

RILEY NEWTON
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0318
IDAHO BAR NO. 11202

RECEIVED
2021 DEC 21 PM 1:00
IDAHO PUBLIC
UTILITIES COMMISSION

Street Address for Express Mail:
11331 W CHINDEN BLVD, BLDG 8, SUITE 201-A
BOISE, ID 83714

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	
COMPANY'S ANNUAL COMPLIANCE)	CASE NO. IPC-E-21-35
FILING TO UPDATE THE LOAD AND GAS)	
FORECASTS IN THE INCREMENTAL COST)	
INTEGRATED RESOURCE PLAN AVOIDED)	REDACTED COMMENTS OF
COST MODEL)	THE COMMISSION STAFF
<hr/>		

STAFF OF the Idaho Public Utilities Commission (“Staff”), by and through its Attorney of record, Riley Newton, Deputy Attorney General, submits the following comments.

BACKGROUND

On October 15, 2021, Idaho Power Company (“Company”) made a compliance filing requesting the Commission issue an order accepting its updated load forecast, natural gas price 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. See Order Nos. 32697 and 32802. IRP avoided cost rates are available to qualifying facilities (“QFs”) that are 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 November 5, 2021, the Company filed a Supplement to provide the Peak Hours and Premium Peak Hours used to calculate capacity payments for energy storage qualifying facilities in compliance with Order No. 34913.

On November 22, 2021, the Company filed a Second Supplement to correct an error in the initial natural gas price forecast.

STAFF REVIEW

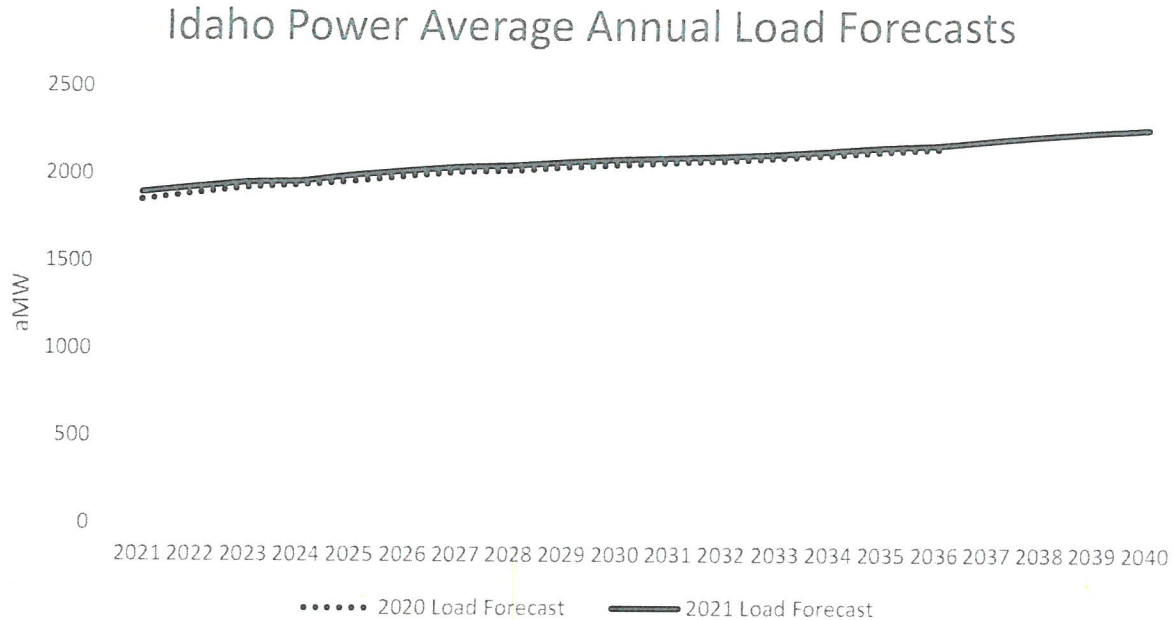
Staff reviewed the Application, and the Supplement and Second Supplement to the Application filed by the Company. Based on its review, Staff concludes the following:

1. The load forecast is reasonable.
2. The contract changes are accurate.
3. The corrected natural gas price forecast filed in the Second Supplement is not reasonable based on short term changes in the market and comparison to natural gas forecasts from the other two Idaho utilities.
4. The Peak Hours and Premium Peak Hours are reasonable and should be used to calculate capacity payments for energy storage qualifying facilities using IRP-based rates.
5. The Peak Hours are reasonable and should be used to calculate capacity payments for energy storage qualifying facilities using Surrogate Avoided Resource (“SAR”) Method rates. Although the rates are not changed by the proposed Peak Hours, the timeframe that the avoided cost of capacity is applied shifts by one hour.

Load Forecast

Staff compared the proposed load forecast to the load forecast in last year’s filing in Case No. IPC-E-20-35, which shows that the proposed load forecast is slightly higher than last year’s load forecast. *See* Figure No. 1. The difference in the two forecasts is primarily due to a higher-than-expected population migration into the Company’s service area. Response to Staff Production Request No. 1. Staff believes this change and the resulting increased load forecast are reasonable.

Figure No. 1: Load Forecast Comparison



Natural Gas Price Forecast

The Company used real-dollar gas pricing instead of nominal-dollar pricing in the Application. Subsequently, the Company supplied the nominal price forecast in its Second Supplement to the Application. After a review of the nominal price forecast, Staff became concerned with the Company’s forecast, especially for the first few years of the forecast time horizon, since this is the only portion of the forecast that affects pricing in new IRP-based contracts due to the term length being limited to two years. *See* Order No. 33357. Because of these concerns, Staff believes that the natural gas forecast filed in the Second Supplement should be rejected. Staff’s concern was based on two analyses it conducted: (1) a comparison of the nominal forecast in this case to an earlier forecast submitted in IPC-E-21-15; and (2) a comparison of the Company’s Henry Hub forecast to Rocky Mountain Power’s (“RMP”) and Avista’s Henry Hub forecasts recently filed through their annual updates.

Staff compared the Company’s nominal price forecast and an earlier Platt’s forecast from Case No. IPC-E-21-15. Both forecasts were Henry Hub annuals from S&P Global Platt’s long-term forecasts adjusted for Sumas basis and transport costs for Idaho City Gate delivery. The forecast in this case was published in July 2021, while the earlier forecast in IPC-E-21-15 was published in March 2021. As illustrated in Figure No. 2, the two forecasts were almost identical.

However, between the period that the forecasts were published, changes in natural gas market fundamentals were causing an upswing in natural gas spot market prices as shown in Figure No. 3 and in futures prices evidenced by confidential natural gas updates provided to the Commissioners and Commission Staff by Idaho utilities during this time frame. Because there were no changes between the two forecasts, Staff believed it indicated that the Platt's forecast may not be responsive to short-term market changes.

Figure No. 2: Idaho Power Natural Gas Forecast Comparison

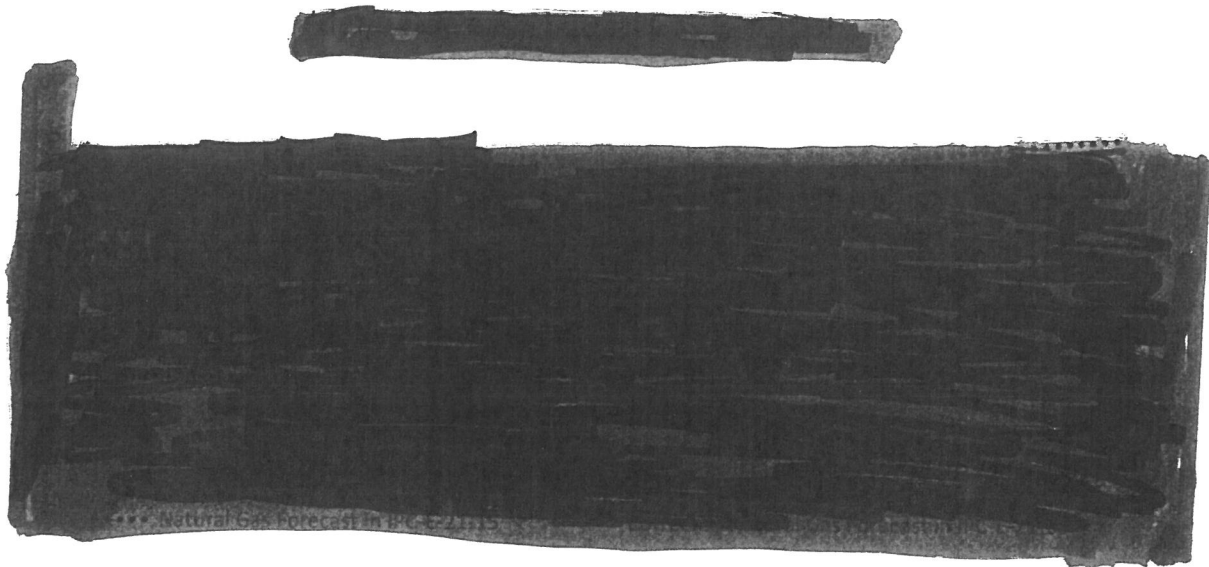
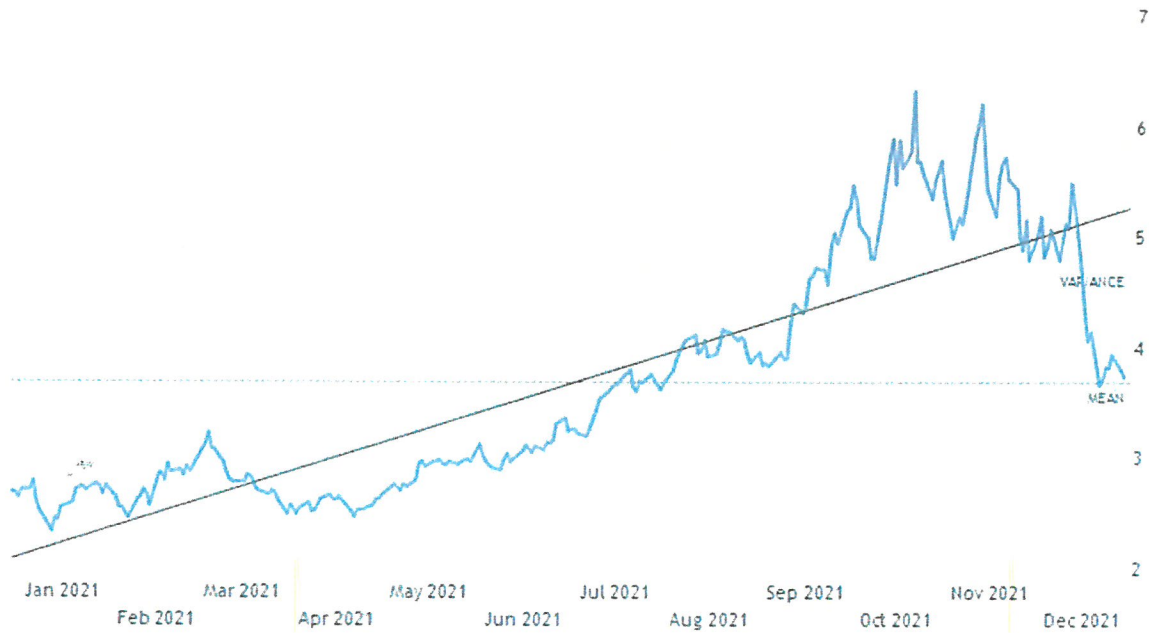


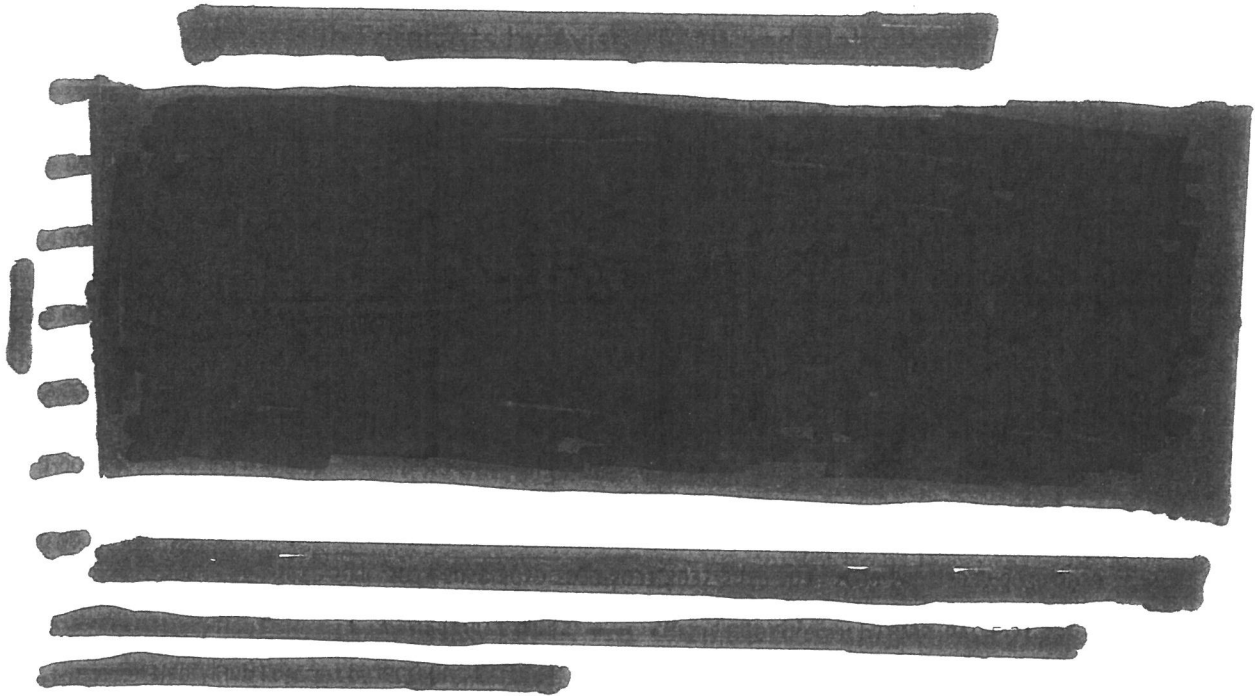
Figure No. 3: U.S. Historical Natural Gas Prices



(Data Source: <https://tradingeconomics.com/commodity/natural-gas>)

Staff then compared the Company's S&P Global Platt's Henry Hub forecast (*See Response to Staff Production Request No. 3*) to Henry Hub forecasts used by Avista and RMP, without adjustment for Sumas basis and transport costs for Idaho City Gate delivery so that an equivalent comparison could be made. As seen in Figure No. 4, the Company's near-term forecast is significantly lower than the other two utility forecasts, especially during the first few years.

Figure No. 4: Henry Hub Forecasts Used by Avista¹, RMP, and Idaho Power



The main difference between Avista's and RMP's forecast methods to the method used by Platts is that Avista and RMP both use New York Mercantile Exchange ("NYMEX") futures prices exclusively over the first few years of their forecasts.

Avista uses a blend of two national price forecasting consultant's most recent forecasts, the Energy Information Administration's ("EIA") Annual Energy Outlook forecast, and forward market prices. The first 12 months of Avista's forecast is entirely based on the NYMEX forward prices, and the weight of forward prices given to subsequent years decrease over time. *See* Response to Staff Production Request No. 6 in Case No. AVU-E-20-10.

RMP's Official Forward Price Curve ("OFPC") is developed using 36 months of natural gas forward prices. The 12 months following use a blend of forwards and market fundamentals, while the remaining years of the forecast transition to a pure fundamentals-based forecast starting in Month 49. RMP believes that market forwards (from broker quotes and / or settled

¹ Avista's Henry Hub data comes from the confidential excel file submitted in Response to Staff Production Request No. 2 (c) in Case No. AVU-E-21-14. Although the excel file is a confidential document, Avista confirmed with Staff through email that the Henry Hub gas forecast data in the excel file is not confidential.

forward prices) for the first 36 months are observable and represent a consensus view of the market. See Response to Staff Production Request No. 6 in Case No. PAC-E-20-16.

Idaho Power uses S&P Global Platt forecast. Confidential Response to Staff Production Request No. 4 in this case specifically discusses the Platt's methodology:



First, Staff does not believe the near-term discrepancy shown in Figure No. 4 is due to the different timing of the three forecasts. The Platt's forecast in this case was published in July 2021, and Avista's NYMEX data was obtained on August 13, 2021. Staff believes that RMP's forward prices were obtained around the same time as Avista's, given the similarity between the two datasets, even though RMP's final OFPC was finalized on September 30, 2021.

Second, Staff recommended to the Commission in Case No. IPC-E-21-15 to switch from EIA's forecast to Platt's forecast, because 1) Platt's forecast was an improvement compared to EIA's forecast, and 2) Platt's forecast published in March 2021 was comparable to Avista and RMP's forecasts approved by the Commission in their 2020 annual update cases. (See Case Nos. AVU-20-10 and PAC-E-20-16). However, when the natural gas market had witnessed increased prices over the few months before October 15, 2021, Avista and RMP's forecast, which rely on NYMEX forward prices for the near term, captured the changes in the market; Platt's forecast did not. This lack of responsiveness was not revealed in the forecast submitted in Case No. IPC-E-21-15 because at that time, the market was relatively stable.

For these reasons, Staff recommends rejection of the Company's nominal natural gas price forecast for purposes of determining IRP-based avoided cost rates for contracts signed after January 1, 2022, until the effective date of the next annual natural gas price forecast update. In

place of this forecast, Staff recommends the Company use the first three years of the latest NYMEX forwards prices for contracts signed after January 1, 2022, until the effective date of the next annual update. In addition, Staff recommends that the Company reevaluate the forecast methodology it uses to determine next year's annual update, especially for the first three years of the forecast time horizon.

Contract Terminations, Expirations, and Additions

The Commission determined in Order No. 32697 that all long-term contract information should be updated for the IRP methodology when contracts are signed², terminated, or expired in order to maintain the most up-to-date avoided cost. Staff has reviewed the contract changes listed in Attachment 2 of the Application and believes that the changes are correct. In addition, the Application states that the long-term power purchase agreement with Jackpot Holdings, LLC (120 MW) is scheduled to be online in December of 2022. Staff learned from a recent IRP meeting that there has been some uncertainty associated with the project. Therefore, Staff recommends that the Company updates the status of the project in the IRP model, when changes occur.

Effective Date

Order No. 32802 requires that all three electric utilities in Idaho update the natural gas and load forecasts in their IRP methodologies annually on October 15. Since that order was issued, the utilities have timely filed their annual updates, and the Commission's authorizations used October 15 as the effective date. To have adequate time to review each utility's filing and prevent having a filing deadline that is the same as the effective date, Staff recommends that all three electric utilities continue to file their annual update cases by October 15 and establish a fixed effective date of January 1 following the filing. Staff recommends this should apply in this case and in all electric utilities' future annual updates.

² Order No. 33357 eliminated the "signed contract" requirement of Order No. 32697 to allow utilities to update their incremental pricing for QFs in their PURPA queue.

Modifications to Peak Hours and Premium Peak Hours

Staff recommends approval of the proposed Peak Hours and Premium Peak Hours used to calculate capacity payments for energy storage qualifying facilities in the IRP Methodology and approval of the proposed Peak Hours used to calculate capacity payments for energy storage qualifying facilities in the SAR Methodology.

Peak and Premium Peak Hour Updates for Storage IRP-based Rates

Order No. 34913 requires that the annual update³ should include an update to Peak Hours and Premium Peak Hours used to calculate capacity payments for energy storage qualifying facilities in the IRP Methodology. The Company included the update in the Supplement filed on November 5, 2021.

Page 2 of the Supplement states that the Peak Hours for July 2022, are 2:00 pm through the 10:00 pm hour, and the Peak Hours for August are 4:00 pm through the 8:00 pm hour. The Premium Peak Hours for July and August are 5:00 pm through the 8:00 pm hour. The Company used the same method to determine the Peak Hours and the Premium Peak Hours as it did in the Compliance Filing in Case No. IPC-E-20-02. Staff believes the result is reasonable.

To determine the Peak Hours, the Company selected the highest five percent of the 2022 Forecast Average Load. The Company then identified the four-hour block of highest 2021 actual load net of solar as the Preliminary Premium Peak Hours within the Peak Hours. The Preliminary Premium Peak Hours were corroborated by the Loss of Load Probability (“LOLP”) data from the most recent acknowledged 2019 IRP and the most recent Locational Marginal Pricing (“LMP”)⁴ data. See Responses to Staff Production Request Nos. 6 and 10.

The LOLP in the 2019 IRP was based on an analysis of the likelihood of unique loss-of-load events in Year 2025. The Company used Year 2025 because it was the year before the next impactful capacity addition, which can have higher risk than Year 2022. Also, there were no major resource additions or load changes between 2022 and 2025 in the 2019 IRP that would

³ Page 3 of the Supplement states that Premium Peak Hours are subject to change annually and when a new IRP is acknowledged. However, Order No. 34913 requires the update to be filed in the annual update case only and states that including the Peak Hour and Premium Peak Hours in this annual update will also increase certainty regarding the timing of the update as it will not be exposed to the timing uncertainties of IRP review and acknowledgement.

⁴ The LMP data is weighted average hourly prices based on all pricing nodes in the Company’s Balancing Area from four fifteen-minute market price intervals and twelve real-time five-minute price intervals. See Responses to Staff Production Request Nos. 7 and 8.

have significantly changed the LOLP distribution, and thus the results of the LOLP analysis would not have been expected to change materially between 2022 and 2025. *See* Response to Staff Production Request No. 9 (d). Staff believes that using Year 2025 for the LOLP analysis is reasonable.

Peak Hour Updates for Storage SAR-based Rates

Order No. 34913 requires that Peak Hours be updated annually to be used to calculate capacity payments for energy storage QFs in the SAR Methodology. Avoided Cost of Capacity in the SAR Model is calculated by dividing annual capacity value of a Combined Cycle Combustion Turbine plant by the total number of Peak Hours in a year. The update in this case shifts the peak hours one hour later for July and for August from the current peak hours approved in Order No. 34913. It does not change the total number of Peak Hours in a year, which is 434 hours; therefore, the SAR Model does not need to be updated, and the published avoided cost rates for energy storage will not be affected. However, the Peak Hours timeframe that the avoided cost of capacity is applied shifts by one hour.

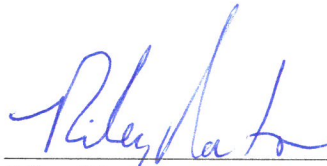
STAFF RECOMMENDATIONS

Based on the analysis above, Staff recommends the following to the Commission:

1. Approve the proposed load forecast with an effective date of January 1, 2022;
2. Approve the proposed contract changes with an effective date of January 1, 2022;
3. Order the Company to file a forecast for the next three years as a compliance filing to this case, utilizing the latest NYMEX forwards prices to determine IRP avoided cost rates for contracts signed after January 1, 2022, until the effective date of next natural gas price forecast annual update;
4. Order the Company to reevaluate the Company's natural gas price forecast methodology prior to the next annual update, especially the method used to determine the first three years of the forecast time horizon used to determine IRP-based avoided cost rates;
5. Approve the proposed Peak Hours and Premium Peak Hours to be used to calculate capacity payments for energy storage QFs in the IRP Method with an effective date of January 1, 2022;

6. Approve the proposed Peak Hours to be applied to energy storage qualifying facilities that deliver energy in the window after the first deficit year in the SAR Method with an effective date of January 1, 2022; and
7. Continue filing future annual update cases by October 15 each year, but with an effective date of January 1 of the following year.

Respectfully submitted this 21 day of December 2021.



Riley Newton
Deputy Attorney General

Technical Staff: Yao Yin
Travis Culbertson

i:umisc/comments/ipce21.35mytnc comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 21ST DAY OF DECEMBER 2021, SERVED THE FOREGOING **REDACTED COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-21-35, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

DONOVAN E WALKER
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: dwalker@idahopower.com
dockets@idahopower.com
(CONFIDENTIAL)



SECRETARY