

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF IDAHO POWER |) | CASE NO. IPC-E-21-09 |
| COMPANY’S APPLICATION FOR |) | |
| APPROVAL OF THE CAPACITY |) | |
| DEFICIENCY TO BE UTILIZED FOR |) | ORDER NO. 35415 |
| AVOIDED COST CALCULATIONS |) | |
| |) | |

On April 9, 2021, Idaho Power Company (“Company”) applied for Commission approval of its first capacity deficiency date determination for avoided cost calculations under the Public Utility Regulatory Policies Act of 1978 (“PURPA”) and Order Nos. 32697, 33084, 33159, and 34659. Based on its second amended 2019 Integrated Resource Plan (“IRP”) the Company asked for Commission approval of the capacity deficiency period with a first deficit occurring in August 2028.

On April 28, 2021, the Commission issued its Notice of Application and Notice of Modified Procedure setting public comment and Company reply deadlines. Order No. 35023.

On June 10, 2021, the Industrial Customers of Idaho Power (“ICIP”) intervened. On June 14, 2021, Idaho Hydroelectric Power Producers Trust dba IdaHydro (“IdaHydro”) intervened. The Commission granted intervention to the ICIP and IdaHydro. *See* Order No. 35084.

On June 25, 2021, the Commission issued Notice of Modified Procedural Schedule setting new comment deadlines. *See* Order No. 35091.

This matter appeared on the Commission’s Decision meeting agenda on October 12, 2021, as a fully submitted matter.¹

On December 10, 2021, IdaHydro filed a motion seeking order setting a capacity deficiency date in summer 2023. On December 27, 2021, the Company responded to IdaHydro’s motion requesting the Commission deny IdaHydro’s motion.

On February 4, 2022, the Company filed a motion and amended application (“Amended Application”). On February 15, 2022, IdaHydro filed supplemental information to support its position that no additional process was necessary.

IdaHydro’s motion and the Company’s motion appeared on the agenda for the Commission’s March 9, 2022, Decision Meeting under Matters in Progress. At the decision

¹ No final order was issued following the October 12, 2021 deliberation.

meeting, a motion was made and seconded to move the matter to fully submitted since the matter was technically closed when the various motions and Amended Application were filed.

On March 15, 2022, the Commission issued a Notice of Amended Application and established deadlines for interested persons to comment on the Amended Application and for the Company to reply. Order No. 35346.

Staff and IdaHydro filed comments on the Amended Application to which the Company replied.

Having reviewed the record in this case, we now issue this final Order setting the Company's first capacity deficit date in July 2023.

BACKGROUND

Under PURPA, the Commission has established a surrogate avoided resource ("SAR") method and an IRP method to calculate avoided cost rates for qualifying facilities ("QFs"). Under both methods, a QF receives capacity payments only after the applicable capacity deficit date is reached. Order Nos. 33377, 33159, and 33898. The first deficit date under the IRP method will float (change) to reflect the changes in the QF queue, while the first deficit date under the SAR method will not float to reflect the changes in the QF queue. Order No. 33933.

The capacity deficiency period is determined through the IRP planning process and is submitted to the Commission in a proceeding separate from the IRP docket. The capacity deficit date determined in the IRP process is presumed to be correct as a starting point but will be subject to the outcome of the capacity deficiency case. Order No. 32697.

THE APPLICATION

The Company stated it filed this Application at the Commission's direction to initiate a case outside its IRP filing for the establishment of the capacity deficiency period to be utilized in the utility's SAR method. *Application* at 2; *see also* Order No. 32697. Further, the Company asserted in the Application that in Order No. 33159, the Commission found it just and reasonable to utilize the same first capacity deficit determination for purposes of the incremental cost IRP method. *Id.* at 3. The Company also asserted that in Case No. PAC-E-17-09, the Commission modified Order No. 32697 by stating "that each Idaho electric utility shall submit its updated capacity deficiency filing after the Commission has acknowledged its IRP report, rather than upon its IRP filing, thus amending Order No. 32697." Order No. 33917 at 4. The Company also alleged "the Commission determines it is prudent for the Company to file its first capacity deficiency cases

upon IRP acknowledgement.” Order No. 34649 at 4. The Company represented that on March 16, 2021, the Commission issued Order No. 34959 acknowledging the Company’s Second Amended 2019 IRP (“2019 IRP”). *Application* at 3.

The Company represented the 2019 IRP indicates its first capacity deficiency period will begin in August 2028 and explains how this capacity deficiency period was calculated. *Id.* at 3. The Company asserted that for the 2019 IRP, it used long-term capacity expansion modeling (“LTCE”), a departure from the prior practice of creating resource portfolios to eliminate resource deficiencies shown by a load and resource balance. *Id.* To calculate its capacity deficiency period for PURPA avoided cost calculations, the Company explains that its “load and resource balance has been determined based on the [Company’s] system as modeled in the 2019 IRP.” *Id.*; *see* Case No. IPC-E-19-19, Order No. 34959 (acknowledging the Company’s 2019 IRP).

The Company asserted it examined assumptions in the Cogeneration and Small Power Production (“CSPP”) forecast about the inclusion or exclusion of replacement Energy Sales Agreements (“ESA”) over past Company IRPs. *Id.* at 4. The Company also represented it plans to perform a more in-depth review and sensitivity analysis of its replacement ESA assumptions in the 2021 IRP. *Id.* The Company asserted that the impact of different assumptions regarding whether existing PURPA generation will, or will not, enter new PURPA contracts upon the expiration of their existing contracts is being considered as part of the 2021 IRP. *Id.* at 5. The Company represented its 2021 IRP is in the early stages of development and, as such, the ESA replacement sensitivity analysis has not yet been conducted. *Id.*

For purposes of updating the first capacity deficit for use in avoided cost calculations based upon the 2019 IRP, the load and resource (“L&R”) balance has been determined based on the Company’s system as modeled in the acknowledged 2019 IRP. *Id.* The Company asserted that the 2019 IRP shows a first capacity deficiency of approximately 14 megawatts (“MW”), occurring in August 2028. *Id.* The Company requested that a first capacity deficit of August 2028 be utilized for avoided cost calculations for both the SAR and IRP methods. *Id.*

APPLICATION COMMENTS

Consistent with the comment deadlines established in Order No. 35091 the parties filed timely comments on the Application.

IdaHydro requested the Commission set the capacity deficit date in mid-summer 2023 which it offered was congruent with the Company's notice of intent to seek requests for proposals to fill a projected capacity need as early as summer 2023.

Staff believed the Company should update the first capacity deficit date from the 2019 IRP which was the basis of the Company's Application. Staff recommended the Company:

- Utilize the most recent load forecast developed by the Company;
- Reduce the amount of Market Purchases from southern pathways by 310 MW and only include 50 MW starting in 2021;
- Allow non-PURPA PPAs to expire on their actual expiration dates;
- Reflect contract changes since the preparation of the L&R balance, which include PURPA contract updates identified in Response to Staffs Production Request No. 7 and approval of the Jackpot Solar contract; and
- Correct the capacity value of Valmy Unit 2 and Bridger.

Staff Comments at 10.

Staff also recommended that the Commission open a generic docket to determine the timing of the deficiency date filing in relation to the timing of the IRP.

The Company replied to Staff and IdaHydro, acknowledging, "an apparent difference between the first capacity deficit date that appears in the acknowledged 2019 Amended IRP (2028) and that which is referenced in the Company's Notice of Intent to seek requests for proposals and the Request for Proposals itself seeking generation to meet an identified capacity deficit in 2023." Idaho Power Reply Comments at 2.

IDAHYDRO'S MOTION

IdaHydro's December 10, 2021 motion asks the Commission to set the Company's capacity deficiency date in summer 2023. IdaHydro cited the Company's concurrence that summer 2023 was the correct capacity deficiency date. IdaHydro's motion was based on the Company's subsequent Case No. IPC-E-21-41 filed on December 3, 2021, seeking Commission approval to begin resource procurements to meet a summer 2023 capacity deficit identified in the second amended 2019 IRP. On February 15, 2022, IdaHydro filed a supplement to its motion—a copy of the Company response to IdaHydro's production request where the Company responded, "Idaho Power's 2021 [IRP] filed on December 30, 2021, indicates a first capacity deficit in July 2023." Second Declaration of C. Tom Arkoosh Exhibit A. Based on this statement, IdaHydro believed this matter requires "no additional elaboration as to the appropriateness of setting the power company's first deficit date in the Summer of 2023." IdaHydro Supplemental Information at 1.

The Commission denied this motion. Order No. 35346.

THE AMENDED APPLICATION

The Company seeks a first capacity deficit of July 2023, based upon the 2021 IRP and consistent with the request for proposals issued to meet deficits starting in 2023. The Company states “the 2019 IRP was amended twice, and the Commission’s consideration and eventual acknowledgement of the Second Amended 2019 IRP was considerably delayed.” Amended Application at 5. Additionally, the Company notes the 2019 IRP was the first avoided cost capacity deficit update since “the Commission changed filing requirements from the time at which the IRP is filed to the time after which the IRP is acknowledged,” which it states resulted in a delay of the Commission considering and setting its first capacity deficit. *Id.*

The Company’s Amended Application includes the L&R Balance Data from the 2021 IRP which shows capacity deficits of 101 MW in July of 2023, 186 MW in July of 2024, and 311 MW in July of 2025.

The Company requests a first capacity deficit date of July 2023 for both SAR and IRP avoided cost calculation. The Company also requests that the Commission direct that future capacity deficiency filings for avoided cost rates be made when the IRP is filed, rather than at the time the IRP is acknowledged.

The Commission accepted this motion and issued additional procedure to supplement and complete the record based on the updated information. Order No. 35346.

AMENDED APPLICATION COMMENTS

Staff, IdaHydro, and the Company filed comments on the Amended Application.

1. Staff Comments

Staff reviewed the Load and Current Resource Balance contained in the Company’s Amended Application and recommended the following changes be made to the proposed L&R:

- Use the most recent load forecast developed by the Company with Brisbie’s load removed and a 15.5% planning reserve margin (“PRM”) applied;
- Verify the capacity amounts of Brownlee Hydro and Shoshone Falls Hydro facilities and make sure the correct capacity amounts are used in the L&R;
- Add Energy Efficiency (“EE”) Bundles to the L&R as an adjustment to load;
- Assume no renewals for PURPA wind projects unless the Company receives information from the wind qualifying facilities indicating they plan to renew their contract;
- Reflect the expiration date of Path C transmission capacity, unless the Company has renewal rights;

- Remove Boardman to Hemingway (“B2H”) and B2H-related transmission capacity; and
- Include the capacity of Western Systems Power Pool (“WSPP”) market purchases in the L&R, if not already included.

Staff recommended that the Company file an updated L&R incorporating these changes and update the first capacity deficiency date according to the updated L&R. Staff argued the first capacity deficiency date should be used in both SAR and IRP methods. Lastly, Staff recommended that if the Commission decides to re-evaluate when capacity deficiency date cases should be filed, a generic docket should be opened because the decision may need to consider factors affecting all three Idaho electric utilities.

L&R Load Forecast

Staff argued that Brisbie’s load should be removed from the load forecast because Brisbie’s load and resource are contingent upon one another. Until the Commission has approved the Brisbie contract, neither the load nor resource should be included in the L&R balance according to Staff.

Staff noted the Company changed its Loss of Load Expectation (“LOLE”) reliability target from one-day in twenty years (1-in-20) to one-day in ten years (1-in-10) to account for the extreme weather events that are becoming more frequent and increased uncertainty in year-to-year water availability impacting hydro generation. According to the Company, a 1-in-10 LOLE target is the industry standard for resource planning. However, Staff disagreed with the Company’s justification used to change the new LOLE target in the Company’s IRP. Staff believed the reliability target threshold should be determined independent of the Company’s loads and resources and should be a policy decision based on the tolerance of customers and the public to costs, risks, and other impacts related to electricity outages.

Staff believed it would be more appropriate to incorporate year-to-year variability in the Company’s load forecast and availability of hydro generation rather than always assuming average weather conditions in the IRP. According to Staff, the Company illustrated how weather variability over just a four-year period dramatically affects the resources needed to ensure reliability. Given the resulting 15.5% PRM is similar to the 15% PRM used in previous IRPs, Staff believed that using average weather and hydro conditions, but compensating by using a more stringent 1-in-20 LOLE target would achieve the same effect.

L&R Resources

Staff's review of the L&R resources focused on (1) Jackpot Solar, (2) the Brownlee Hydro and Shoshone Falls Hydro facilities, (3) EE Bundles, (4) PURPA Wind Renewals, (5) Thermal Plants, (6) Early Coal Plant Retirements, (7) Market Purchases with Secured Third-Party Transmission, and (8) New Contract Changes.

Staff did not believe changes should be made to the proposed L&R due to the delay of Jackpot Solar. Because the developers only anticipate a 40-day delay—which will occur during the winter when the resource does not contribute capacity in the L&R—the project delay should not impact the project's capacity contribution to the system or the deficit date.

Staff recommended EE Bundles be added to the L&R as an adjustment to the load forecast. The proposed L&R uses the EE amounts determined in the EE Potential Study as an adjustment to load, which includes both the existing and future EE programs deemed to be cost-effective from the Utility Cost Test. As stated in Staff's first set of comments, all cost-effective EE should be included, because utilities are expected to pursue all cost-effective EE. Staff believed all cost-effective EE—whether identified from the EE Potential Study or from the modeling process—should be included in the L&R, noting that it will not affect the determination of the first capacity deficiency date because EE Bundles do not provide capacity until 2039.

Staff believed it is reasonable to assume no renewals for PURPA wind projects absent the Company's receipt of information from the wind QF indicating intent to renew. Therefore, Staff recommended that the Company remove the 25% renewal rate in the proposed L&R and include only the capacity for wind projects that have indicated intent to renew contracts upon expiration. Staff's position was based on the following: (1) the obstacles to wind renewals still exist, which include the high cost of repowering wind facilities, reductions and/or elimination of tax credits, and integration costs for wind; (2) wind project will either renew in total or not renew its contract; it is unlikely that only 25% of a wind project will renew after a contract expires; and (3) the Company's communication with wind project owners did not provide a positive indication of their intent to renew.

Staff believed the Company's treatment of early coal plant retirements in the L&R was reasonable because other than a planned exit of Valmy Unit 2 at the end of year 2025, there are no early coal plant exits in the L&R. Staff remained committed to the position that “existing resources

should reflect their authorized useful life unless early retirements are authorized; until then, any resource decision not authorized by the Commission is speculative.” Staff comments at 7.

Staff’s review of Market Purchases with Secured Third-Party Transmission focused on four components: (1) Capacity Benefit Margin (“CBM”), (2) Idaho-NV Energy Path, (3) Path C, and (4) B2H assumptions.

Staff believed that the CBM contained in the L&R was reasonable because CBM is used to lower the Company’s need for planning reserve margin to cover emergencies. The capacity amount of CBM in the proposed L&R is 330 MW for the entire planning horizon. Staff believed that this amount accurately reflects the magnitude of the greatest potential emergency on the Company’s system and that the amount of CBM capacity included in the proposed L&R is reasonable.

Staff believed capacity available through the Idaho-NV Energy path is reasonable (used to import electricity generated at Valmy). However, access to firm transmission south of Valmy currently does not exist. The Company reflects transmission access to Valmy until the Valmy exit date in the L&R which Staff believed was reasonable for reflecting the actual transmission circumstances.

Staff recommended the L&R be updated to reflect the expiration date of Path C transmission capacity unless the Company has renewal rights. The Company has secured 50 MW of transmission capacity between June and October to access Southwest markets through PacifiCorp’s Path C and included it in the L&R for the entire planning horizon.

Staff recommended B2H-related transmission capacity should be removed from the proposed L&R because it has not been authorized and therefore it is premature to include in the L&R.

Staff recommended the L&R be adjusted to exclude three contracts that are currently included. These consist of: (1) the Black Mesa 40-MW solar PPA has not been authorized by the Commission; (2) Verde Light’s 2.95-MW solar project that has not been sufficiently subscribed to receive final certification from Oregon; and (3) WSPP market purchases that may not impact the proposed L&R because they may be covered by the “Market Purchases with Secured Third-Party Transmission.” *Id.* at 10. Staff recommended that any impacts of the WSPP market purchases should be reflected in the L&R, if not already included.

Filing Schedule

Staff recommended that if the Commission decides to re-evaluate its direction for capacity deficiency date case filings after acknowledgment of the IRP, a generic docket should be opened and the decision should be made considering relevant factors impacting all three Idaho electric utilities. Regardless of when the first capacity deficiency date case should be filed, Staff believed the date should be determined based the latest and most accurate information as directed by the Commission in previous orders.

2. IdaHydro Comments

IdaHydro noted that the Company initially sought a 2028 capacity deficit deadline in this case, but later “found itself in need of more immediate new capacity, which caused it to file the IPC-E-21-41 docket seeking permission to acquire capacity without employment of the Commission's competitive procurement rules” before it ultimately filed in the Amended Application seeking to set that date “no later than July 2023.” IdaHydro reply at 2.

IdaHydro suggested that Staff’s recommendations and the level of granularity Staff requests the Company to include in its updated L&R are only relevant to the question of when the Company may or may not be resource deficit, but notes this case is about when the Company is currently slated be capacity deficient. IdaHydro argued that the Company will be resource deficient in 2023 based on its admission that it is actively seeking to acquire capacity resources for that year.

IdaHydro explained that QFs have the right under PURPA to make their capacity available to allow the utility to displace capacity acquisitions from other resources. IdaHydro argues that if the Commission disregards the fact the Company is acquiring capacity in 2023 and sets its first capacity deficit date for PURPA purposes after 2023, it will deprive QFs of a “fundamental right that is guaranteed to them under federal law.” *Id.* at 4.

3. Company Comments

The Company represented that it conducted Staff’s recommended adjustments to the L&R balance analysis noting that even with the recommended adjustments, there was no change in the July 2023 first capacity deficit date. Because of this, the Company recommended the Commission set the first deficit date for PURPA avoided cost pricing at July 2023.

COMMISSION FINDINGS AND DECISION

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

Under the foregoing authority, we have reviewed and considered the record, including the Company's Application and the associated comments and reply, IdaHydro's motion, the Company's motion and Amended Application, Staff's and IdaHydro's comments on the Amended Application and the Company's reply.² Based on the record, we find it fair, just, and reasonable to set a first capacity deficit date of July 2023.

We understand a decision like this requires the parties to forecast and review projections for a dynamic and evolving energy market—which is not a simple task. We also recognize a decision like this can have a significant impact on certain parties, including customers and generators. For these reasons, we prefer to make decisions based on the most recent, relevant, and accurate information available. We commend the Company for updating its L&R with Staff's recommended adjustments to confirm that the correct capacity deficit date was supported in the record. We appreciate the parties being patient and taking a second look at the issues in this case to ensure the Commission has a record to make the most accurate decision for setting the first capacity deficit date. Going forward all future L&R Balances must contain the most up-to-date information for capacity deficit updates.

Finally, we direct Staff to meet with Avista, Idaho Power, and Rocky Mountain Power ("Companies") to consider the factors that impact the established filing date for capacity deficiency date determinations. Additionally, Staff and the Companies should discuss preferred process, procedure, and timing if the discussion merits requesting authorization to alter the capacity deficiency date filing date. A new docket shall be opened to seek alteration of the capacity deficiency date filing if the Companies seek such authorization.

ORDER

IT IS HEREBY ORDERED that the Company's Amended Application is approved.

IT IS FURTHERED ORDERED that all future L&R Balances included in the capacity deficiency date update for avoided costs must contain the most up-to-date information available at the time of filing.

² The record in this case closed on October 12, 2021, when it was placed on the Commission's October 12, 2021, Decision Meeting Agenda as a "Fully Submitted" matter.

IT IS FURTHER ORDERED that Staff shall meet with the Companies to review and consider the factors that impact the established filing date of the capacity deficiency date. If warranted, a docket shall be opened to seek authorization to alter the established date.

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. 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 25th day of May 2022.



ERIC ANDERSON, PRESIDENT

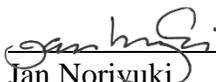


JOHN CHATBURN, COMMISSIONER

/Abstain to Avoid Conflict/

JOHN R. HAMMOND JR., COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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