISTINE RAPER, COMMISSIONER

ERIC ANDERSON, COMMISSIONER

ATTEST:

Jan Noriyuki
Commission Secretary

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