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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF COMMISSION STAFF'S)
APPLICATION TO UPDATE INPUTS TO THE) **CASE NO. GNR-E-21-01**
"SURROGATE AVOIDED RESOURCE")
METHOD AVOIDED COST RATES) **APPLICATION**
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)

Commission Staff, under Commission Rule of Procedure 52, the applicable provisions of the Public Utility Regulatory Policies Act of 1978 ("PURPA"), and as directed by Order No. 34628, hereby respectfully applies to the Idaho Public Utilities Commission ("Commission") for an order updating inputs to the surrogate avoided resource method ("SAR Method") model, making administrative changes to the SAR Method model, and approving the SAR Method avoided cost rates attached to this Application to be effective June 1, 2021.

In support of this Application, Commission Staff represents as follows:

I. BACKGROUND.

1. The Commission calculates and publishes SAR Method rates for qualifying facilities ("QF" or "QFs") that are under the applicable resource type project eligibility cap. In Order No. 32697, the Commission found that the final release of U.S. Energy Information Administration ("EIA") Annual Energy Outlook automatically triggers a recalculation of published avoided cost rates. In Order No. 32802, the Commission clarified that an update should occur on June 1 or within 30 days of the final release of the Annual Energy Outlook, whichever is later. Following the issuance of Orders No. 32697 and 32802, Staff annually entered the updated

natural gas price inputs into the SAR Method model and a Staff attorney sent letters to the utilities requesting each utility verify that Staff updated and calculated the published avoided cost rates correctly. The letters were filed with the Commission and served to open the dockets for the annual updates. Notices were not generally issued. The Commission stated, “The Commission has consistently held that this annual update is a simple arithmetic re-calculation to an established methodology that is accomplished administratively as a matter of course.” Order No. 34350 at 1 citing Order Nos. 33305, 33538, and 33773.

2. Last year, the Commission approved a more formal process to update inputs to the SAR Method. Order No. 34628. The Commission stated, “Subsequent annual SAR updates will be initiated with an Application to the Commission. Despite the change in procedure to allow for better tracking and transparency, this update is still intended to be a simple arithmetic calculation to an established methodology.” *Id.*

3. This year, in addition to the updated natural gas forecast, Commission Staff proposes administrative updates and implementation of previously approved changes to Idaho Power’s and Avista’s wind integration charges. Staff believes these updates continue to reflect a “simple arithmetic calculation to an established methodology” and does not propose changes to the established methodology in this Application.

II. THE UPDATES.

4. Staff updated the natural gas forecast in the SAR Method model to the “reference case” natural gas price forecast for the Mountain Region’s Electric Power sector included in the EIA Annual Energy Outlook 2021 released on February 3, 2021. A copy of the relevant natural gas price forecast is included on the AEO2021-EnergyPricesMountain tab in the attached SAR Method model. Staff has incorporated this forecast into the attached SAR Method model.

5. Staff created a log to document changes to the SAR Method model. File names, modifications to the model, orders that authorize the modifications, and effective dates are included on the tab. Currently, the tab includes four updates to the SAR Method model approved in 2021. Staff will keep adding new versions of the model to the list as they are approved. The log is included in the SAR Method model attached and is found in the tab “Log of Prior SAR Models.”

6. Staff deactivated the calculation of wind integration charges for Idaho Power in the SAR Method model. Idaho Power’s integration charges are published in Schedule 87 and applied to individual QF contracts outside the SAR Method model. The integration charges are dependent

on QF online date and levels of wind penetration on Idaho Power’s system. Previous to the modifications Staff proposes in this case, calculations of wind integration charges were left active in the SAR Method model but were no longer used in the model. Eliminating this functionality in the model is intended to be a non-material change with the benefit of eliminating potential confusion. Staff set Idaho Power’s Wind Integration Adjustment (Cell D67 on the AVOID NEW tab) to be “NA” and changed corresponding column titles on the “IPCO NF HLH LLH Levelized” tab, the “IPCO NF HLH LLH Non-levelized” tab, the IPCOStorage(Energy)Non-LevelADJ tab, and the IPCOStorage(Energy)LevelizedADJ tab, to “Final avoided cost rates for wind and solar QFs include integration charges from Schedule 87.” Idaho Power’s Solar Integration Adjustment cell has always been “NA” in the SAR model.

7. Staff updated Avista’s wind integration charges to reflect Avista’s current wind penetration. Avista’s wind integration charges were approved in Order No. 30500, using three tiers of penetrations with a cap of \$6.50/MWh, as shown below.

	Amount of Wind Online	Integration Charge (cap)
Tier 1	0 to 199 MW	7% (\$6.50/MWh)
Tier 2	200 to 299 MW	8% (\$6.50/MWh)
Tier 3	300 MW and above	9% (\$6.50/MWh)

Currently, the SAR model uses Tier 1 to calculate Avista’s wind integration charges. However, Avista’s current wind penetration is 265.75 MW¹. Therefore, Staff updated the SAR Method model to Tier 2 to calculate Avista’s wind integration charges. Staff changed Avista’s Wind Integration Adjustment (Cell E67 on the AVOID NEW tab) from 7% to 8% to reflect the updated penetration level.

8. Attached to this Application are the following Attachments:
- a. An updated SAR model with all the updates mentioned above incorporated.
 - b. Attachment A (IPCO Avoided Cost Rates for New Contracts).
 - c. Attachment B (IPCO Avoided Cost Rates for Renewal Contracts).
 - d. Attachment C (Avista Avoided Cost Rates for New Contracts).
 - e. Attachment D (Avista Avoided Cost Rates for Renewal Contracts).

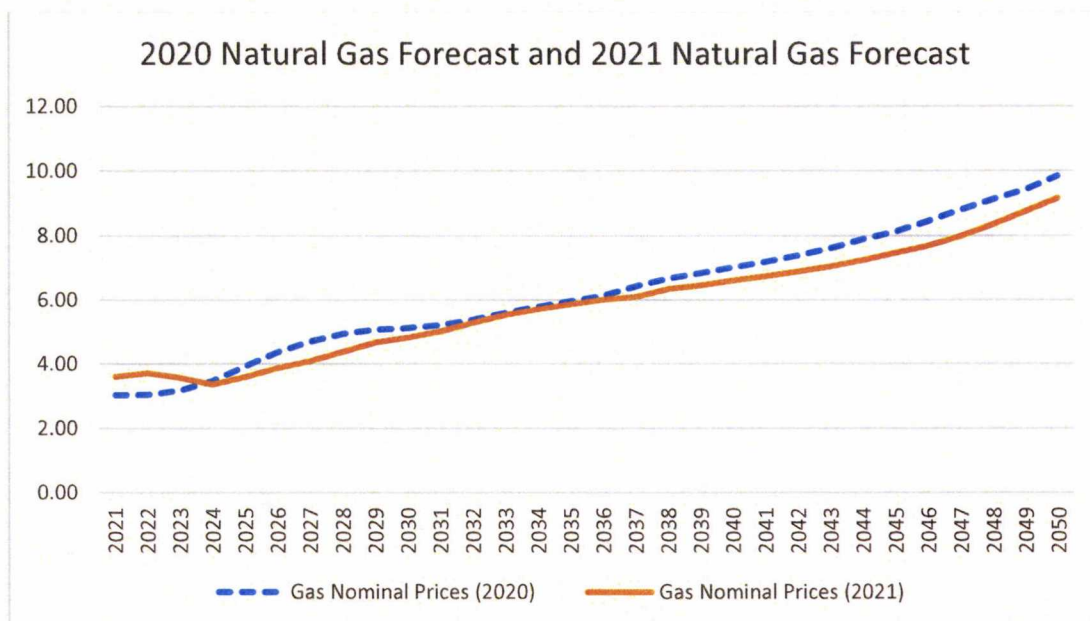
¹ This information was obtained from Avista on March 30, 2021 through email.

- f. Attachment E (PAC Avoided Cost Rates for New Contracts).
- g. Attachment F (PAC Avoided Cost Rates for Renewal Contracts).

III. NATURAL GAS PRICE FORECAST COMPARISON.

9. Staff compared the 2021 natural gas forecast and the 2020 natural gas forecast published by Energy Information Administration. See Table No. 1, below. Although the two forecasts are similar overall, new avoided costs of energy, which use the 2021 natural gas forecast, will be higher from 2021 through around 2024 and will be lower from around 2024 moving forward than the previously-approved avoided costs of energy, which used the 2020 natural gas forecast.

Table No. 1: Comparison of 2020 Natural Gas Forecast and 2021 Natural Gas Forecast



IV. MODIFIED PROCEDURE.

10. Commission Staff believes that a hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure; i.e., by written submissions rather than by hearing. Commission Rules of Procedure 201 – 204. If, however, the Commission determines that a technical hearing is required, the Commission Staff stands ready to prepare and present its testimony in such hearing.

V. COMMUNICATIONS AND SERVICE OF PLEADINGS.

11. Communications and service of pleadings, exhibits, orders, and other documents relating to this proceeding should be sent to the following:

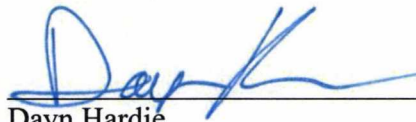
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VI. REQUEST FOR RELIEF.

Commission Staff respectfully requests the Commission issue an order: (1) authorizing this matter to be processed by Modified Procedure; (2) updating the SAR Method model as described herein and approving the updated SAR Method avoided cost rates shown in the attachments to this Application.

Respectfully submitted this 16th day of April 2021.



Dayn Hardie
Deputy Attorney General

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 16th day of April 2021, I served the foregoing **APPLICATION**, In Case No. GNR-E-21-01, Via Electronic Mail to the following:

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