

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA) CASE NO. AVU-E-22-02
CORPORATION’S COMPLIANCE FILING)
TO UPDATE AND ESTABLISH ITS)
CAPACITY DEFICIENCY PERIOD TO BE) ORDER NO. 35466
USED FOR AVOIDED COST)
CALCULATIONS)
)

On February 22, 2022, Avista Corporation d/b/a Avista Utilities (“Company”) applied to the Commission for approval of its capacity deficiency period filing (“Filing”) used for its avoided cost calculations. The Company must make its Filing after the Commission acknowledges its Integrated Resource Plan (“IRP”). The Company requested its Application be processed by Modified Procedure.

On March 18, 2022, the Commission issued a Notice of Application and Notice of Modified Procedure and set public comment and company reply deadlines. Order No. 35347.

Commission Staff (“Staff”) filed comments on May 5, 2022. The Company filed reply comments on May 12, 2022. No other comments were received.

With this Order, we approve the Company’s filing.

THE FILING

Under the Public Utility Regulatory Policies Act of 1978 (“PURPA”), the Commission 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—in addition to payments for energy—beginning after the applicable capacity deficit date is reached. *See* Order Nos. 33377, 33159, and 33898. The first deficit date under the IRP method is adjusted to reflect changes in the QF queue, whereas the first deficit date under the SAR method does not. Order No. 33933.

The capacity deficiency period is determined through the IRP planning process and is submitted to the Commission in a proceeding separate from the IRP docket. The capacity deficit date determined in the IRP process is presumed to be a correct starting point but is subject to the outcome of the capacity deficiency case. Order No. 32697. The capacity deficiency case must be filed after the Commission acknowledges a utility’s IRP. Order No. 33917.

The Commission acknowledged the Company's 2021 electric IRP on December 16, 2021. Order No. 35257.

The Company's Filing proposed a first capacity deficiency date of November 1, 2026, due, primarily, to the expiration of the Lancaster Power Purchase Agreement ("PPA") on October 31, 2026. Filing at 4.

STAFF COMMENTS

Staff reviewed the Company's Filing, the associated Load and Existing Resource Balances ("L&R") of four scenarios using different Colstrip retirement dates, and the responses to Staff's production requests. Staff also reviewed the new method used to produce the L&R. Staff recommended that, "if the Commission decides to re-evaluate when the capacity deficiency date case[s] should be filed in Case No. IPC-E-21-09, a generic docket should be opened because the decision may need to consider factors affecting all three Idaho electric utilities."¹

1. Load Forecast

The load forecast used in the L&R was developed for the 2021 IRP which was filed on March 31, 2021. Staff noted the Company's representation that it planned to have an updated load forecast in November 2021. Staff recommended the Company update the L&R using the most recent available load forecast.

Staff noted the Company's load forecast included a transmission loss adjustment associated with Colstrip generation. Staff recommended the Company update the adjustment to reflect the retirements of Colstrip Units 3 and 4 in 2034 and 2036, respectively.

2. Resources in the L&R

Staff focused its evaluation of resources in the L&R based on whether a resource was "available" and/or "existing" consistent with the Commission's mandate in Order No. 33425. Staff focused on the Chelan Public Utility District ("PUD") hydro contract, Colstrip retirement dates, and recent PURPA contracts submitted to the Commission.

a. Chelan PUD Hydro Contract

Staff noted the unapproved hydro contract with the Chelan PUD executed in December 2021 was properly excluded in the proposed L&R.

¹ On May 25, 2022, the Commission, in Order No. 35415, Case No. IPC-E-21-09, directed Staff and the other three electric utilities to evaluate the established filing date for capacity deficiency date determinations and, if warranted, open a new docket to alter the established timing of capacity deficiency case filings. Order No. 35415 at 10-11.

b. Colstrip Retirement Dates

Staff noted all four scenarios of Colstrip retirement dates and L&Rs show a first annual deficit year of 2027.

c. Recently Submitted PURPA Contracts

Staff agreed that the Company properly excluded from the proposed L&R the two unapproved PURPA contracts the Company had with the University of Idaho.

3. L&R Method

Staff noted the Company used the PRiSM model (which does not provide monthly information) to generate the capacity deficiency date. Staff noted the PRiSM model's first full deficit year, 2027, was inconsistent with the Company's requested deficiency date of November 1, 2026. Staff recommended the Company provide a new L&R that incorporated load and resource adjustments and the required Colstrip retirement dates at a monthly level—as done in previous capacity deficiency cases—to ensure the data supported the proposed capacity deficiency date.

STAFF RECOMMENDATIONS

Staff recommended the Company file an updated L&R as a compliance filing that used: (1) the most recent load forecast; (2) an updated Colstrip Losses Adjustment in the load forecast; and (3) the Colstrip retirement dates of 2034 and 2036 for Units 3 and 4 in Idaho consistent with Order No. 34981.

Staff also recommended the Company file the updated L&R showing annual and monthly deficits instead of just annual deficits so that the L&R data accurately supported the new first capacity deficiency date.

COMPANY REPLY COMMENTS

The Company replied that the capacity deficiency period had shifted to December 1, 2026, from November 1, 2026—the original capacity deficiency date in its Filing. The Company further replied that it supported Staff's recommendation to open a generic docket to reevaluate when the capacity deficiency case should be filed. The Company included an updated Confidential L&R Excel spreadsheet with its comments incorporating the following changes recommended by Staff: (1) use of the most recent load forecast from February 2022; (2) updated Colstrip Losses adjustment through 2036 for Idaho's 35 percent pro rata share; (3) use of 2034 and 2036 for the respective retirement dates for Colstrip Units 3 and 4; and (4) an updated L&R showing annual and monthly deficits.

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 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 updated Confidential L&R spreadsheet showing a December 1, 2026, deficiency date is reasonable and consistent with previous Commission orders.

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 December 1, 2026.

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 regarding 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 15th day of July 2022.



ERIC ANDERSON, PRESIDENT

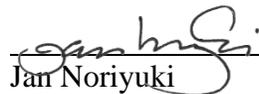


JOHN CHATBURN, COMMISSIONER



JOHN R. HAMMOND JR., COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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