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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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|--|---|-----------------------------|
| IN THE MATTER OF IDAHO POWER |) | |
| COMPANY'S ANNUAL COMPLIANCE |) | CASE NO. IPC-E-20-35 |
| FILING TO UPDATE THE LOAD AND GAS |) | |
| FORECAST COMPONENTS OF THE |) | |
| INCREMENTAL COST INTEGRATED |) | COMMENTS OF THE |
| RESOURCE PLAN AVOIDED COST |) | COMMISSION STAFF |
| METHODOLOGY |) | |
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The Staff of the Idaho Public Utilities Commission comments as follows on Idaho Power Company's Application.

BACKGROUND

On October 15, 2020, Idaho Power Company ("Idaho Power" or "Company") filed an Application requesting authorization to update the load forecast, natural gas forecast, and contracts used as inputs to calculate its incremental cost Integrated Resource Plan ("IRP") avoided cost rates. The Company must update these inputs by October 15 of each year. Order Nos. 32697 and 32802. IRP avoided cost rates are available to qualifying facilities ("QFs") able to generate above the resource-specific project eligibility cap for published avoided cost rates under Idaho's implementation of the Public Utility Regulatory Policies Act of 1978 ("PURPA").

The load forecast included in this Application predicts lower average loads than the load forecast approved in last year's update.

Idaho Power proposes to update the natural gas price forecast used in the model to reflect the most recent U.S. Energy Information Administration Natural Gas Henry Hub Spot Price: High Oil and Gas Resource and Technology forecast published on January 29, 2020. This forecast would result in a decrease to the average annual natural gas price forecast for each year in the planning horizon compared to last year's update.

Idaho Power states it has three non-PURPA long-term power purchase agreements currently online for a total of 136 megawatts ("MW") of nameplate generating capacity: Elkhorn Valley Wind at 101 MW, Raft River Geothermal at 13 MW and Neal Hot Springs Geothermal at 22 MW. Idaho Power also notes that it has another 120 MW of solar under contract from Jackpot Holdings, LLC, scheduled to come online in December 2022. The Company states it has 134 PURPA contracts with a total nameplate capacity of 1,148 MW.

For this update, the Company states it has signed 14 replacement Energy Sales Agreements ("ESA") totaling 18.98 MW, and one new hydro ESA for 0.8 MW. The Company states that one 4.5 MW biomass QF ESA was terminated. *Id.* The Company states that ESA updates, including completed ESA applications, are included in the IRP model on a continuous basis.

STAFF ANALYSIS

Staff has reviewed the Company's Application and recommends approval of the updated load forecast, natural gas forecast, and long-term contracts to be used in the IRP methodology for avoided costs.

Updated Load Forecast

Staff compared the Company's annual system load forecast in this filing to the Company's forecasts in last year's filing in Case No. IPC-E-19-31 and in the Company's 2018 annual filing in Case No. IPC-E-18-13 and believes the updated forecast is reasonable.¹ The comparisons are shown in Figure No. 1 below.

¹ The 2019 IRP in IPC-E-19-19 used the same load forecast that was used in the 2018 Annual Update, Case No. IPC-E-18-13.

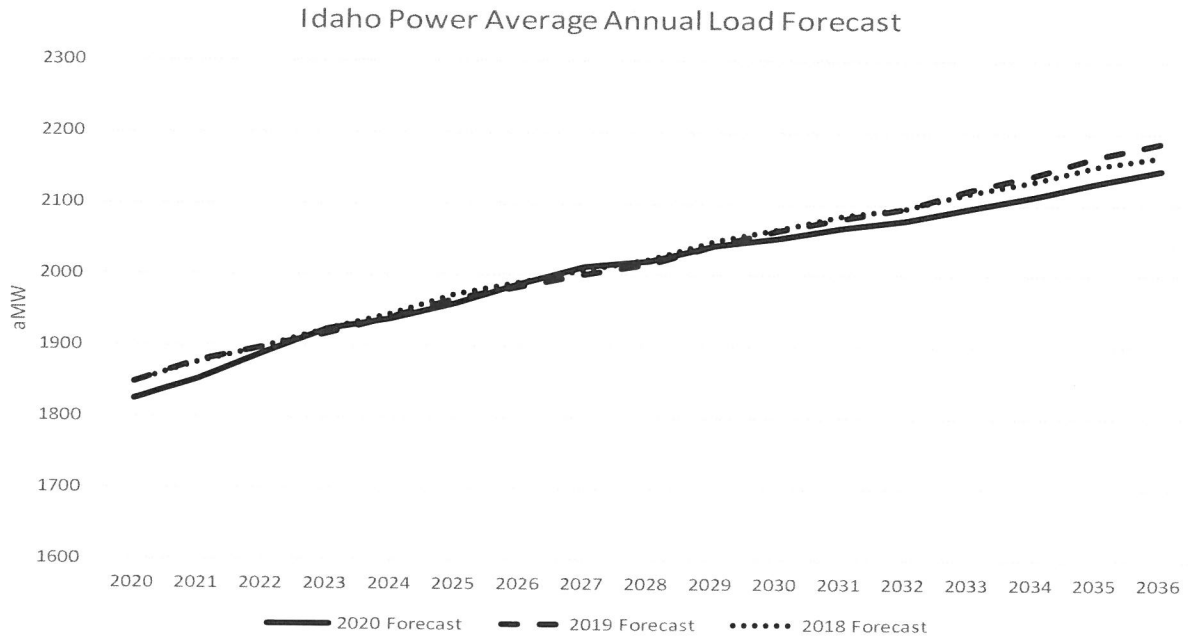


Figure No. 1: Comparison of Load Forecasts over Past Three Years.

Staff calculated the average load from 2020 through 2036 for each forecast. The average differences between the forecasts show that the Company’s 2020 load forecast decreased by 0.629% compared to the 2019 filing and by 0.638% compared to the 2018 filing. Although the average reductions are partially caused by reductions during the years beyond 2030, Staff’s examination focused on the first few years of the forecast time horizon because new IRP-based contract term lengths are limited to two years.

Compared to past forecasts, the Company is predicting reduced loads through 2022, but starting in 2023, show a return to past forecasted levels until about the 2030 timeframe. Staff believes this is reasonable because these differences in load can be explained by changes in the Idaho economy from the effects of the coronavirus pandemic with an expectation that once the pandemic is resolved, loads will return to past predicted levels.

Updated Natural Gas Forecast

Staff believes that the Company’s proposed natural gas price forecast is reasonable. Idaho Power continues to use the U.S. Energy Information Administration’s (EIA) High Oil and Gas Resource and Technology natural gas forecast for Henry Hub for this filing, which is the planning

case natural gas forecast in the most recently acknowledged IRP (2017 IRP). The EIA forecast was also used in the Company 2018 and 2019 annual filings.

Staff compared this year’s natural gas price forecast to the Company’s 2019 annual filing in Case No. IPC-E-19-31 and to the Company’s 2018 annual filing in IPC-E-18-13. The annual difference between the 2020 forecast and the 2019 forecast range from a decrease of 9.97% to 19.71% from 2020 through 2036. The difference between the 2020 forecast and the 2018 forecast range from a decrease of 14.52% to 27.88% from 2020 through 2036. *See* Figure No. 2. The reduction in the natural gas price forecast compared to previous forecasts indicate market conditions that support continued low natural gas prices into the future.

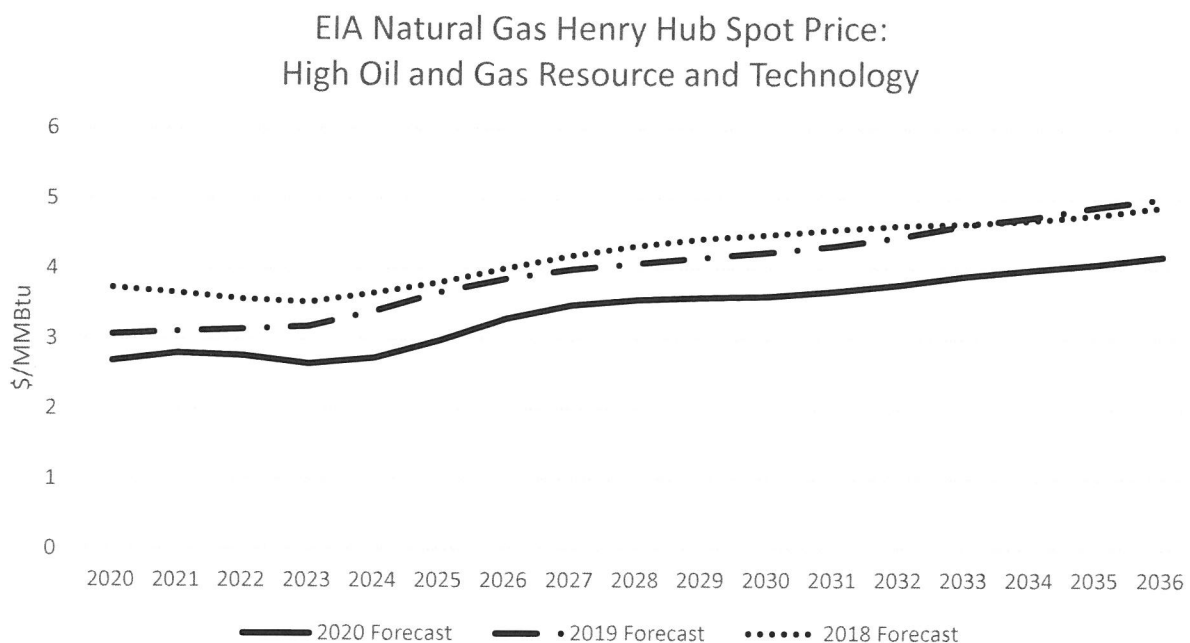


Figure No. 2: Comparison of EIA Henry Hub Forecasts over Past Three Years

Staff also compared Henry Hub forecasts used by Idaho Power, Avista, and Rocky Mountain Power, and the results show similar trends between the three utilities. *See* Figure No. 3. The three utilities use three different methodologies and sources to determine natural gas forecasts. Idaho Power uses EIA’s High Oil and Gas Resource and Technology natural gas forecast. Avista uses a blend of two national consultants’ forecasts, EIA’s forecast, and forward market prices, and Rocky Mountain Power uses a combination of third-party forecasts and forward market prices. For annual update filings, all three utilities include a Henry Hub Forecast

that Staff used to illustrate relative comparisons between each utility’s forecasts. Despite different methodologies and sources, all three Henry Hub forecasts reflect a high level of similarity, especially for the first two years. This is important because avoided cost rates determined in the IRP methodology are applied to two-year contracts. Because natural gas market conditions are predicted to continue to be favorable supporting low natural gas prices, and because of similarities to Avista and Rocky Mountain Power’s Henry Hub forecasts, especially during the first few years, Staff believes Idaho Power’s natural gas forecast is reasonable.

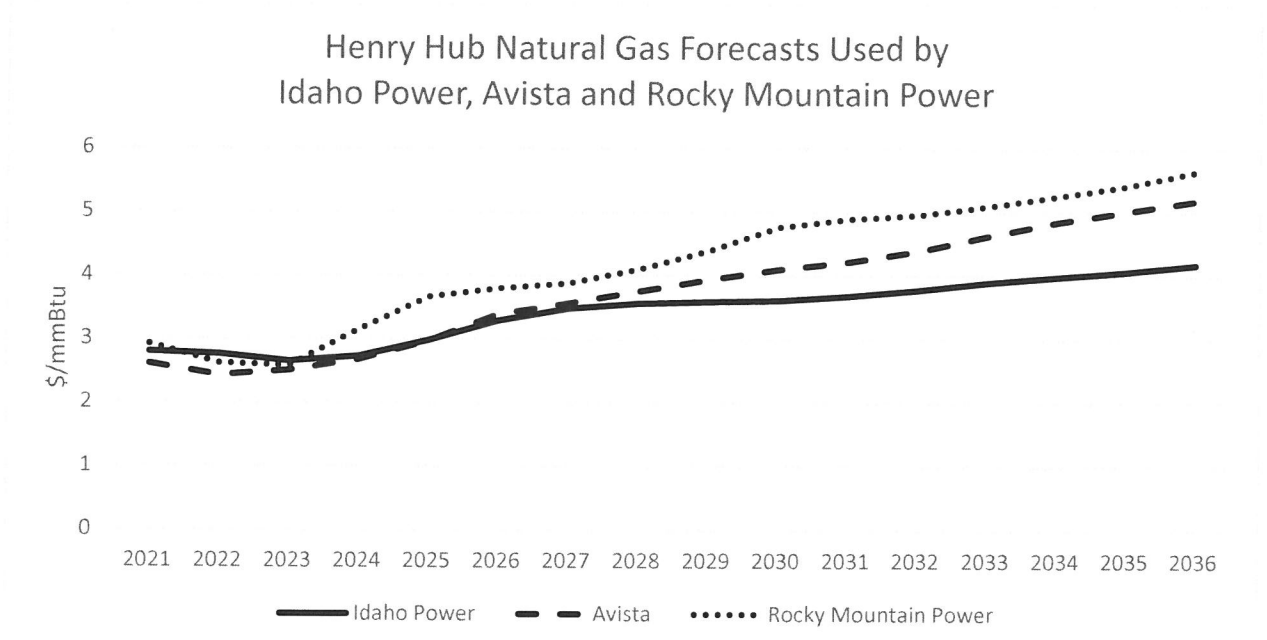


Figure No. 3: Comparison of Henry Hub Forecasts for Three Idaho Electric Utilities

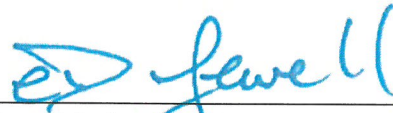
Contract Terminations, Expirations, and Additions

Since last year’s annual filing, Idaho Power has signed fourteen replacement Energy Sales Agreements for existing Idaho PURPA projects totaling 18.98 MW and one Energy Sales Agreement for a new hydro PURPA project of 0.8 MW. Additionally, one biomass PURPA contract of 4.5 MW was terminated. Staff verified the contract information and represents it is accurate.

STAFF RECOMMENDATIONS

Staff believes the load forecast, the natural gas forecast, and the contract information updated by Idaho Power comply with the Order Nos. 32697 and 32802. Staff recommends approval of the updates to be used in the Company's IRP methodology with an effective date of October 15, 2020.

Respectfully submitted this 4th day of December 2020.



Edward J. Jewell
Deputy Attorney General


Technical Staff: Yao Yin

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 4TH DAY OF DECEMBER 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF** IN CASE NO. IPC-E-20-35, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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SECRETARY