Office of the Secretary
Service Date
March 31, 2021

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA CORPORATION'S COMPLIANCE FILING TO UPDATE AND ESTABLISH ITS CAPACITY DEFICIENCY PERIOD TO BE USED FOR AVOIDED COST CALCULATIONS	)	**CASE NO. AVU-E-20-11** **ORDER NO. 34981**

On October 21, 2020, Avista Corporation d/b/a/ Avista Utilities ("Company") filed its capacity deficiency update ("Filing") to update the capacity deficiency date used to calculate avoided costs. The Commission requires the Company to file the update after acknowledging the Company's Integrated Resource Plan ("IRP"). *See* Order Nos. 32697 and 32802. The Commission acknowledged the Company's 2020 IRP on October 15, 2020. *See* Order No. 34814. The 2020 IRP projected the Company's first load deficit date to occur in January 2026. *See id*. The Company's Filing is intended to provide the update required by Order Nos. 32697 and 32802.

On December 3, 2020, the Commission issued a Notice of Filing and Notice of Intervention Deadline. Order No. 34857. No one intervened.

On January 14, 2021, the Commission issued a Notice of Modified Procedure establishing public comment and Company reply deadlines. Staff filed the only comments and generally supported the Company's Filing. The Company replied and concurred with Staff's recommendations.

With this Order, the Commission approves the Company's request with modification.

BACKGROUND

Under the Public Utility Regulatory Policies Act of 1978 ("PURPA"), the Commission has established a surrogate avoided resource ("SAR") method and an IRP method to calculate avoided cost rates for qualifying facilities ("QFs"). Under both methods, a QF receives capacity payments only after the utility reaches the applicable capacity deficit date. Order No. 32697.

The utility determines the capacity deficit date through the biennial IRP planning process and submits it to the Commission in a proceeding outside the IRP docket. The capacity deficit date determined in the IRP process is presumed to be correct as a starting point but will be subject to the outcome of the capacity deficiency case. Order No. 32697.

THE FILING

The Company's 2020 IRP identifies the first load deficit date in January 2026. The Company states this load deficit results from the expected economic loss of Colstrip Units 3 and 4 at the end of 2025. The October 2026 expiration of the Lancaster power purchase agreement compounds this loss.

STAFF COMMENTS AND COMPANY REPLY

After examining the Company's peak-load forecast and resources in the Load and Resource Balance ("L&R"), Staff recommended using an updated L&R and a capacity deficiency date of November 2026. Staff based its recommendation on the most recent peak-load forecast and using different Colstrip Units 3 and 4 exit dates for Idaho and Washington.

Staff mentioned the Company developed the peak-load forecast for the Filing in July 2019 but developed an updated load forecast in August 2020. The Company updated its load forecast to address changes in customer consumption patterns that could alter the load during the system coincident peak. Staff believed the updated load forecast would lead to a more accurate L&R for purposes of determining the capacity deficiency date.

Staff also reviewed the resources in the Company's L&R. Staff compared load-serving resources and peak-load reduction resources from the L&R to the resources used by the other two large electric utilities in Idaho. Staff developed default "standards" for each resource type by comparing the resources and rationales used by each regulated electric utility in their most recent capacity deficiency filings.[1] If Staff sees a deviation, it seeks justification from the utility. Staff's review of the Company's resources indicated the Company's overall assumption was reasonable except for Market Reliance and exit dates for Colstrip Units 3 and 4, for which Staff sought justification. *See* Attachment A to Staff's Comments.

In reviewing the amount of Market Reliance the Company can rely on to meet load at system peak, Staff noted the Company did not include this as a separate line item, which is incongruent with Staff's standards. Staff learned the Company reflects Market Reliance through a 16% planning margin, which is based on including 330 Megawatts of Market Reliance to achieve a 5% Loss of Load Probability. Staff agreed it was reasonable to reflect this through planning margin instead of Market Reliance.

[1] Avista (AVU-E-20-03); Idaho Power (IPC-E-19-20); and PacifiCorp (PAC-E-20-13).

Staff also noted the Company chose the end of 2025 as the exit of Colstrip Units 3 and 4 based on Washington State law.[2] However, the Company has not yet determined when these Units should be economically retired, and the Commission has not addressed the matter either. Because of this, Staff asked the Company to determine the capacity deficiency date and amount of deficiency for a range of exit scenarios using 2025 as the earliest and 2034 and 2036 as the latest exit dates.[3] The Company ran five scenarios using several iterations of these dates, including Scenario 2 that has Washington exiting in 2025 and Idaho exiting in 2034 and 2036. These scenarios show the first deficit year does not change, only the first deficit month. In Scenario 2, the capacity deficit month shifts to November 2026.

Staff noted that Scenario 2 would not affect a QF's capacity payments under the SAR method. However, it would affect capacity payments for QFs using the IRP method because capacity payments are calculated monthly. Staff believed that Scenario 2 is a reasonable choice for determining the capacity deficiency date for Idaho. Staff believed Scenario 2 best respects the autonomy of Idaho and Washington to determine what is best for their ratepayers by reflecting each states' jurisdictional share of Colstrip Units 3 and 4 using exit dates determined by each state.

After Staff filed its comments, the Company filed a reply stating it appreciates Staff's work on this matter and supports Staff's recommendation.

COMMISSION DISCUSSION AND FINDINGS

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, -502, and -503. *Idaho Code* § 61-501 authorizes the Commission to "supervise and regulate every public utility in the state and to do all things necessary to carry out the spirit and intent of the [Public Utilities Law]." *Idaho Code* §§ 61-502 and -503 empower the Commission 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. 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 fixed-term obligations for the purchase of energy and capacity from QFs, and to

[2] Washington State's Clan Energy Transformation Act requires electric utilities to eliminate coal-fired generation from serving Washington residents by December 31, 2025.
[3] 2034 and 2036 respectively represent the 50-year expected plant life for Colstrip Units 3 and 4.

implement FERC rules. The Commission may enter any final order consistent with its authority under Title 61 and PURPA.

The Commission has reviewed the record, including the Company's Filing and attachments and Staff's comments. We find the Company's decision to include the 2025 exit of Colstrip Units 3 and 4 is presumptuous and ignores that this Commission has not addressed the economic retirement date for those Units. These resources can continue to benefit Idaho customers despite legislation passed in Washington State. Until we have an opportunity to evaluate and determine a proper exit date, we find it unreasonable to utilize the Company's updated capacity deficiency date. We find it fair and in the public interest to approve a capacity deficiency date of November 2026, based on Scenario 2 and the updated August 2020 peak-load forecast.

ORDER

IT IS HEREBY ORDERED that the Company's updated capacity deficit date for use in the Commission's PURPA avoided cost methods shall be November 2026.

IT IS FURTHER ORDERED that Commission Staff update the SAR model and the SAR-based published avoided cost prices consistent with this Order.

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. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31st day of March 2021.

PAUL KJELLANDER, PRESIDENT

KRISTINE RAPER, COMMISSIONER

ERIC ANDERSON, COMMISSIONER

ATTEST:

Jan Noriyuki
Commission Secretary

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