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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-22-02** **COMMENTS OF THE COMMISSION STAFF**

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

BACKGROUND

On February 22, 2022, Avista Corporation d/b/a Avista Utilities ("Company") applied to the Commission for approval of its capacity deficiency period used for its avoided cost calculations, with a first deficit occurring November 1, 2026.

Under the Public Utility Regulatory Policies Act of 1978 ("PURPA"), the Commission has established a surrogate avoided resource ("SAR") method and an Integrated Resource Plan ("IRP") method to calculate avoided cost rates for qualifying facilities ("QFs"). Under both methods, a QF receives capacity payments only after the applicable capacity deficit date is reached. Order Nos. 33377, 33159, and 33898. The first deficit date under the IRP method will float to reflect the changes in the QF queue, while the first deficit date under the SAR method will not float to reflect the changes in the QF queue. 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 will be subject to the outcome of the capacity deficiency case. Order No. 32697. The capacity deficiency case is required to be filed after the Commission has acknowledged a utility's IRP, rather than upon its IRP filing. Order No. 33917.

On February 22, 2022, the Company filed the Compliance Filing Application ("Application") to establish the first deficit date of November 1, 2026, primarily driven by the expiration of the Lancaster Power Purchase Agreement ("PPA") on October 31, 2026. Application at 4.

STAFF REVIEW

Staff reviewed the Company's Application, the associated Load and Existing Resource Balances ("L&Rs") of four scenarios using different Colstrip retirement dates, and the responses to Staff's production requests. Based on this review, Staff recommends the Company: 1) use the most recent load forecast; 2) update the Colstrip Losses Adjustment in the load forecast; and 3) use the Colstrip retirement dates of 2034 and 2036 for Units 3 and 4, respectively, as used for the capacity deficiency date in Order No. 34981.

Staff also reviewed the new method used to produce the L&Rs. Staff believes that it provides neither clear evidence of the Company's proposed first capacity deficiency date of November 1, 2026, nor a means to determine the specific deficiency date impacts of its recommended adjustments. Staff recommends that the Company provide an updated L&R at a monthly level that incorporates Staff's recommended adjustments.

Finally, Staff recommends that if the Commission decides to re-evaluate when the capacity deficiency date case 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.

Load Forecast

The load forecast used in the L&R was developed for the 2021 IRP, which was filed with the Commission on March 31, 2021. Staff recommends that the Company update the L&R using the latest load forecast available. The Commission finds it appropriate for a utility to use the most updated information available in calculating its capacity deficiency date. *See* Order No. 33958. Staff requested the latest load data in Production Request No. 2 but did not receive it and was not provided an explanation why one was not available or provided. Staff believes that a more recent load forecast should be available because the Company stated that it planned to have an updated load forecast in November of 2021. *See* Page 2 of the Application in Case No. AVU-E-21-14.

The Company's load forecast includes a transmission loss adjustment associated with Colstrip generation. Staff recommends that the Company update the adjustment to reflect the retirements of Colstrip Units 3 and 4 in 2034 and 2036 for Idaho, as used for the capacity deficiency date in Order No. 34981.

Resources in the L&R

Staff s evaluation of resources in the L&R is based on the principle of whether a resource is "available" and/or "existing"[1], unless exceptions are justified. Staff's review focused on the Chelan Public Utility District ("PUD") hydro contract, Colstrip retirement dates, and recent PURPA contracts submitted to the Commission.

Chelan PUD Hydro Contract

The Chelan PUD Hydro Contract is not included in the proposed L&R. The Company signed a hydro contract with Chelan PUD in December 2021, which is not included in the proposed L&R. Response to Staff's Production Request No. 4. Because this project has not been approved by the Washington Utilities and Transportation Commission, it should not be included in the L&R until the contract is approved.

[1] The Commission expressed its expectation for focusing on "available" and/or "existing" resources when deciding whether transmission capacity should be included in the L&R in Order No. 33425.

Colstrip Retirement Dates

The Company uses four different scenarios of Colstrip retirement dates in the Application and develops four different L&Rs, all of which show the same first annual deficit of 2027. The Commission established the capacity deficiency date based on Colstrip exiting in 2025 for Units 3 and 4 for Washington and exiting in 2034 and 2036 for Idaho. *See* Order No. 34981.

Recently Submitted PURPA Contracts

University of Idaho's PURPA contracts are not included in the proposed L&R. Staff agrees with this treatment, because the Commission has not approved them and even if they are approved, Staff does not believe the energy supplied to the system should be included as a firm resource. Since the L&R was developed, the Company has signed two "as-available" PURPA contracts with the University to purchase excess energy from its solar facility and cogeneration facility, after the energy generated by the facilities is used to meet the University's load. *See* Case Nos. AVU-E-22-03 and AVU-E-22-04. Because these projects have not been authorized by the Commission, Staff agrees that they should not be included in the L&R until the Commission approves them. Staff further believes that, because the energy from these projects will be purchased on an as-available basis, the energy is considered non-firm, which cannot be relied on to contribute capacity and should not be included as a resource to meet future capacity needs.

L&R Method

The Company changed its method for developing the L&R in this filing and used the PRiSM model to generate the capacity deficiency date. However, the PRiSM model does not have the capability to provide the deficiency information on a monthly level and instead only reports a first full deficit year of 2027, which does not support the Company's request for a first capacity deficiency date of November 1, 2026[2]. Staff recommends that the Company provide a new L&R, incorporating the load adjustments and the required Colstrip retirement dates at a monthly level, as done in previous capacity deficiency cases. Staff believes that this will ensure the data supports the capacity deficiency date result.

[2] The Company believes November 1, 2026, is the first capacity deficiency date because the Lancaster PPA expires on October 31, 2026. *See* the Application.

Filing Schedule

If the Commission decides to re-evaluate when the capacity deficiency date case should be filed in Case No. IPC-E-21-09, Staff believes that a generic docket should be opened to ensure all three utilities can provide input. The Company compared the advantages and disadvantages of filing the deficiency date case at the time when the IRP is submitted, and it concluded that the advantages outweigh the disadvantages. *See* Response to Staff's Production Request No. 1. The Company stated that the advantages include: 1) the information would be current; 2) the filing would be added as a part of the IRP submission process; and 3) the filing date would be known. The main disadvantage is the Company's heavy workload during that timeframe.

First, Staff continues to believe that regardless of when the first capacity deficiency date case should be filed, the date should be determined based on the latest and most accurate information. The Commission has expressed this expectation in prior orders. Order No. 32697 ("The capacity deficiency determined through the IRP planning process will be the starting point and will be presumed to be correct subject to the outcome of the proceeding.""); Order No. 33958 (It is appropriate for a utility to use the most updated information available in calculating its capacity deficit date.); Order No. 34918 (PacifiCorp is required to use the most recent peak-load forecast when its next capacity deficiency case is filed.)

Second, Staff believes the case does not have to be part of the IRP submission process, because the first capacity deficiency case can be a separate case from the IRP case. Order No. 32697 states that 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.

Third, Staff agrees with the Company that if the case is filed with the IRP, it would be filed on a known date, whereas filing after the acknowledgement of the IRP relies on the Commission's schedule for processing the IRP case.

STAFF RECOMMENDATIONS

Staff recommends that the Company file an updated L&R as a compliance filing that incorporates the following changes:

1. Use the most recent load forecast;
2. Update the Colstrip Losses Adjustment in the load forecast; and

3. Use the Colstrip retirement dates of 2034 and 2036 for Units 3 and 4 in Idaho as used for the capacity deficiency date in Order No. 34981.

Staff also recommends that the Company present the updated L&R on a monthly level instead of an annual level so that the L&R data can accurately support the new first capacity deficiency date that is ultimately determined.

Lastly, Staff recommends that if the Commission decides to re-evaluate when the capacity deficiency date case 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.

Respectfully submitted this 5th day of May 2022.

Riley Newton
Deputy Attorney General

Technical Staff: Yao Yin

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 5th DAY OF MAY 2022, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. AVU-E-22-02, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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