

DEC 20 2019

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	
COMPANY'S ANNUAL COMPLIANCE)	CASE NO. IPC-E-19-31
FILING UPDATING THE LOAD AND GAS)	
FORECASTS IN THE INCREMENTAL)	
COST INTEGRATED RESOURCE PLAN)	ORDER NO. 34510
<u>AVOIDED COST MODEL</u>)	

On October 15, 2019, Idaho Power Company ("Company") filed its annual update to certain components of its avoided cost rate calculation for qualifying facilities ("QFs") under the Public Utility Regulatory Policies Act of 1978 ("PURPA"). Specifically, the Company updated the load forecast, natural gas forecast, and contract information components it uses to calculate avoided cost rates under the incremental cost Integrated Resource Plan ("IRP") method, and asked the Commission to accept the updated information for filing. Filing at 1.

In Order No. 34480 the Commission issued notice of the Company's Filing and Notice of Modified Procedure, setting public comment deadlines and Company reply deadlines. Commission Staff submitted comments supporting the Company's Filing. No other public comments were received. The Company did not reply.

With this Order the Commission approves the Company's Filing.

BACKGROUND

Pursuant to PURPA and the Federal Energy Regulatory Commission's ("FERC") implementing regulations, this Commission has approved an incremental cost IRP methodology and a Surrogate Avoided Resource ("SAR") methodology to calculate avoided cost rates paid to certain PURPA QFs. *See* Order No. 32697 at 7-8. The avoided cost rate is the purchase price paid to QFs for purchases of QF energy and capacity. 18 C.F.R. § 292.101(b)(6) (defining "avoided cost").

To ensure that avoided costs most accurately reflect utilities' true avoided cost, the Commission has directed utilities to "update fuel price forecasts and load forecasts annually – between IRP filings," and to update the Commission about its "long-term contract commitments because of [their] potential effect . . . on a utility's load and resource balance." *See* Order No. 32697 at 22. In a subsequent Order, the timing of the annual filing changed from June 1 to October 15 of each year. *See* Order No. 32802 at 3. The Commission further directed that utilities initiate

a case every two years, to determine the capacity deficiency period to be used in the SAR avoided cost methodology. *Id.* at 23 (timing of filing changed from the time of the IRP filing to upon acknowledgment of the IRP, in Order No. 33917).

THE FILING

The Company provided its updated load forecast, natural gas forecast, and contract information, explaining that the information was incorporated into its incremental cost IRP avoided cost model to be used as the starting point for negotiation of its contractual avoided cost rates as of October 15, 2019. Filing at 2. The Company provided the October 2019 and October 2018 average annual load forecasts for years 2019 through 2036. *Id.* at 3. The updated load forecast “shows, on average, no increase in [the Company’s] customer loads when compared to the October 2018 load forecast.” *Id.*

The Company’s updated natural gas forecast is the Energy Information Administration’s Natural Gas Henry Hub Spot Price: High Oil and Gas Resource and Technology forecast (“Henry Hub forecast”), published January 24, 2019, which it used in its 2019 IRP process. *Id.* at 4. The Company explained the 2019 forecast indicates “a minor decrease in the average annual natural gas prices over the remaining period” compared to the 2018 forecast. *Id.* at 4.

The Company also updated its contract additions and terminations for the update period. The Company explained that it has signed one new Oregon solar QF energy sales agreement (“ESA”) totaling 3.00 megawatts (“MW”), and nine replacement ESAs for existing Idaho QF cogeneration and hydro projects totaling 25.44 MW. *Id.* at 6-7; Attachment 1. The Company has also entered into a long-term power purchase agreement with Jackpot Holdings, LLC for a 120 MW nameplate capacity solar project.¹ The Company indicates it continuously includes new ESAs, terminated or expired contracts, and new complete ESA applications in its avoided cost IRP model. *Id.* at 7. (*See also* Attachment 1 to Filing).

Idaho Power asked the Commission to accept its updated load forecast, natural gas forecast, and contract information.

¹ The Jackpot Holdings, LLC solar Application is currently under review by the Commission in Case No. IPC-E-19-14.

STAFF COMMENTS

Staff reviewed the Company's Filing, attachments, and production responses. Staff indicated the Company's updated load and gas forecasts were reasonable. Staff Comments at 2 and 4. Staff also verified that the Company's contract information updates were accurate. *Id.*

Staff compared the Company's annual system load forecast in the Filing to last year's filing in Case No. IPC-E-18-13. *Id.* at 2. The comparison shows that the Company's 2019 load forecast decreased by only 0.03%, which, according to Staff, is consistent with the fact that no significant change of economic conditions has taken place in the Company's service territory during the past year. *Id.* Staff mentioned that if authorized, the small size of the updated load forecast will have an insignificant effect on both future resource needs and avoided cost rates in future IRP-based contracts. *Id.*

Staff noted that because the Company's 2019 IRP has been delayed, the Company used the 2017 IRP as the basis for its IRP model. *Id.* The Company used the Henry Hub forecast in its 2017 IRP and its 2018 update, which were both approved by the Commission. *Id.* Staff believed it was reasonable to use the same forecast for its 2019 update. *Id.* When Staff compared the 2019 update to the forecast in Case No. IPC-E-18-13, the differences over the 20 year planning horizon ranged from (17.69%) and 2.52%. *Id.* at 3. Based on market conditions and long-term natural gas forecasts predicting natural gas prices to be favorable, Staff believed the Company's forecast was acceptable. *Id.*

Staff also compared the Henry Hub forecast of the Company to those used by Avista and Rocky Mountain in their respective IRP updates and discovered each companies' forecast followed a similar trend. *Id.* Although each company used a different methodology, the forecasts reflect a high level of similarity, especially during the first two years. *Id.* Staff noted that the first two years of the forecast period are the most important for IRP-based PURPA contracts. *Id.*

Based on its review, Staff recommended the Commission approve the updated load and natural gas forecasts, and long-term contracts to be used in the IRP methodology. *Id.* at 2 and 4.

COMMISSION FINDINGS AND DISCUSSION

The Commission has jurisdiction over Idaho Power and the issues raised in this matter under Title 61 of Idaho Code and PURPA. Further, the Commission has authority under PURPA and FERC's regulations to set avoided costs, to order electric utilities to enter into fixed-term obligations for the purchase of energy from QFs, and to implement FERC rules. Also, the

Commission is empowered to resolve complaints between QFs and utilities and to approve QF contracts.

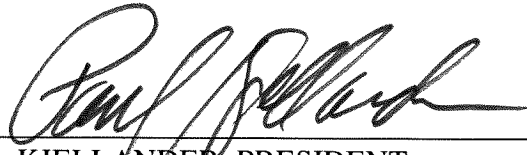
Pursuant to this authority, we have reviewed and considered the record in this case, including Idaho Power's Filing and Staff's recommendation. We find that Idaho Power's Filing complies with the directives issued by this Commission in Order Nos. 32697 and 32802. Based on our review of the totality of the updates, we find the updated inputs to Idaho Power's IRP avoided cost calculation are reasonable, and we accept them.

ORDER

IT IS HEREBY ORDERED that Idaho Power's annual updates to its load and gas price forecasts and long-term contract status for purposes of its incremental cost IRP methodology are accepted, effective as of October 15, 2019.

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 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.

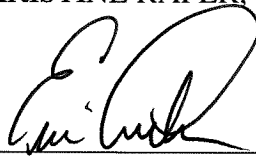
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 20th day of December 2019.



PAUL KJELLANDER, PRESIDENT

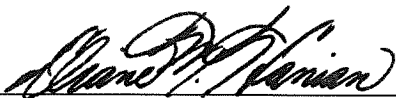


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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