

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF COMMISSION) **CASE NO. GNR-E-24-01**
STAFF’S APPLICATION TO UPDATE)
INPUTS TO THE SURROGATE AVOIDED) **ORDER NO. 36416**
RESOURCE METHOD AVOIDED COST)
RATES)
_____)

On August 16, 2024, Staff of the Idaho Public Utilities Commission (“Staff”) applied for an order (1) updating Surrogate Avoided Resource Model (“SAR Model”) inputs; (2) making administrative changes to the SAR Model; and (3) approving SAR-based avoided cost rates included with the Application. Staff requested this matter be processed via Modified Procedure.

On September 6, 2024, the Commission issued a Notice of Application, Notice of Intervention Deadline, and Notice of Modified Procedure—establishing a deadline for interested parties to intervene and setting deadlines for interested persons to comment and Staff to reply. Order No. 36314. No parties petitioned to intervene. Avista Corporation dba Avista Utilities, PacifiCorp dba Rocky Mountain Power, and Idaho Power Company (collectively the “Companies”) all indicated they agreed with Staff’s proposals. Staff did not reply.

Having reviewed the record, the Commission now issues this Order approving the Staff’s Application.

THE APPLICATION

Staff seeks an order approving the use of different inputs to update the SAR Model than the U.S. Energy Information Administration’s (“EIA”) Annual Energy Outlook, which previously served as the basis for annual SAR Model updates. *See* Order No. 32697 (approving the use of the EIA’s Annual Energy Outlook to update the SAR Model). Staff asserts that it is necessary to use different inputs to update the SAR Model because EIA did not publish an Annual Energy Outlook in 2024. Staff proposes using “the average of AECO Hub prices, Stanfield Hub prices, Sumas Hub prices, and Opal Hub prices from the December 2023 natural gas price forecast published by Northwest Power and Conservation Council” (“NWPCC”) to update the SAR Model until the EIA forecast becomes available.” Application at 2-3.

In support of its proposal, Staff notes that the Companies each receive gas from various combinations of the hubs listed above. Additionally, Staff asserts that the NWPCC forecast is both

publicly available and has a forecast time horizon of 20 years, which Staff asserts is sufficient for 20-year contracts that may come online in the next half decade. Furthermore, Staff states that its proposed method for updating the SAR Model produced a forecast for 2022 substantially like that generated by the EIA Annual Energy Outlook for 2022. The Application included a table listing the national gas forecast for the 25 years following 2024.

Staff further proposes separating the SAR Model into three models—one for each of Idaho’s three largest electric utilities. According to Staff, this will avert multiple simultaneous updates by different utilities to the single SAR Model, simplifying the update process. Staff included models for each of the three major electric utilities in Idaho (i.e., an Avista SAR Model, an Idaho Power SAR Model, and a Rocky Mountain Power SAR Model) and corresponding avoided cost rates.

COMPANY COMMENTS

As stated, the Companies filed letters or comments agreeing with Staff’s proposed substitute inputs for the SAR Model and avoided cost rates.

COMMISSION DISCUSSION AND FINDINGS

The Commission has jurisdiction over this matter pursuant to the authority and power granted it under Title 61 of the Idaho Code and the Public Utility Regulatory Policies Act of 1978 (“PURPA”). The Commission has authority under PURPA and its implementing regulations to set avoided costs, to establish standard published avoided cost rates, to order electric utilities to enter fixed-term obligations for the purchase of energy from QFs, and to implement Federal Energy Regulatory Commission (“FERC”) regulations. The Commission is also empowered to resolve complaints between QFs and utilities and approve QF contracts.

Under PURPA, utilities are required to purchase QF generation at a rate equal to the utility’s avoided cost. 18 C.F.R. § 292.304(b)(2). “Avoided costs” are the incremental costs to the electric utility for power which, but for the purchase from the QF, such utility would generate itself or purchase from another source. 18 C.F.R. § 292.101(b)(6). PURPA and FERC regulations direct not only that rates for these purchases shall not discriminate against QFs, but also that avoided cost rates be just and reasonable to the utility’s ratepayers and in the public interest. 18 C.F.R. § 292.304(a)(1). Although FERC promulgated the general scheme and rules, it left the actual implementation of PURPA to the state regulatory authorities. *Rosebud Enterprises, Inc. v. Idaho Public Utilities Commission*, 128 Idaho 609, 614, 917 P.2d 766, 771 (1996). FERC regulations

grant the states latitude in implementing the regulation of sales and purchases between QFs and electric utilities. *See Federal Energy Regulatory Commission v. Mississippi*, 456 U.S. 742 (1982).

In Order No. 32697, we approved the use of the EIA's Annual Energy Outlook to update the SAR Model. As the EIA did not issue such an Annual Energy Outlook for 2024, it is necessary to identify another method to update the SAR Model. Based upon the comments filed in this case, particularly Staff's observation that its proposed update method (1) relies on Hub prices used by Idaho's three major electric utilities; and (2) generated a similar forecast for 2022 when compared to the EIA's Annual Energy Outlook, we find it reasonable to approve substitute inputs for updating the SAR Model proposed in Staff's Application.

Furthermore, we find it reasonable to adopt Staff's proposal of separating the single SAR Model into three separate models—one for each of the three large electric utilities in Idaho as Staff proposed. Separating the SAR Model in this fashion will avoid the filing of multiple updates by these three utilities, simplifying the update process. Similarly, as each of the three utilities identified above agree that Staff accurately calculated their corresponding SAR Model avoided cost rates using the inputs and method Staff proposed above, we find it reasonable to approve the SAR-based avoided cost rates included in Staff's Application.

However, our approval of Staff's Application should not be interpreted as permanently modifying the inputs and method for updating the SAR Model. Rather, this approval shall continue only until the EIA publishes its next Annual Energy Outlook that can be used to update the SAR Model. Additionally, we direct Staff to notify the Commission if the EIA does not issue an Annual Energy Outlook within the next 12 months following the service date of this final order.

ORDER

IT IS HEREBY ORDERED that Staff's proposed substitute inputs and method for updating the SAR Model are approved until the EIA publishes its next Annual Energy Outlook following issuance of this Order.

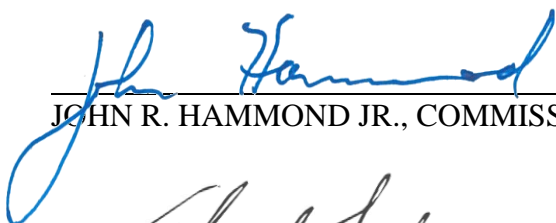
IT IS FURTHER ORDERED that the SAR-based avoided cost rates included in Staff's Application are approved.

IT IS FURTHER ORDERED that Staff shall notify the Commission if the EIA does not publish an Annual Energy Outlook that can be used to update the SAR Model within the twelve months immediately following issuance of this Order.

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. *See Idaho Code* § 61-626.

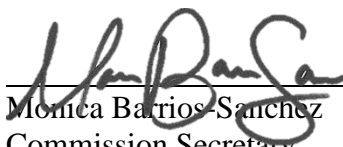
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 9th day of December 2024.


ERIC ANDERSON, PRESIDENT


JOHN R. HAMMOND JR., COMMISSIONER


EDWARD LODGE, COMMISSIONER

ATTEST:


Monica Barrios-Sanchez
Commission Secretary

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