

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF AVISTA ) CASE NO. AVU-E-23-12**  
**CORPORATION’S APPLICATION TO )**  
**UPDATE AND ESTABLISH ITS CAPACITY )**  
**DEFICIENCY PERIOD TO BE USED FOR ) ORDER NO. 36056**  
**AVOIDED COST CALCULATIONS )**  
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On August 24, 2023, pursuant to Order No. 35810, Avista Corporation d/b/a Avista Utilities (“Company” or “Avista”) applied to the Commission for approval of its capacity deficiency period used for its avoided cost calculations (“Application”). The Company requested its Application be processed by Modified Procedure.

On September 14, 2023, the Commission issued a Notice of Application and set deadlines for public comments and the Company’s reply. Order No. 35923. Commission Staff (“Staff”) submitted comments to which the Company replied. No other comments were received.

With this Order, the Commission approves the method used to determine the capacity deficiency period—with the first deficit date to be determined after the Company has submitted a satisfactory compliance filing.

**BACKGROUND**

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 utility reaches the applicable capacity deficit date. Order No. 32697.

The utility determines the capacity deficit date through the biennial IRP planning process and submits it to the Commission in a proceeding outside the IRP docket. 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 subsequent capacity deficiency case. Order No. 32697.

In 2017, the Commission amended Order No. 32697 to require “that each Idaho electric utility shall submit its updated capacity deficiency filing after the Commission has acknowledged its IRP report, rather than upon its IRP filing....” Order No. 33917 at 4. On June 8, 2023, the Commission further modified its instruction in Order No. 35810 and required Idaho Power

Company, Rocky Mountain Power, and Avista to file capacity deficiency cases within 30 days of their respective IRPs being filed. The Company filed its 2023 IRP on June 1, 2023.<sup>1</sup>

### **APPLICATION**

The Company stated that its 2023 IRP identified January 1, 2034, as its new capacity deficiency date. The Company estimated its capacity deficiency date was later than the capacity deficiency date initially estimated in its 2021 IRP because the Company has acquired significant new resources since that time; the Company also listed certain new resources in its Application.

The Company represented that it did not include any Colstrip data into its capacity filing because the exact date of the transfer of that resource to NorthWestern Energy was not yet known—although the Company did state that the transfer should happen at the end of 2025.

### **STAFF COMMENTS**

Staff recommended that the determination of the first capacity deficiency date and deficiency amounts for new PURPA contracts should rely on a compliance filing incorporating the Company’s updated peak load forecast and a Load and Resource Balance (“L&R”). Staff stated that the L&R should be derived using the Company’s traditional method (“Traditional Method”), rather than the method employed in the Company’s Application. In November 2023, the Company indicated that it would have a new load forecast. Staff expressed concerns about the new method used by the Company to quantify capacity amounts for meeting customer loads reliably. Consequently, Staff suggested that, before the next deficiency date update case, the Company should (1) demonstrate that its Qualified Capacity Contribution (“QCC”) values align with its resource generation capabilities relative to peak loads and (2) develop a Planning Reserve Margin (“PRM”) based on reliability targets. If the Commission agrees, Staff will verify the updated load forecast and L&R through a compliance filing.

#### **1. Load and Resource Balance**

Staff compared the Company’s winter and summer capacity positions and found that, due to small but significant differences in capacity positions between the Company’s proposed method and the Traditional Method (with the Traditional Method consistently yielding higher capacity positions), it is reasonable to continue using the Traditional Method until the Company addresses

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<sup>1</sup> The Company stated that it originally submitted its Capacity Deficiency filing on June 20, 2023, but that it was not received by the Commission.

Staff's concerns with the proposed method. This matter is further discussed below and illustrated in Table Nos. 1 and 2.

**Table No. 1: Winter Capacity Position Comparison**

<b>Year</b>	<b>Capacity positions in January under proposed method (MW)</b>	<b>Capacity positions in January under traditional method (MW)</b>	<b>Capacity Difference in January (MW)</b>
2024	224	318	94
2025	214	308	94
2026	122	215	93
2027	150	233	83
2028	140	224	83
2029	113	186	73
2030	99	172	73
2031	76	148	72
2032	53	126	72
2033	35	107	72
2034	(52)	(8)	43
2035	(76)	(32)	43
2036	(166)	(125)	41
2037	(196)	(155)	41
2038	(227)	(186)	42
2039	(261)	(219)	42
2040	(297)	(256)	42
2041	(405)	(343)	62
2042	(730)	(670)	60
2043	(790)	(725)	66
2044	(842)	(777)	66
2045	(896)	(830)	66

**Table No. 2: Summer Capacity Position Comparison**

<b>Year</b>	<b>Capacity positions in August under proposed method (MW)</b>	<b>Capacity positions in August under traditional method (MW)</b>	<b>Capacity Difference in August (MW)</b>
2024	264	350	85
2025	326	411	85
2026	233	316	83
2027	271	355	84
2028	262	346	84
2029	228	308	79
2030	208	287	79
2031	184	273	90
2032	158	248	90
2033	128	218	90
2034	40	105	65
2035	16	81	65
2036	(49)	8	57
2037	(82)	(25)	57
2038	(116)	(61)	55
2039	(152)	(97)	55
2040	(185)	(129)	55
2041	(281)	(208)	73
2042	(572)	(486)	86
2043	(636)	(542)	95
2044	(686)	(591)	95
2045	(738)	(644)	

**2. Loads in the L&R**

The loads in the L&R are comprised of two things: the load forecast and the PRM.

i. Load Forecast

Staff was concerned about the accuracy of the proposed load forecast—prepared 15 months before the Commission’s decision on capacity deficiency and the subsequent avoided cost rates. Staff recommended filing an updated L&R that explained the differences between the updated and proposed load forecasts. Staff also noted that the Commission mandates the use of the latest information for calculating rates. Staff believed the current forecast—developed in summer 2022—was outdated. Staff noted the Company was expected to have a more current forecast in November 2023 as discussed earlier.

ii. The PRM

The PRM is incorporated into the load forecast to ensure that there is adequate additional capacity for meeting reliability targets. In the 2023 IRP, the Company used “16 percent of the winter load and 7 percent of the summer load as PRMs,” determined through simulations to achieve a five percent loss of load probability (“LOLP”). Staff Comments at 6. However, in the same IRP, the Company adjusted the LOLP values to “22 percent for winter load and 13 percent for summer load” to align with capacity positions from its Traditional Method, rather than explicitly deriving PRMs to meet reliability targets. *Id.* Although Staff agreed this approach was reasonable for maintaining short-term capacity positions, Staff recommended deriving PRMs from the Company’s reliability target with capacity contribution values developed in an appropriate manner.

**3. Resources in the L&R**

Staff’s assessment of resources in the L&R centered on two key aspects: (1) determining if the resources included in the L&R were appropriate for establishing the capacity deficiency date for avoided cost rates, and (2) evaluating the reasonableness of capacity contribution factors at the system peak for those resources.

i. Resources included in the L&R

Staff believed that the following resources were reasonable and appropriate to include in the L&R: the Colstrip coal plant,<sup>2</sup> the Lancaster natural gas purchased power agreement (“PPA”), the Chelan PUD Hydro PPA, the Columbia Basin Hydro PPA, and the Clearwater Wind PPA. Of note, for the PPA’s listed, Staff stated that each had been signed, executed, and did not require additional Commission approval.

ii. Resource Capacity Contributions

The Company utilized QCC values from the Western Resource Adequacy Program (“WRAP”) to determine its resource capacity within the L&R (“WRAP Method”). The Company justified this by asserting alignment with historical performance within a regional context during peak periods. However, Staff suggested that the Company should focus on its own system’s peak loads and resource contributions rather than relying on WRAP QCC values—as regional variations might not match the Company’s peak hours. Staff recommended the Company use the Traditional

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<sup>2</sup> Staff stated that it was appropriate to remove the Colstrip coal plant from the L&R starting in 2026 due to the Company’s transfer of ownership agreement with Northwestern Energy that had been signed and fully executed.

Methods for developing the L&R and determining capacity deficiency dates and amounts until evidence demonstrates the representativeness of WRAP QCC values for the Company's system peaks.

### **REPLY COMMENTS**

The Company stated that it agreed with Staff's recommendation to update the load forecast and also use the Traditional Method to determine its capacity position. The Company noted Staff's concerns with the filing in this case and proposed a new method for future filings.

The Company agreed with Staff's recommendation to update the load forecast when more current data becomes available in late November 2023. The Company stated it agreed with Staff regarding the inclusion of signed resources and exclusion of the Colstrip for capacity determination starting in 2026. The Company stated that it wished to use the Traditional Method for this filing; however, the Company proposed a modified version of the WRAP Method (with PRMs from the Company's reliability targets) in future filings ("Modified WRAP Method"). The Company described the Modified WRAP Method as follows:

- 1) Avista will continue to use the Western Regional Adequacy Program's (WRAP's) qualified capacity contribution (QCC) methodology and accounting for resources.
- 2) Any variable energy resource (VER), demand response, or energy storage facility included in the resource position will include a modified QCC for future years given expected changes in its ability to meet regional loads. This will either use the methodology described in the 2023 IRP (Chapter 6, pages 22-23) or will use any future guidance provided by the WRAP, if available.
- 3) Avista will conduct a loss of load probability (LOLP) or reliability study in the 2025 IRP process to determine the appropriate Planning Reserve Margin (PRM) necessary to achieve a 5% LOLP using the WRAP accounting methodology and the resulting resource QCC values.

Company Reply Comments at 1-2. The Company's reply comments also included a significant amount of additional information for future filings that was not related directly to this filing.

### **COMMISSION DECISION**

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, Staff’s comments, and the Company’s reply. The Commission finds that a compliance filing is necessary and directs the Company to use the Traditional Method for deriving an updated L&R using the peak load forecasts for both summer and winter with updated information as discussed in Staff’s Comments. Likewise, the Commission orders the Company to show that the method used to derive the Company’s QCC values reflect the generation capacity of the Company’s resources relative to the peak loads within the Company’s system before the next capacity deficiency update case. The Commission also orders the Company to develop its PRM driven by the Company’s reliability target and appropriately developed capacity contribution factor system before the next capacity deficiency update. With these conditions in mind, the Commission finds it reasonable to approve the method used to determine the Company’s capacity period. The first deficit date will be determined after the Company has submitted a compliance filing that corrects the necessary issues, and provides the desired explanations, as recommended by Staff and discussed above.

### **ORDER**

IT IS HEREBY ORDERED that, within 21 days, the Company must file an updated L&R as a compliance filing using the Company’s Traditional Method for deriving it by using the most current peak load forecasts for both winter and summer.

IT IS FURTHER ORDERED that the Company is to demonstrate that the method and inputs used to derive the Company’s QCC values reflect the generation capacity of the Company’s resources relative to the peak loads within the Company’s system prior to the next capacity deficiency update.

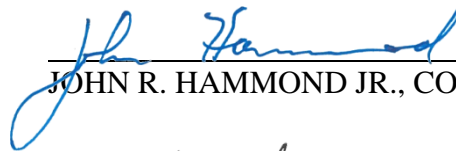
IT IS FURTHER ORDERED that the Company is to develop its PRM driven by the Company’s reliability target and appropriately developed capacity contribution factor system prior to the next capacity deficiency update.

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 about 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. *Idaho Code* § 61-626.

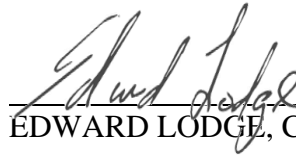
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 11<sup>th</sup> day of January 2024.



ERIC ANDERSON, PRESIDENT



JOHN R. HAMMOND JR., COMMISSIONER



EDWARD LODGE, COMMISSIONER

ATTEST:



Monica Barrios Sanchez  
Interim Commission Secretary

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