

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA) CASE NO. AVU-E-21-14
CORPORATION’S ANNUAL COMPLIANCE)
FILING TO UPDATE THE LOAD AND GAS)
FORECASTS IN THE INCREMENTAL COST) ORDER NO. 35274
INTEGRATED RESOURCE PLAN AVOIDED)
COST MODEL TO BE USED FOR AVOIDED)
COST CALCULATIONS)

On October 13, 2021, Avista Corporation (“Company”) filed its annual update (“Filing”) to its load 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. *See* Order Nos. 32697 and 32802. IRP avoided cost rates are available to qualifying facilities (“QFs”) that are above the resource-specific project eligibility cap for published avoided cost rates under Idaho’s implementation of the Public Utility Regulatory Policies Act of 1978 (“PURPA”). The Company requested its Filing be processed by Modified Procedure.

On November 5, 2021, the Commission issued a Notice of Filing and established a November 26, 2021, public comment deadline and a December 3, 2021, Company reply deadline. Order No. 35220.

At the Commission’s November 23, 2021, Decision Meeting, Commission Staff (“Staff”) submitted a memo recommending the Commission vacate the comment and reply deadlines established in Order No. 35220 and establish new public comment and Company reply deadlines to allow the Company to update its Filing with a more recent load forecast that was not included in the Filing. Staff offered that the updates would allow the Filing to be processed using the most up-to-date information.

On November 26, 2021, the Commission issued Order No. 35236 vacating the comment and reply deadlines established in Order No. 35220 and establishing a December 14, 2021, public comment deadline and a December 21, 2021, Company reply deadline. Staff filed comments. The Company replied that it supported the recommendations made in the comments.

Having reviewed the record in this case, including Staff’s comments, the Commission approves the Company’s annual update.

BACKGROUND

Under PURPA and the Federal Energy Regulatory Commission's ("FERC") implementing regulations, this Commission has approved the IRP Method to calculate avoided cost rates for 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 the potential effect that such commitments have on a utility's load and resource balance." *See* Order No. 32697 at 22.

The load forecast accompanying the Filing was the same forecast submitted in last year's filing in Case No. AVU-E-20-10. In response to Staff's request to provide the most recent load forecast data, the Company submitted an updated load forecast finalized in November 2021 and an updated Henry Hub Forecast in Attachments A and B to Staff Comments, respectively.

THE FILING

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 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. Filing at 3.

The Company stated it had signed two new long-term PURPA contracts and two power purchase agreements ("PPA") since its 2020 update. *See Id.* at 3. The new PURPA contracts included extensions of existing contracts for a wastewater digester and a biomass facility. *Id.* The first PPA is for a 5% slice of hydro projects. *Id.* at 4. The second PPA was a special contract with Inland Empire Paper that included a demand response program.¹ *Id.*

¹ The special contract with Inland Empire Paper runs from October 1, 2021, through October 31, 2031. *Id.* The costs associated with this contract will be recovered from Washington customers only. *Id.*

STAFF COMMENTS

Staff recommended approval of the load forecast found in Attachment A to its comments, the natural gas forecast found in Attachment B to its comments, and the contract changes included in the Company's Filing to be used in the IRP method with an effective date of January 1, 2022. Staff Comments at 6.

Staff compared the updated load forecast with last year's filing. The updated load forecast is higher than the last year's load forecast. *Id.* at 2. The differences in the two years' forecasts were primarily due to: (1) splits between the Idaho and Washington portions of the load forecast before combining into the system load; (2) updates made with historical data collected since last year's forecast; (3) updated data on the number of electric vehicles and use per vehicle based on studies from Pacific Northwest National Laboratories; and (4) using data from the Company's community solar project to inform solar load allocation. *Id.* at 2-3.

After reviewing the updated natural gas forecast, Staff determined the more recent forecast was reasonable to set avoided cost rates. *Id.* at 3. Staff's conclusion was based on two analyses: (1) a comparison of the new forecast and last year's forecast in Case No. AVU-E-20-10, and (2) a comparison of the Company's Henry Hub forecast to Rocky Mountain Power's Henry Hub forecast. *Id.* The updated forecast was higher than last year's forecast over the next four years but was lower than last year's forecast after that timeframe. *Id.* at 4. The short-term increase was driven by rebounding natural gas demand and the impact of natural disasters on production. *Id.* The long-term price was driven by anticipated gas production outpacing demand. *Id.*

Staff further noted that despite using different inputs and methods for their proposed updated natural gas forecasts, the Henry Hub forecasts for the Company and Rocky Mountain Power reflected a high level of similarity, especially for the first few years. *Id.* at 5. Staff believed this was important because avoided cost rates determined in the IRP method are only needed for the first few years due to IRP-based contracts being limited to two years. *Id.* Staff noted that contract information is updated continuously within the model used to calculate IRP Method avoided cost rates. *Id.*

Finally, Staff recommended that the Company as well as the other two electric utilities in Idaho, continue to file their annual natural gas and load forecast IRP Method updates by October 15 as required by Order No. 32802, but establish a fixed effective date of January 1st, of the following year. *Id.* at 6. Staff recommended this effective date should apply in this case and in all

future update cases for all three Idaho electric utilities. *Id.* Staff stated that having an effective date after the filing deadline would provide more time to review the utilities' filings and prevent having an identical filing deadline and effective date. *Id.*

The Company replied that it agreed with all of Staff's recommendations. Company Reply Comments at 1.

COMMISSION FINDINGS AND DISCUSSION

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 Filing, 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. We, therefore, approve the Company's annual updates.

We find it reasonable for this Filing to have an effective date of January 1, 2022. We further find it reasonable that all subsequent filings by the Company, and the other Idaho electric utilities subject to PURPA, update load forecast, natural gas price forecast, and contracts used as inputs to calculate their IRP have an effective date of January 1 of the year following their annual filings.

ORDER

IT IS HEREBY ORDERED that the Company's annual updates to its energy load, natural gas price forecasts and contracts are reasonable and approved, effective January 1, 2022.

IT IS FURTHER ORDERED that all Idaho electric utilities subject to PURPA shall continue to file their load forecast, natural gas price forecast, and contracts used as inputs to calculate their IRP each year in compliance with Order Nos. 32697 and 32802, with all future

updates effective January 1 of the following year. A copy of this Order is to be served on each of the Idaho electric utilities impacted by this directive.

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 28th day of December 2021.



ERIC ANDERSON, PRESIDENT

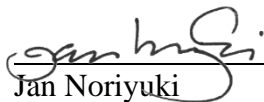


PAUL KJELLANDER, COMMISSIONER



KRISTINE RAPER, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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