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Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF AVISTA’S ANNUAL</b>	)	
<b>COMPLIANCE FILING TO UPDATE THE</b>	)	<b>CASE NO. AVU-E-22-15</b>
<b>LOAD AND GAS FORECASTS IN THE</b>	)	
<b>INCREMENTAL COST INTEGRATED</b>	)	
<b>RESOURCE PLAN AVOIDED COST MODEL</b>	)	<b>COMMENTS OF THE</b>
<b>TO BE USED FOR AVOIDED COST</b>	)	<b>COMMISSION STAFF</b>
<b>CALCULATIONS</b>	)	
_____	)	

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

**BACKGROUND**

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 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”).

## **STAFF ANALYSIS**

Staff has reviewed the Company's Filing and recommends approval of the proposed load forecast and the proposed natural gas forecast to be used in the IRP model to determine avoided cost rates, with an effective date of January 1, 2023. Staff also recommends that the Company continue to include contract updates in the future annual filings, even though contract updates are incorporated in the IRP model on a continuous basis.

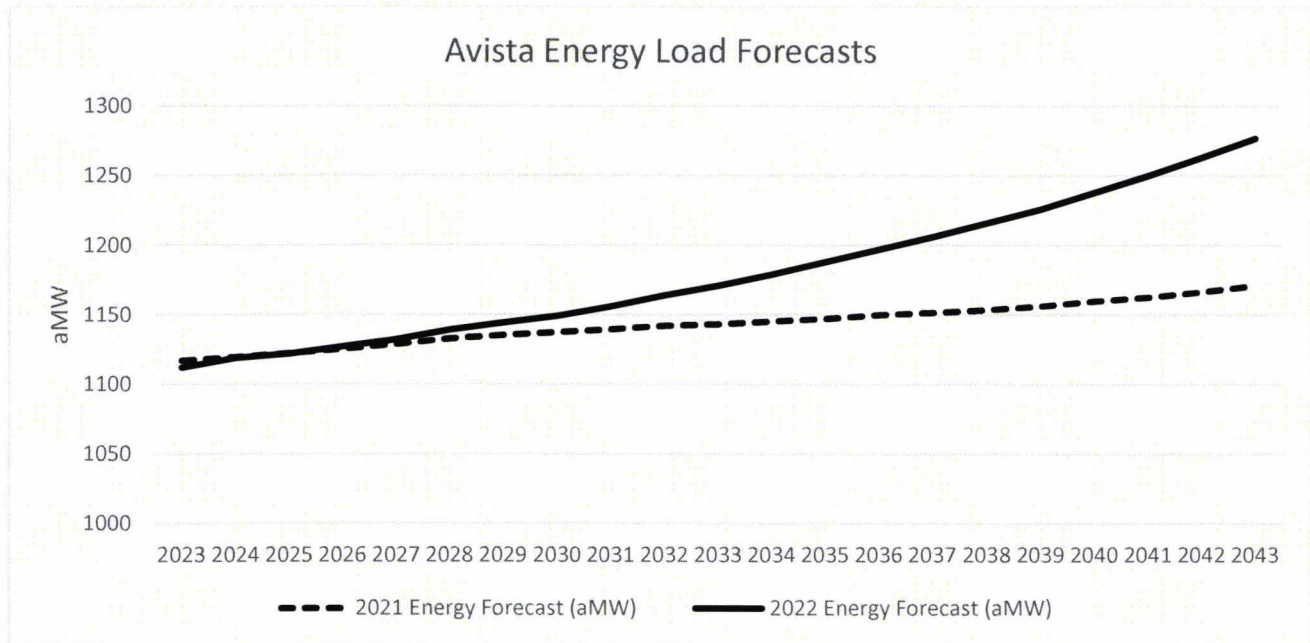
### **Load Forecast**

Staff compared the proposed load forecast to the load forecast approved in Order No. 35274 in as illustrated in Figure No. 1 below and believes the proposed load forecast is reasonable. Staff justifies its conclusion because there is little change from the previous year's forecast over the next few years of the forecast time horizon, a period most critical to IRP-based PURPA contracts.

Although over the long term the proposed load forecast grows faster than last year's load forecast, the most important time period of the forecast relevant to this filing is the next few years. This is because only the immediate time period will be used to develop avoided cost rates for IRP-based PURPA contracts until the next annual update, since IRP-based PURPA contracts are limited to a 2-year contract term.

However, the Company provided three reasons for load growth over the long term. First, there is faster long-run growth in forecasted population, especially in Idaho. Second, Washington changed its building code to prevent new natural gas connections to commercial and industrial customers starting in 2023, which will shift load from natural gas to electricity. Third, the adoption of residential commercial electric vehicles has contributed to the faster growth. See Response to Staff's Production Request No. 1.

Figure No. 1: Load Forecast Comparison



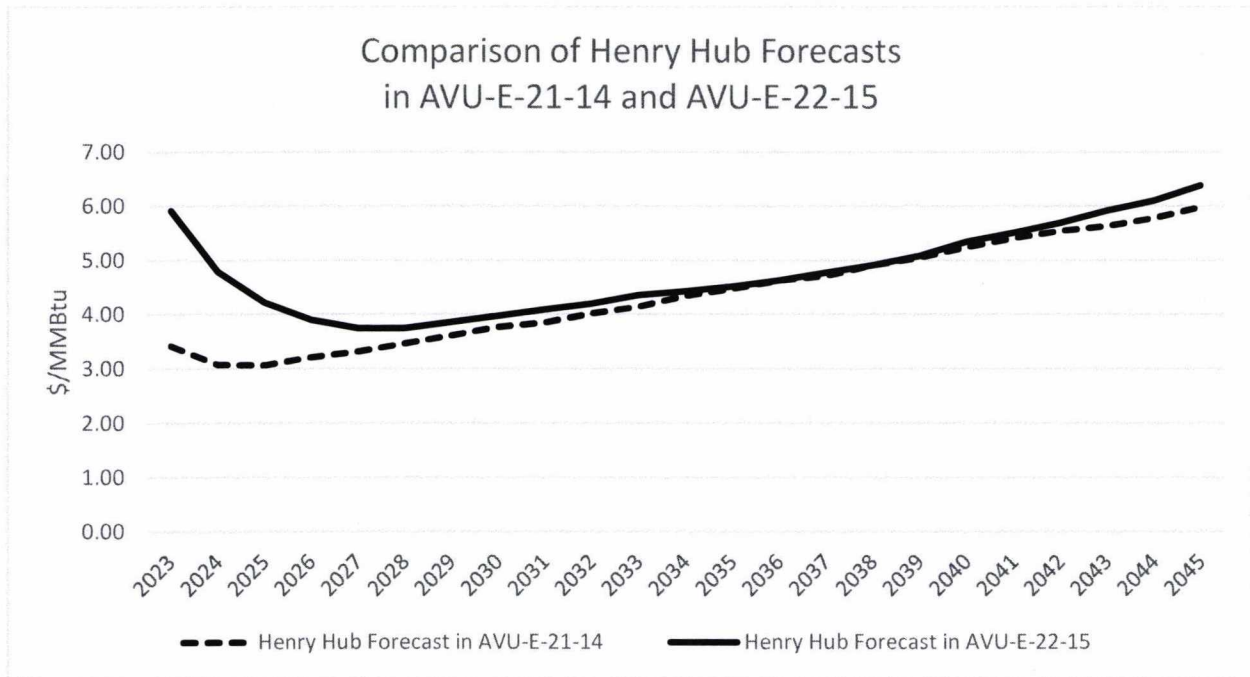
### Natural Gas Forecast

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. Based on the results, Staff believes the proposed natural gas forecast is reasonable.

Staff compared the Company’s proposed Henry Hub forecast to last year’s forecast approved in Order No. 35274. *See* Figure No. 2. This year’s Henry Hub forecast is significantly higher than last year’s Henry Hub forecast for the next few years in the near term, which is the most critical timeframe for determining avoided cost rates of IRP-based PURPA contracts. Staff believes the difference between the two forecasts in the near term reflects the increasing prices in the natural gas markets over the past year,<sup>1</sup> and thus Staff believes the proposed Henry Hub forecast is reasonable.

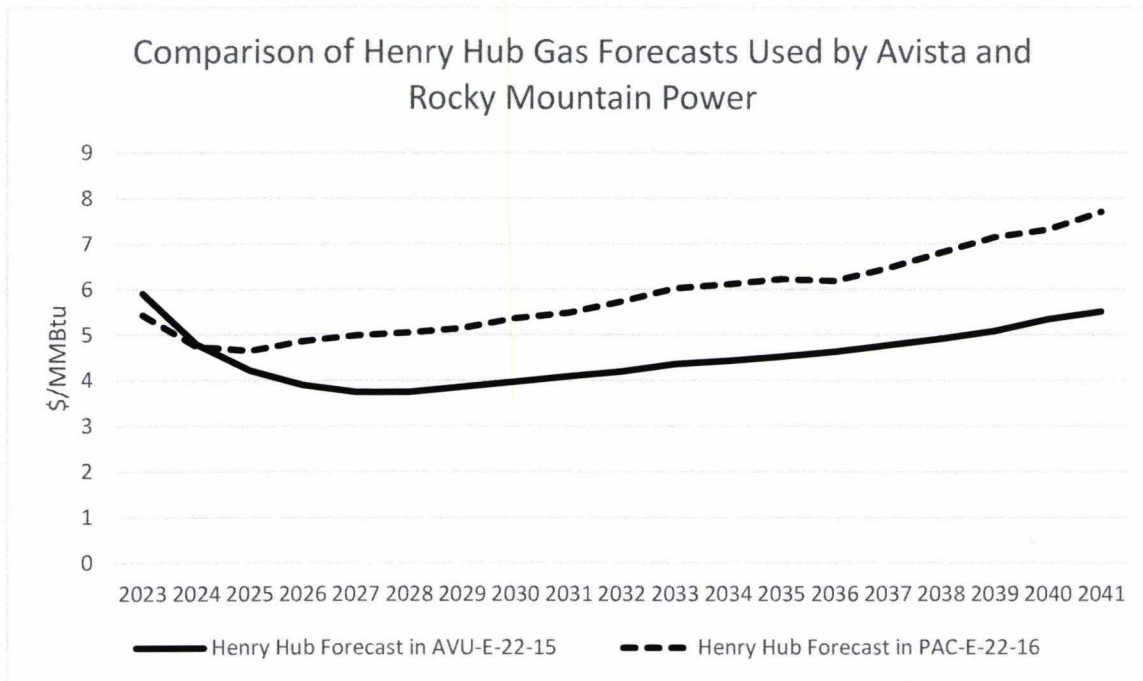
<sup>1</sup> See natural gas market trends on Stats Tab at <https://tradingeconomics.com/commodity/natural-gas>

Figure No. 2 Comparison of Company's Henry Hub Forecasts



Staff also compared Henry Hub forecasts used by the Company, Idaho Power, and Rocky Mountain Power. The results show similar trends between the three utilities. Although these utilities use different methodologies to determine Henry Hub forecasts, all three forecasts reflect a high level of similarity for the next few years; therefore, Staff believes the Company's proposed natural gas forecast is reasonable. Figure No. 3 below shows a comparison of Henry Hub forecasts used by the Company and Rocky Mountain Power. Because Idaho Power's Henry Hub forecast is confidential, it was not included in the graph.

Figure No. 3 Henry Hub Forecasts Used by Avista and Rocky Mountain Power



**Contract Updates**

Although contract updates are incorporated in the IRP model on a continuous basis, Staff believes the annual filing is a good opportunity for the Commission to review and monitor these updates. Therefore, Staff recommends that the Company continue to include contract updates in the future annual filings. For this case, Staff believes project characteristics of Chelan PUD Power Purchase Agreement (“PPA”) should be corrected in the IRP model.

Contract updates are incorporated into the IRP model on a continuous basis. Order No. 32697 required that long-term contracts be considered in the IRP methodology at such time as contracts were signed and when they had terminated or expired. Later, Order No. 33357 found the “signed contract” language in Order No 32697 did not achieve its intended result and required utilities to create a queue to track the order in which QF projects have entered negotiations with a utility.

Project characteristics of Chelan PUD PPA reported in the Filing were incorrect. Response to Staff’s Production Request No. 3 (a) provided updated nameplate, peak contributions, and average expected energy of the project. However, peak contributions should be further adjusted to reflect derates for Canadian Entitlement obligations and estimate capacity

reductions due to water availability.<sup>2</sup> Staff recommends that project characteristics of Chelan PUD be corrected in the IRP model to reflect these adjustments.

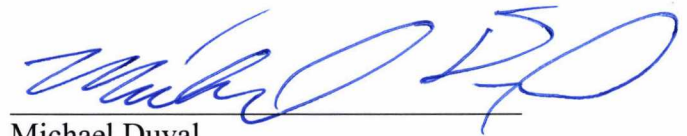
### STAFF RECOMMENDATION

Staff recommends that the Commission approve the following updates to be used in the Company's IRP model for determining avoided cost rates, with an effective date of January 1, 2023, as required by Order No. 35274:

1. The proposed May 2022 load forecast as filed;
2. The proposed natural gas forecast as filed.

Staff also recommends that project characteristics of Chelan PUD be corrected in the IRP model to reflect derates for Canadian Entitlement obligations and estimate capacity reductions due to water availability.

Respectfully submitted this 5<sup>th</sup> day of December 2022.



Michael Duval  
Deputy Attorney General

Technical Staff: Yao Yin  
Kevin Keyt

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<sup>2</sup> Staff received this information through email from the Company on November 22, 2022.

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 5<sup>th</sup> DAY OF DECEMBER 2022, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-E-22-15, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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SECRETARY

CERTIFICATE OF SERVICE