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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-21-14
LOAD AND GAS FORECASTS IN THE)	
INCREMENTAL COST INTEGRATED)	
RESOURCE PLAN AVOIDED COST MODEL)	COMMENTS OF THE
TO BE USED FOR AVOIDED COST)	COMMISSION STAFF
CALCULATIONS)	

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Dayn Hardie, Deputy Attorney General, submits the following comments.

BACKGROUND

On October 13, 2021, Avista Corporation ("Company") filed a compliance filing requesting the Commission issue an order accepting its updated 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").

On November 11, 2021, the Commission issued notice of the Company's Filing and established public comment and Company reply deadlines. Order No. 35236.

At the Commission's November 23, 2021, decision meeting, the Commission agreed to amend the public comment and Company reply deadlines to December 14, 2021, and December 21, 2021, respectively, to allow additional time for the Company to submit its most recent load forecast, not included in the Application. On November 26, 2021, the Commission formalized this decision in Order No. 35236. Staff's analysis is based on this new forecast.

STAFF REVIEW

Staff reviewed the Company's Application and recommends approval of the load forecast in the Attachment A¹ to these comments, the natural gas forecast in the Attachment B² to these comments, and the contract changes included in the Application to be used in the IRP method for determining avoided cost rates in future PURPA contracts. Finally, Staff recommends that the effective date of the load and natural gas forecast, and contract changes should occur on January 1st, for this and all future filings.

Load Forecast

The proposed load forecast included in the Company's Filing was the same forecast submitted in Case No. AVU-E-20-10 and was more than a year old, having been developed in the summer of 2020. The Company's Response to Staff Production Request No. 1 (a) stated that a preliminary updated load forecast was completed, but it needed to be reviewed and finalized internally. Staff was concerned that using an outdated load forecast was likely to impact the accuracy of avoided cost rates for future contracts. Later, the Company finalized its internal review of the updated load forecast and submitted the data subsequently.

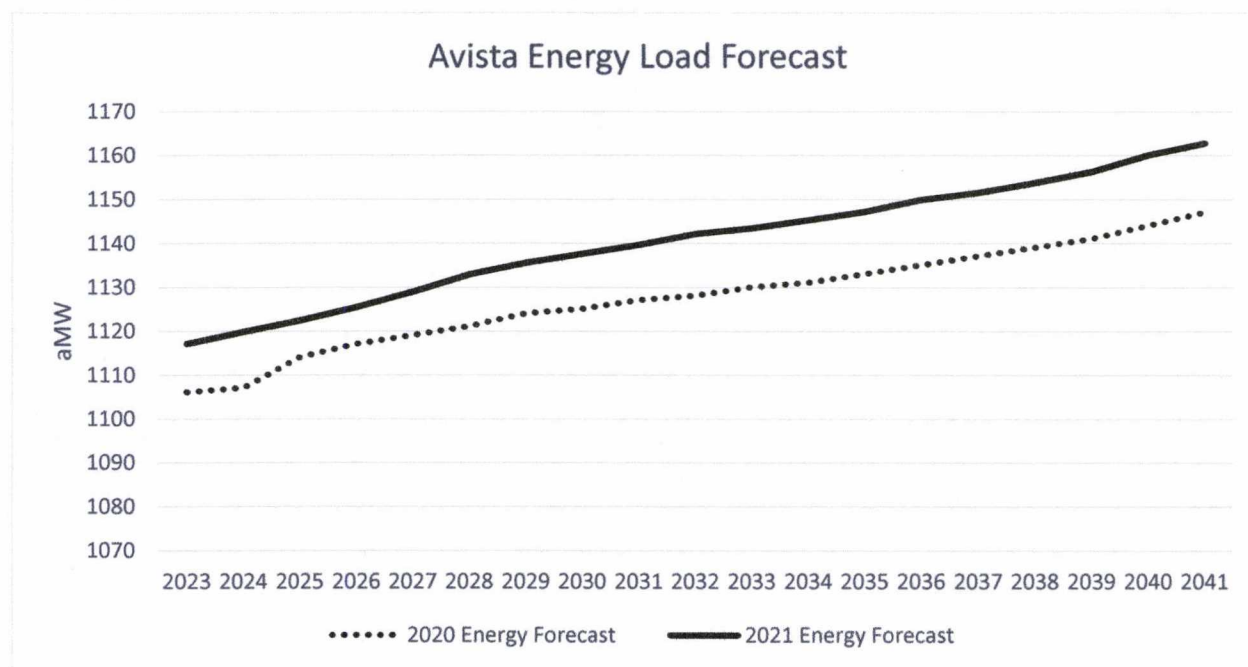
Staff compared the updated load forecast with last year's filing in Figure No. 1, which shows that the updated load forecast is higher than the last year's load forecast. The differences in the two forecasts are primarily due to four changes: (1) splits between the Idaho and Washington portions of the load forecast before combining into the system load; (2) updates

¹ Attachment A is the Company's Supplemental Response to Staff Production Request No. 1 (c).

² Attachment B contains the updated Henry Hub natural gas forecast from the confidential excel file submitted in Response to Staff Production Request No. 2 (c). Although the excel file is a confidential document, the Company confirmed with Staff through email that the Henry Hub natural gas forecast data in the excel file is not confidential.

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. *See Attachment A to these comments.* Staff believes the load forecast using more recent data will lead to a more accurate load forecast.

Figure No. 1: Load Forecast Comparison



Natural Gas Forecast

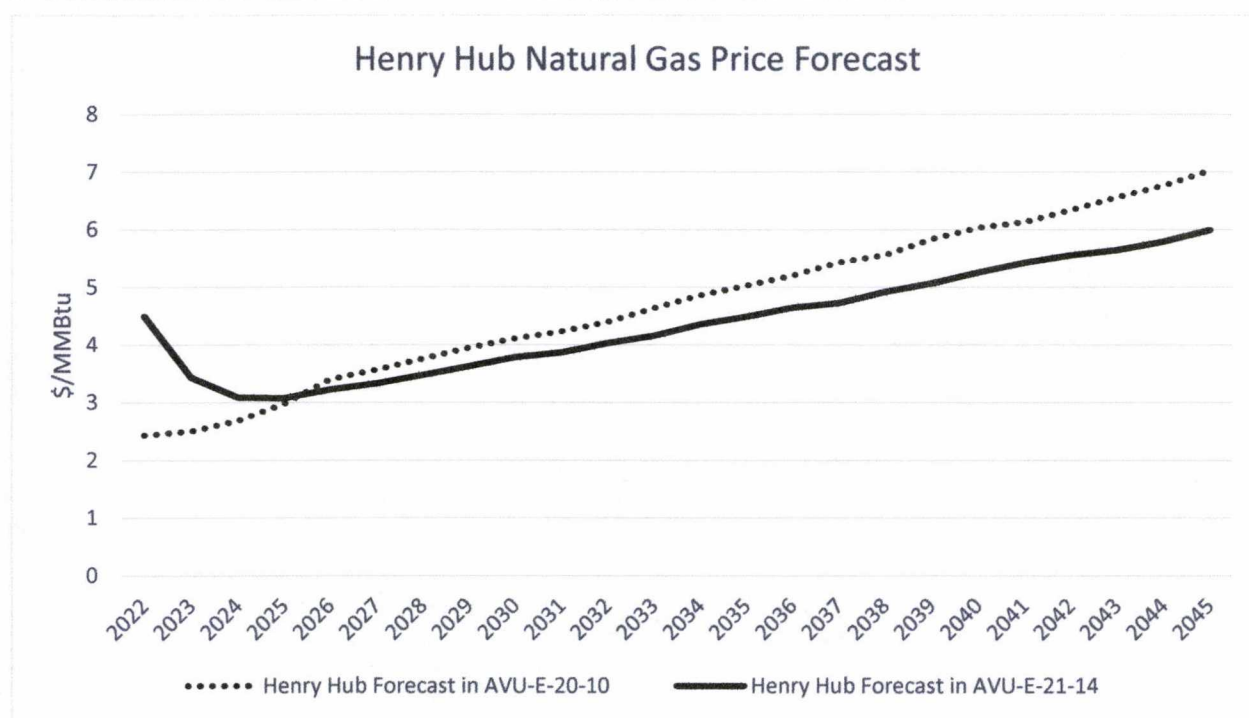
The Filing also included last year's natural gas forecast for this year's update. However, the Company had developed a more recent natural gas forecast after submitting the Filing as shown in Attachment B to these comments. After reviewing the updated natural gas forecast, Staff determined the more recent forecast is reasonable to set avoided cost rates. Staff's conclusion is 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.

Staff compared the Company's updated Henry Hub forecast as shown in Attachment B to these comments to the forecast in last year's filing in Case No. AVU-E-20-10. *See Figure No. 2.*

The new forecast is higher than last year's forecast over the next four years but is lower than last year's forecast after that timeframe.

According to analysis of the natural gas market in recent publications, the higher new forecast in the near term is driven by rebounding demand as the COVID-19 pandemic has moderated³ and also due to the impacts of Hurricane Ida on natural gas production⁴. Over the long term, lower gas prices compared to last year's forecast will be driven by increased natural gas production from continued development of shale gas and tight oil plays, which is projected to outpace gas consumption.

Figure No. 2: Henry Hub Natural Gas Price Forecast Comparison



Staff also compared Henry Hub forecasts used by Avista and Rocky Mountain Power. The results show similar trends between the two utilities. See Figure No. 3. The two utilities use different methods and sources to determine their natural gas forecasts. Avista uses a blend of two national price forecasting consultant's most recent forecasts: the U.S. Energy Information

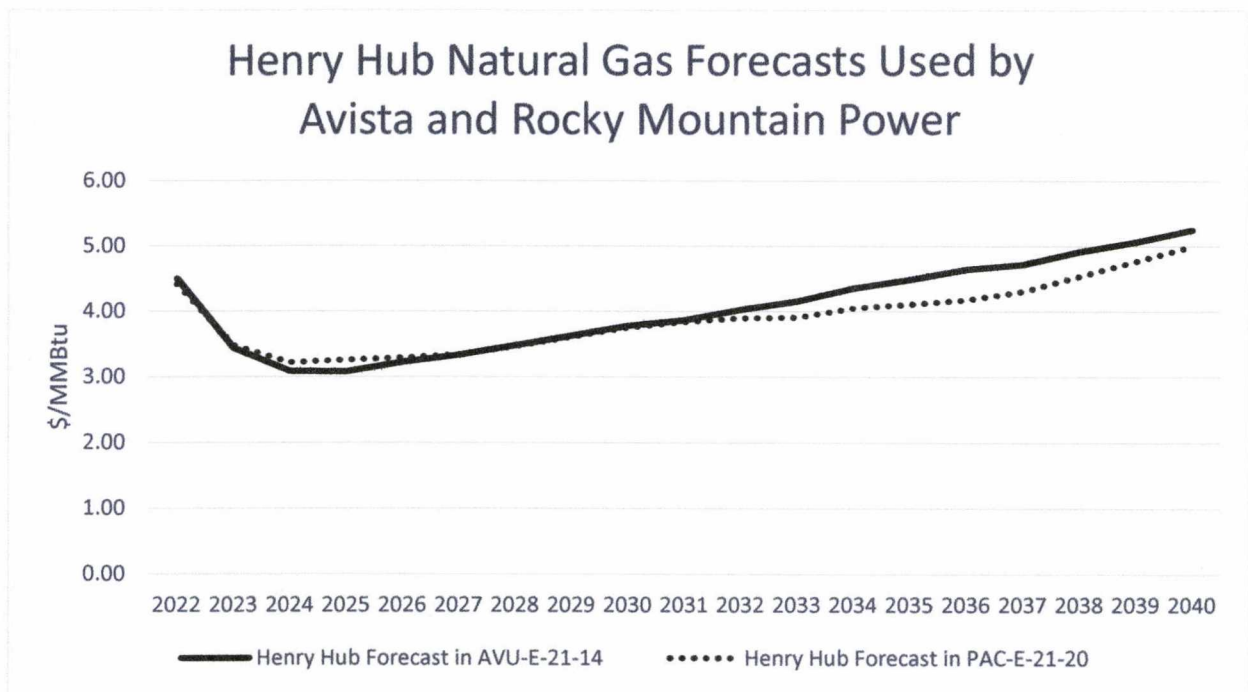
³ See *Three Reasons Why Gas Prices Are So High Now* at <https://www.businessinsider.com/why-are-gas-prices-so-high-right-now-3-reasons-2021-10>

⁴ See *Hurricane Ida Contributes to Higher Natural Gas Prices* at <https://talkbusiness.net/2021/09/hurricane-ida-contributes-to-higher-natural-gas-prices/>

Administration's Annual Energy Outlook forecast and forward market prices. Rocky Mountain Power uses a combination of third-party forecasts and forward market prices.

For the annual update filings, both utilities include the Henry Hub forecast Staff used for comparison. Despite different methods and sources, both Henry Hub forecasts reflect a high level of similarity, especially for the first few years. This is 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. Based on the analyses above, Staff believes the Company's natural gas forecast is reasonable.

Figure No 3: Henry Hub Natural Gas Forecasts Used by Avista and Rocky Mountain Power



Contract Terminations, Expirations, and Additions

Since the 2020 filing, the Company has signed two new long-term PURPA contracts and two Power Purchase Agreements. Staff has verified the contract information. The contract information is updated on a continuous basis in the IRP method.

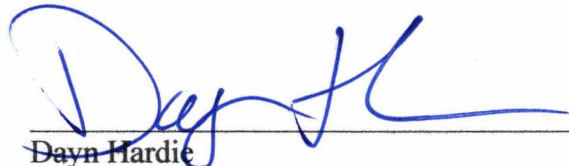
Effective Date

Order No. 32802 requires that the three electric utilities in Idaho should update natural gas and load forecasts for each utility's IRP Method on October 15 of each year. Since the Commission's order was issued, the three utilities have filed their annual update cases by October 15, and the Commission's authorizations utilized the same effective date as the deadline for the filing. To allow for adequate time to review each utility's filing and prevent having a filing deadline that is the same as the effective date, Staff recommends that all three utilities continue to file their annual update cases by October 15 but establish a fixed effective date of January 1st of the following year in this case and in future annual update cases.

STAFF RECOMMENDATIONS

Staff recommends approval of the load forecast in Attachment A to these comments, the natural gas forecast in Attachment B to these comments and the contract changes included in the Application to be used in the IRP methodology with an effective date of January 1, 2022. Staff also recommends that the effective date be set to January 1 for all subsequent annual updates.

Respectfully submitted this ^{14th} day of December 2021.


Dayn Hardie
Deputy Attorney General

Technical Staff: Yao Yin
Travis Culbertson

i:umisc/comments/avue21.14dhyytnc comments

**AVISTA CORPORATION
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	IDAHO	DATE PREPARED:	12/1/2021
CASE NO:	AVU-E-21-14	WITNESS:	Clint Kalich
REQUESTER:	Staff	RESPONDER:	John Lyons
TYPE:	Production Request	DEPARTMENT:	Energy Resources
REQUEST NO.:	Staff-001	TELEPHONE:	(509) 495-8515

REQUEST:

Please answer the following questions regarding the load forecast in Case No. AVU-E-21-14.

- a. Please explain why the Company used last year's load forecast in Case No. AVU-E-20-10 for this year's annual update.
- b. Please confirm that last year's load forecast was developed in the summer of 2020.
- c. If a newer load forecast has become available since Case No. AVU-E-20-10 was submitted, please provide the data. If not, please explain why there is not a newer load forecast available.

RESPONSE:

- a. The load forecast submitted in Case No. AVU-E-21-14 was the latest data available as of October 15th. A preliminary updated load forecast has been completed, but still needs to be reviewed and finalized internally prior to submitting and utilizing for planning purposes due to major assumption changes involved with the new load forecast, such as splitting the Idaho and Washington load out from each other.

Update: The new load forecast from November 2021 has been reviewed and finalized.

- b. Yes, the load forecast submitted in this filing was developed in the summer of 2020.
- c. As explained in part a above, the new load forecast has been developed, but has not been finalized and approved for use at this point in time.

Update: The new load forecast developed in November 2021 is as follows:

Year	Load (aMW)
2023	1,117.0
2024	1,119.7
2025	1,122.3
2026	1,125.3
2027	1,128.8
2028	1,132.8
2029	1,135.4
2030	1,137.5
2031	1,139.5
2032	1,142.0

2033	1,143.3
2034	1,145.2
2035	1,147.1
2036	1,149.8
2037	1,151.4
2038	1,153.7
2039	1,156.2
2040	1,159.9
2041	1,162.6
2042	1,166.6
2043	1,171.2
2044	1,177.3
2045	1,183.1

The major changes to the new forecast include:

- showing the splits between the Idaho and Washington portions of the load forecast before combining into the system load;
- updates made with historical data collected since the summer of 2020 forecast;
- updated data on the number of electric vehicles and use per vehicle based on studies from Pacific Northwest National Laboratories; and
- compared to the 2021 IRP, the allocation of solar load over the months is more precisely allocated using data from Avista's community solar installation.

	Updated Henry Hub Forecast in AVU-E-21-14
2022	4.49
2023	3.43
2024	3.08
2025	3.07
2026	3.21
2027	3.32
2028	3.47
2029	3.62
2030	3.77
2031	3.85
2032	4.02
2033	4.14
2034	4.35
2035	4.48
2036	4.63
2037	4.71
2038	4.91
2039	5.05
2040	5.24
2041	5.41
2042	5.54
2043	5.63
2044	5.78
2045	5.98

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 14th DAY OF DECEMBER 2021, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-E-21-14, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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SECRETARY

CERTIFICATE OF SERVICE