BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA'S ANNUAL COMPLIANCE FILING TO UPDATE THE LOAD AND GAS FORECASTS IN THE INCREMENTAL COST INTEGRATED RESOURCE PLAN AVOIDED COST MODEL TO BE USED FOR AVOIDED COST CALCULATIONS	)	**CASE NO. AVU-E-22-15** **ORDER NO. 35639**

On October 14, 2022, Avista Corporation ("Company") filed a compliance filing ("Filing") requesting the Commission issue an order accepting its updated load forecast, natural gas price forecast, and long-term 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 10, 2022, the Commission issued a Notice of Filing and Notice of Modified Procedure establishing public comment and Company reply deadlines. Order No. 35592. Staff filed comments, and the Company replied that it supported Staff's recommendations. No other comments were received.

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

BACKGROUND

Pursuant to the PURPA and the Federal Energy Regulatory Commission's ("FERC") implementing regulations, this Commission has approved the IRP Method to calculate avoided cost rates for qualifying facilities ("QFs") that are above the resource-specific project eligibility cap. QFs that are below the applicable 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, or 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 or capacity, the Commission has directed utilities to "update fuel price forecasts and load forecasts annually – between IRP filings," and to update the Commission about its "long-term contract commitments because of [their] potential effect . . . on a utility's load and resource balance." Order No. 32697 at 22.

THE FILING

The Company forecasted its average load growth at 0.74% annual average growth rate for 2023 through 2045. Filing at 2.

The Company stated its natural gas forecast was developed using a "blend of two national forecasting consultant's [*sic*] most recent forecasts, the U.S. Energy Information Administration's Annual Energy Outlook…, and forward market prices as of July 26, 2022." *Id.* at 3.

The Company "signed eight new long-term PURPA contracts, one Power Purchase Agreement (PPA), and one PURPA contract is scheduled to conclude at the end of 2022. The new PURPA contracts include six renewed contracts with existing resources." *Id*. at 4.

STAFF COMMENTS

Staff recommended approval of the updated energy load forecast, natural gas forecast, and long-term contracts used as inputs to calculate its IRP avoided cost rates with a January 1, 2023, effective date.

Staff compared the higher, proposed load forecast with the approved forecast from last year and believed that the proposed forecast is reasonable. Staff noted that there is faster long-term load forecast growth due to increased population, changes in Washington building codes, and an increase in electric vehicles in the Company's service territory. However, Staff noted that there is little change in short-term growth projections which are more important for the forecasting relevant to this Filing.

The updated natural gas forecast is also higher than the comparable forecast from last year. "Staff conducted two analyses on the natural gas forecast: (1) a comparison of the proposed Henry Hub forecast and last year's forecast approved in Order No. 35274; and (2) a comparison of the Company's proposed Henry Hub forecast to the Henry Hub forecasts of Idaho Power and Rocky Mountain Power." Staff Comments at 3. Staff noted that, despite differing methods, each of these forecasts were similar for the near-term. This is important because avoided cost rates determined using the IRP method are only needed for the first few years due to IRP-based contracts being limited to two years. Incorporating these analyses, Staff believed the increase is due to natural market demands and the forecast for the next few years is reasonable.

Although contract related updates are continuously incorporated into the IRP model, Staff recommended that contract updates continue to be a part of future filing to optimize the Commission's oversight of updates. Staff noted that project characteristics of Chelan PUD power purchase agreement ("PPA") were incorrect and recommended corrections followed by an adjustment to the IRP model.

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 -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.

Lastly, due to the initial inaccuracy of the Chelan PUD PPA, the Commission finds it necessary to correct the project characteristics of Chelan PUD PPA in the IRP model to reflect derates for Canadian Entitlement obligations and estimate capacity reductions due to water availability.

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, 2023.

IT IS FURTHER ORDERED that the project characteristics of Chelan PUD PPA be corrected in the IRP model to reflect derates for Canadian Entitlement obligations and estimate capacity reductions due to water availability.

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 21st day of December 2022.

ERIC ANDERSON, PRESIDENT

JOHN CHATBURN, COMMISSIONER

JOHN R. HAMMOND JR., COMMISSIONER

ATTEST:

Jan Noriyuki
Commission Secretary

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