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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA’S ANNUAL)	
COMPLIANCE FILING TO UPDATE THE)	CASE NO. AVU-E-20-10
LOAD AND GAS FORECASTS IN THE)	
INCREMENTAL COST INTEGRATED)	
RESOURCE PLAN AVOIDED COST MODEL)	COMMENTS OF THE
)	COMMISSION STAFF
)	

The Staff of the Idaho Public Utilities Commission comments as follows on Avista Corporation’s Application.

BACKGROUND

On October 15, 2020, Avista Corporation (“Avista” or “Company”) filed an Application requesting authorization to update the peak energy forecast, natural gas price forecast, and contracts used as inputs to calculate its incremental cost Integrated Resource Plan (“IRP”) avoided cost rates. The Company must update these inputs by October 15 of each year. Order Nos. 32697 and 32802. IRP avoided cost rates are available to qualifying facilities (“QFs”) that are above the eligibility cap for published avoided cost rates under Idaho’s implementation of the Public Utility Regulatory Policies Act of 1978 (“PURPA”).

STAFF REVIEW

Staff reviewed the Company's Application and recommends approval of the updated energy load forecast, natural gas forecast, and long-term contracts to be used in the IRP methodology. Long-term contract information is updated in the IRP methodology on an ongoing basis when contracts are signed, terminated, or expire in order to maintain the most up-to-date avoided cost rates. *See* Order No. 32697.

The Company included a 1-hour peak load forecast in its Application. The 1-hour peak load forecast is used to determine when capacity payments begin for new QFs and is determined in the capacity deficiency date filing submitted every two years after acknowledgement of the Company's IRP. Staff recommends the Company not include this forecast in future annual filings.

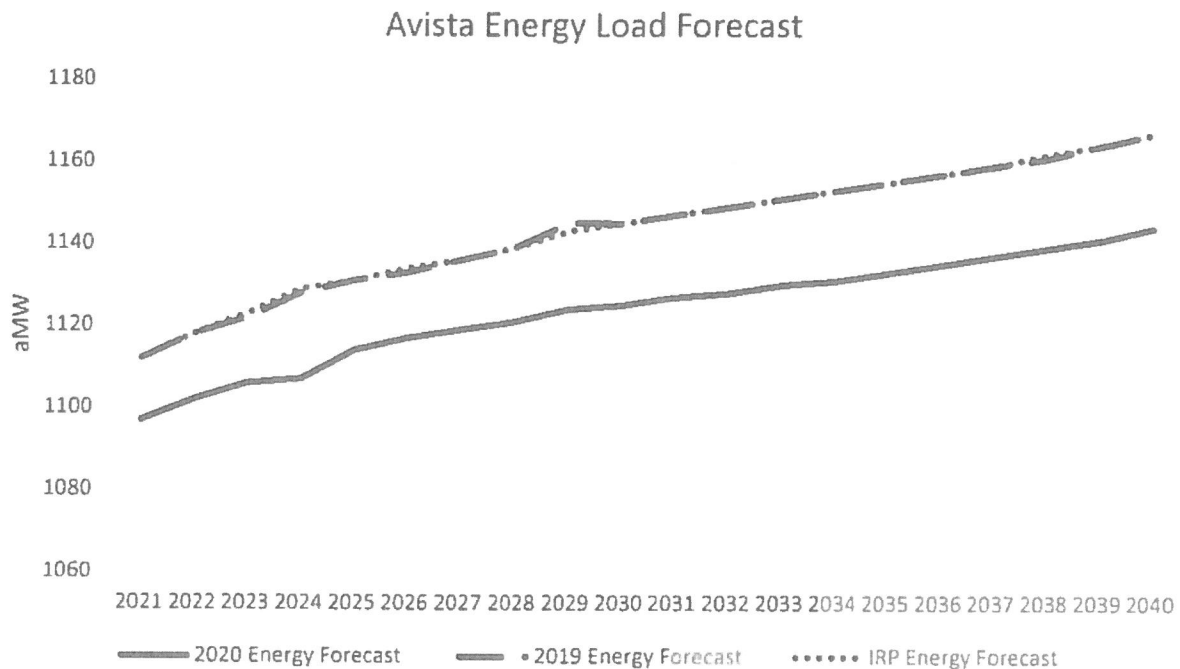
Load Forecast

Staff compared the Company's annual system energy load forecast in this filing to the forecast in last year's annual filing in Case No. AVU-E-19-11 and to the forecast in the Company's latest IRP filing in Case No. AVU-E-19-01. Results showed that the Company's proposed energy load forecast decreases on average by 1.73% and 1.74%, respectively. A graphical comparison of the three forecasts are provided in Figure No. 1 below.

The energy load forecast used in this case came from the same regression analysis model used to determine the forecast in the 2020 IRP (Case No. AVU-E-19-01). According to the Company, "the change in the proposed forecast was caused by updating actual meter data from July 2019 through early August 2020," and the "difference between the forecasts reflect the impact of the economic assumptions as a result of the COVID-19 induced recession, which is assumed to have a long run impact on future loads compared to the 2020 IRP." Production Request Response No. 3. The long-run reductions to the load forecast is evident by examining the graph comparing the different forecasts. Although Staff believes that the recession will persist for some period of time, Staff is uncertain that it will affect loads over the entire 20-year time horizon. However, Staff did not identify any issues with the methodology used in determining the energy forecast in the 2020 IRP when it reviewed the forecast in that case, and has no evidence that would contradict the Company's forecast. In addition, because new contracts are limited to 2-year contract terms under the IRP-methodology, the energy forecast

beyond the first few years is not critical for this case. Because of these reasons, Staff concludes that the energy load forecast with updated actual meter data is reasonable.

Figure No. 1: Avista Energy Load Forecast



The Company included a 1-hour peak load forecast in its Application, unlike Idaho’s other major regulated electric utilities’ annual filings. The Company verified through email with Staff that the peak-load forecast is used to determine the Company’s first capacity deficiency date for determining when new contracts should begin capacity payments and to determine the amount of deficiency. The Company’s 1-hour peak load forecast for purposes of determining the Company’s capacity deficiency date is verified in the biannual capacity deficiency date filing that follows Commission acknowledgment of the Company’s IRP, as required by Order Nos. 32697 and 33917, and is not used for this annual filing.

Natural Gas Forecast

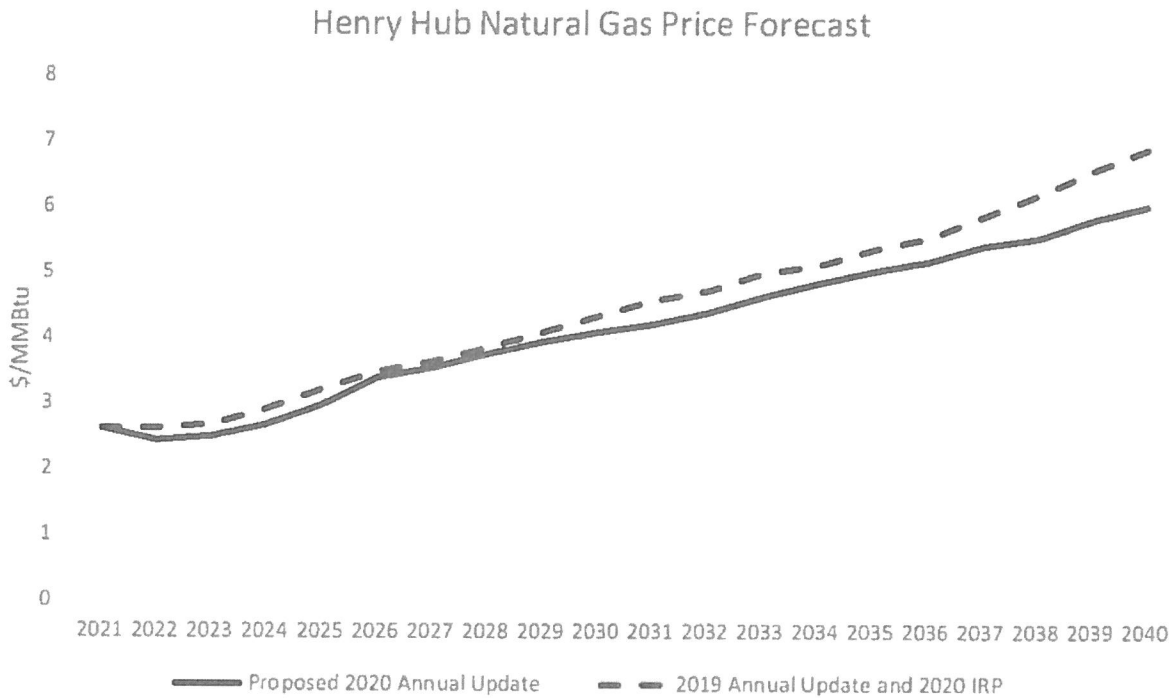
Staff believes the Company’s natural gas price forecast used to determine the avoided cost of energy rate is reasonable. Staff’s conclusion is based on three analyses: (1) a comparison of forecast sources in this year’s filing with those in prior filings; (2) a comparison of the Company’s forecast in this filing to the forecasts in last year’s filing in Case No. AVU-E-19-11

and to the forecast included in the Company's latest IRP filing in Case No. AVU-E-19-01; and (3) a comparison of the Company's Henry Hub forecast to the other two Idaho regulated electric utilities' Henry Hub forecasts.

The natural gas price forecast filed in this case uses a blend of forward market prices, forecasts from U.S. Energy Information Administration (EIA)'s 2020 Annual Energy Outlook, and forecasts from two national consultants and is the same forecast used in the 2021 IRP. This methodology was discussed in the Company's second Technical Advisory Committee meeting on August 6, 2020 for the 2021 IRP. However, in prior annual updates and in the 2020 IRP, Case No. AVU-E-19-01, Avista used a blend of forward market prices and forecasts from two national consultants without using forecasts from the EIA. The Company explained in its Response to Staff's Production Request No. 9 that the Company added the EIA Annual Energy Outlook forecast to the natural gas price forecast to smooth it out because one of the consultants had a peak in the later part of the 20-year time horizon, which was skewing the forecast. Staff verified the peak in the consultant's forecast. Staff also compared the two methods for Henry Hub, with and without addition of the EIA data, and believes the forecasts from the two methods are reasonably equivalent. From 2021 through 2040, the overall average difference between the two forecasts is 0.24%. Staff believes it is reasonable to include the EIA data source since the addition of the forecast did not significantly change prices during the period that avoided cost pricing is needed for new 2-year IRP-based contracts.

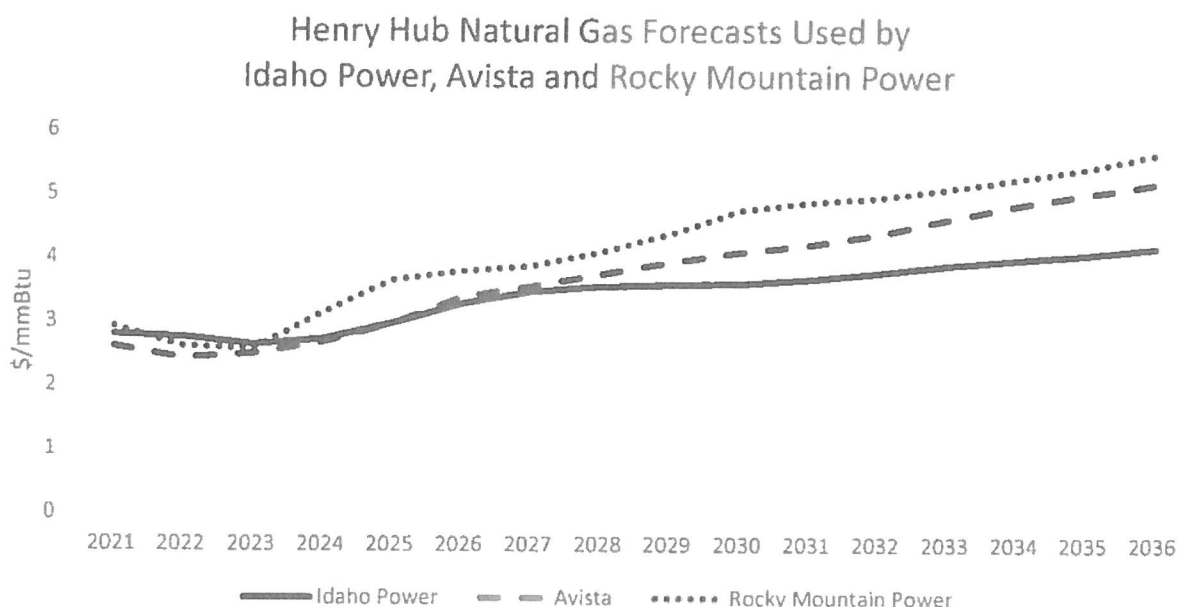
Staff also compared the Company's proposed Henry Hub and Stanfield Hub forecasts to the forecasts in last year's filing in Case No. AVU-E-19-11 and to the forecast included in the Company's latest 2020 IRP filing in Case No. AVU-E-19-01. The comparison for Henry Hub is shown in Figure No. 2. Differences between the two forecasts range from reductions of 0.76% to 12.63% on an annual basis from 2021 through 2040. Over the same period, the Stanfield forecast showed decreases that ranged from 3.26% to 21.16% when compared to last year's annual update and 3.26% to 34.62% when compared to the forecast in the 2020 IRP.

Figure No. 2: Henry Hub Natural Gas Price Forecast



Finally, Staff also compared Henry Hub forecasts used by Avista, Idaho Power, and Rocky Mountain Power, and the results show similar trends between the three utilities. See Figure No. 3. The three utilities use three different methodologies and sources to determine natural gas forecasts. Avista uses a blend of two national consultants' forecasts, EIA's forecast, and forward market prices. Idaho Power uses EIA's High Oil and Gas Resource and Technology natural gas forecast, and Rocky Mountain Power uses a combination of third-party forecasts and forward market prices. For annual update filings, all three utilities include a Henry Hub Forecast that Staff used for comparison. Despite different methodologies and sources, all three Henry Hub forecasts reflect a high level of similarity, especially for the first two years. As mentioned earlier, this is important because avoided cost rates determined in the IRP methodology are only needed for the first few years due to IRP-based contracts limited to a two-year contract length. Because natural gas market conditions are predicted to continue to be favorable for low natural gas prices, and because of similarities to Idaho Power and Rocky Mountain Power's Henry Hub forecasts, Staff believes Avista's natural gas forecast is reasonable.

Figure No. 3: Comparison of Henry Hub Forecasts for Three Idaho Electric Utilities



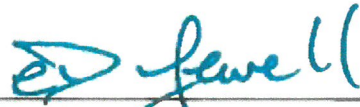
Contract Terminations, Expirations, and Additions

Since the 2019 filing, Avista has signed five new long-term PURPA contracts and entered into one new Power Purchase Agreement (PPA). The PURPA contracts include continued hydroelectric contracts with the City of Spokane, Meyers Falls, and Sheep Creek; a continued biomass contract with Stimson Lumber; and a new solar contract with Great Northern. The PPA is a battery project with Purcell. Staff has verified the contract information and finds it accurate. The contract information is updated on a continuous basis in the IRP methodology.

STAFF RECOMMENDATIONS

Staff believes the energy load forecast, the natural gas, and the contract information updated by Avista comply with the Order Nos. 32697 and 32802. Staff recommends approval of the updates to be used in the Company’s IRP methodology with an effective date of October 15, 2020. Staff also recommends that the Company not reflect the 1-hour peak forecast in its future annual updates.

Respectfully submitted this 7th day of December 2020.



Edward J. Jewell
Deputy Attorney General

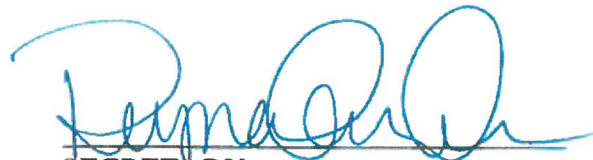
Technical Staff: Yao Yin
Kevin Keyt

i.umisc/comments/avue2010ejykk comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 7th DAY OF DECEMBER 2020, SERVED THE FOREGOING COMMENTS OF THE COMMISSION STAFF; IN CASE NO. AVU-E-20-10, BY E-MAILING A COPY THEREOF TO THE FOLLOWING:

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