BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA CORPORATION'S APPLICATION TO UPDATE AND ESTABLISH ITS CAPACITY DEFICIENCY PERIOD TO BE USED FOR AVOIDED COST CALCULATIONS	**CASE NO. AVU-E-25-02** **ORDER NO. 36565**

On January 29, 2025, Avista Corporation d/b/a Avista Utilities ("Company") applied to the Idaho Public Utilities Commission ("Commission") for approval of the Company's capacity deficiency period used for its avoided cost calculations. The Company outlined its methodology and projected its first deficit to occur on January 1, 2030.

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.

A capacity deficiency case is used to determine when new QFs begin avoiding capacity costs for a utility and are therefore eligible to start receiving capacity payments. *See* Order No. 32697. On June 8, 2023, the Commission issued Order No. 35810 requiring Idaho Power Company, Rocky Mountain Power, and the Company to file a capacity deficiency case within 30 days of their respective IRPs being filed.

APPLICATION

The Company stated that its 2025 IRP identified January 1, 2030, as its first long term deficit date. Application at 2. The Company stated that this was earlier than the January 1, 2034, capacity deficiency date that was projected in its 2023 IRP. *Id.*

The Company summarized major changes in its generation and stated that these changes were the reason for projecting an earlier capacity deficiency date. *Id.* These changes included a new wind Power Purchase Agreement, closure of a qualifying facility, increased industrial demand, the addition of hydroelectric projects, and a portion of Chelan PUD's capacity. The Company also indicated that several thermal plants were also scheduled for retirement. *Id.* at 2-4.

The Company's forecast reflected January 2024's record peak load. The Company cited its IRP and stated that, although temporary capacity shortfalls appeared in 2026, these would be addressed through market purchases. *Id.* The Company proposed using 2030 as the capacity deficiency date since earlier deficiencies were minimal and manageable through procurement strategies. *Id.* at 3.

The Company outlined its methodology and stated that it determined its 2030 capacity shortage by comparing peak load plus planning reserve margin against expected resource capacity. *Id.* at 4-7. The Company stated that this metric, the 5% Loss of Load Probability standard, aimed to meet extreme conditions in 95% of scenarios. *Id.* The Company conducted hourly simulations with 1,000 different future varying weather and outages to establish a 24% winter planning reserve margin. *Id.* The Company further stated that instead of developing its own resource capacity values, it adopted Western Resource Adequacy Program metrics for efficiency and consistency. *Id.* However, the Company adjusted these figures for long-term planning by incorporating expected declines in variable energy resource capabilities. The Company validated these projections through reliability studies for both 2030 and 2045. *Id.*

The Company stated that it incorporated Commission Staff's ("Staff") previous recommendation and based its reliability metrics on the Company's own studies rather than regional requirements. *Id.* at 6. The Company stated that this approach yielded similar results to previously approved methods since both identified the same resource deficits, differing only in how existing resource capacities were accounted for. *Id.* at 6-7.

STAFF COMMENTS

Staff's review focused on capacity positions for 2025 and 2026, the exit date of Colstrip Generating Plant ("Colstrip") Units 3 and 4, the exit date of the Northeast Power Plant ("Northeast"), and compliance with Order No. 36056. Staff Comments at 2. Based on its review, Staff recommended that the first deficit date should be determined when the first deficit date occurs as reflected by the Load and Resource Balance ("L&R"), which occurs in January of 2026. *Id.* at 3. Staff also recommended that the Company file an updated L&R that included capacity positions for 2025 using the same method that was used in the proposed L&R, which considers planned maintenance; and also used an exit date of 2032 for Northeast. *Id.*

COMPANY REPLY COMMENTS

The Company agreed with Staff's comments to adopt the capacity deficiency date of the first deficit period in January 2026. Company Reply Comments at 1. The Company filed an updated L&R incorporating the updates recommended by Staff of (1) including capacity positions for 2025 using the same method that was used in the proposed L&R, which considers planned maintenance; and (2) using a retirement date of 2032 for Northeast for purposes of this capacity deficiency filing, with the actual retirement date of Northeast determined in the future. *Id.*

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, 61-502, and 61-503. The Commission is vested with the power 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* § 61-501. 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 61-503.

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.

Having reviewed the Application and all submitted materials, the Commission finds it fair, just, and reasonable to approve the capacity deficiency date and the first deficit period in January 2026 as informed by the Company's Application, Staff comments, and including the updated L&R filed in the Company's reply comments.

ORDER

IT IS HEREBY ORDERED that the Commission approve the capacity deficiency date and the first deficit period in January 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 upon 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. *Idaho Code* §§ 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 22nd day of April 2025.

EDWARD LODGE, PRESIDENT

JOHN R. HAMMOND JR., COMMISSIONER

DAYN HARDIE, COMMISSIONER

ATTEST:

Monica Barrios-Sanchez
Commission Secretary

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