

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IDAHO POWER COMPANY’S) CASE NO. IPC-E-21-15
APPLICATION TO UPDATE THE GAS)
FORECAST IN THE INCREMENTAL COST)
INTEGRATED RESOURCE PLAN AVOIDED) ORDER NO. 35158
COST MODEL)
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On May 13, 2021, Idaho Power Company (the “Company”) applied to update the natural gas forecast from the 2019 Integrated Resource Plan (“IRP”) that is utilized in the Incremental Cost Integrated Resource Plan (“ICIRP”) avoided cost methodology. 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”).

On June 16, 2021, the Commission set deadlines for interested persons to comment on the Application, and for the Company to reply. *See* Order No. 35074. The Commission Staff (“Staff”) filed comments on July 6, 2021, and was the only party to do so. The Company did not file reply comments.

Having reviewed the record, the Commission grants the Company’s Application as set forth in our findings below.

APPLICATION

The Company stated that in Order No. 32697, the Commission determined that the inputs to the ICIRP avoided cost methodology, utilized for all proposed PURPA qualifying facility (“QF”) projects that exceed the published rate eligibility cap, will be updated every two years upon acknowledgement of the Company’s Integrated Resource Plan (“IRP”) filing, except for the load forecast and the natural gas forecast-which is to be updated annually on June 1 of each year. The Company stated this annual update was later changed from June 1 to October 15 of each year. *See* Order No. 32802.

The Company represented that because of the delay in reaching acknowledgement of the 2019 IRP, the October 2020 update of the gas and load forecast for the ICIRP methodology was based upon the 2017 IRP, which used the U.S. Energy Information Administration’s (“EIA”)

Henry Hub High Oil and Gas Resource and Technology forecast as the source, but used the most recent update of the forecast from EIA (published on January 29, 2020). The Company stated the Commission approved the annual update in Order No. 34881.

The Company asserted that on March 16, 2021, the Commission issued Order No. 34959 acknowledging the Company's 2019 IRP. The Company explains that the 2019 IRP uses a natural gas forecast provided by S&P Global Platts ("Platts"). The Company represented that the ICIRP avoided cost methodology has been updated to utilize inputs from the acknowledged 2019 IRP. The Company asserted however, because of the timing associated with the 2019 IRP review and acknowledgement in relation to the October update, if the Company were to utilize the gas forecast from the acknowledged 2019 IRP, it would be utilizing a forecast that uses a different source (Platts) and is not as current as that approved in the 2020 October update, which was based on the 2017 IRP. Thus, the Company believed that an out-of-cycle update to the gas forecast from the acknowledged 2019 IRP should be approved and utilized in the ICIRP avoided cost methodology. This would apply the same source for the natural gas forecast acknowledged for resource planning and acquisition in the 2019 IRP (Platts), as well as using the most up-to-date information available for that gas forecast (2021 Platts forecast vs. 2018 Platts forecast from the acknowledged 2019 IRP). The Company stated it would apply the same source for the natural gas forecast acknowledged for resource planning and acquisition in the 2019 IRP, Platts, and the most recent information available for that gas forecast, the 2021 Platts forecast. The Company represented that if the Commission approves this proposed update to the natural gas forecast, the updated ICIRP avoided cost methodology will be the starting point for the negotiation of its contractual avoided cost rates.

The Company requested that the Commission approve the use of the natural gas forecast from the 2019 IRP, the Henry Hub and Sumas Basis Annuals from Platt's Long-term Forecast, updated to the published March 4, 2021, forecast. The Company represented the 2021 forecast indicates a 3% decrease in the average, annual natural gas forecast prices compared to the 2018 gas price forecast. The Company represented though that despite this decrease, the 2021 natural gas forecast contains yearly increases in 2021-2023 and 2039-2040 with the remaining middle years being lower.

STAFF COMMENTS

Staff believed that the 2021 Platts natural gas forecast that the Company is proposing to use for determining avoided cost rates under the ICIRP method in future PURPA contracts is reasonable. Staff's conclusion is based on its analysis of Platt's forecast compared to other Idaho utility natural gas forecasts, considering short-term market fundamentals occurring in the market, and an assessment of Platts as the source of the forecast compared to the previous EIA source used by the Company. Staff recommended that the Commission approve the use of the 2021 Platts forecast in Confidential Attachment No. 1 to the Application for determining avoided costs to be used in the ICIRP avoided cost method.

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 61-503. The Commission also has authority under PURPA and Federal Energy Regulatory Commission ("FERC") regulations to set avoided costs, to order electric utilities to enter fixed-term obligations for the purchase of energy from QFs, and to implement FERC rules.

Under the foregoing authority, we have reviewed and considered the record, including the Company's Application and Staff's comments. In Order No. 33957, the Commission stated, "[w]e further find it appropriate, going forward, that if the Company changes its EIA base forecast, it should provide a reasonable basis for such change." Order No. 33957 at 3. To support its use of the Platts forecast rather than the EIA forecast the Company provided a comparison as part of the 2019 IRP of market forward prices and the 2018 EIA Reference Case and the 2018 EIA High Oil and Gas Resource and Technology Case forecasts. The Company also explored other third-party forecasts. *See* Response to Staff's Production Request No. 1. The Company explained that it chose the Platts forecast for the 2019 IRP because Platts' forecast "appeared to more closely align with the first several years of the forward market and then was in range with the others by 2026." *Id.*

After reviewing these matters, the Commission finds that the Company has provided a reasonable basis for using the 2021 Platts forecast (as opposed to EIA) for determining avoided


costs in the ICIRP avoided cost method. Because the contracts that use the ICIRP method are limited to two-year terms, accuracy in the near-term forecast is critical.

ORDER

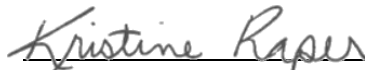
IT IS HEREBY ORDERED that the Commission approves the Company's Application to allow the Company to use the 2021 Platts forecast in Confidential Attachment No. 1 of the Application in the ICIRP method.

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 9th day of September 2021.



PAUL KJELLANDER, PRESIDENT




KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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