

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IDAHO POWER COMPANY’S ANNUAL) CASE NO. IPC-E-22-26
COMPLIANCE FILING TO UPDATE THE)
LOAD AND GAS FORECASTS IN THE)
INCREMENTAL COST INTEGRATED) ORDER NO. 35644
RESOURCE PLAN AVOIDED COST MODEL)
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On October 14, 2022, Idaho Power Company (“Company”) made a compliance filing (“Filing”) requesting that the Commission issue an order accepting its updated “load forecast, natural gas price forecast, and long-term contracts used as inputs to calculate its Incremental Cost Integrated Resource Plan [(“IRP”)] avoided cost methodology.” Filing at 1. The Company must update these inputs by October 15 of each year as directed in Order Nos. 32697 and 32802. The Filing also updates the Peak Hours (“PH”) and Premium Peak Hours (“PPH”) used by the Company for the avoided capacity costs calculations available to energy storage qualifying facilities (“QF”) using IRP-based avoided cost rates. These rates are available to 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”). Energy storage QFs below the cap are eligible for published avoided cost rates. Avoided capacity cost payments for these projects are paid only during PH without a premium. Order No. 34913.

On November 16, 2022, the Commission issued a Notice of Filing and established public comment and Company reply deadlines. Order No. 35596. Commission Staff (“Staff”) filed comments, and the Company replied that it supported Staff’s recommendations. No other comments were received.

Having reviewed the record in this case, including all comments, the Commission approves the Company’s annual update.

BACKGROUND

Pursuant to the PURPA and the Federal Energy Regulatory Commission’s (“FERC”) implementing regulations, this Commission has approved the IRP Method to calculate avoided cost rates for QFs at are above the resource-specific project eligibility cap. QFs that are below the applicable project eligibility cap are eligible to receive published avoided cost rates calculated

using the surrogate avoided resource (“SAR”) method. *See* Order No. 32697 at 7-8. The avoided cost rate is the purchase price paid to QFs for the energy, or the energy and capacity, that the QF provides to the utility. 18 C.F.R. § 292.101(b)(6) (defining “avoided cost”). To ensure that avoided costs most accurately reflect the utility’s marginal cost of energy or capacity, 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.” Order No. 32697 at 22.

THE FILING

The Company forecasted an average annual load growth from 2022 through 2042 that “shows a slight increase in customer loads in the near term, followed by significant increases beginning in 2025 through the remainder of the forecast period” when compared to the last annual load forecast from October 2021.¹ Filing at 3.

The Company stated that it believes that the S&P Platts long-term forecast, based on Henry Hub and Sumas Basis Annuals (the "Platts long-term forecast"), is the most appropriate forecast to use for its IRP avoided cost model. *Id.* at 5.

The Company stated that it had three non-PURPA, long-term power purchase agreements (“PPAs”) that receive Incremental Cost IRP avoided cost rates: (1) the 101 megawatt (“MW”) Elkhorn Valley Windfarm; (2) the 13 MW Raft River Geothermal project; and (3) the 22 MW Neal Hot Springs Geothermal project. *Id.* at 7-8. The Company stated that it has entered a long-term PPA with Jackpot Holdings, LLC for a 120 MW solar project that is scheduled to come online in December 2022. *Id.* at 8. The Company also noted that it entered into a long-term PPA with Black Mesa Energy LLC for a 40 MW solar project scheduled to be online in June 2023. *Id.*

In addition to its non-PURPA projects, the Company stated that it has 129 contracts for PURPA QFs which, in the aggregate, have a total nameplate capacity of 1,137.93 MW. *Id.* The Company also stated that its Filing included two replacement energy sales agreements for Idaho QFs (totaling 1.094 MW). *Id.* The Company further stated that Table 1 of Attachment 2 in its Filing contains “a list of new and terminated contracts since the last update on October 15, 2021.” *Id.*

¹ The October 2021 average annual load forecast was approved by the Commission on May 4, 2022. Order No. 35395.

The Company proposed updated timeframes for its PH and PPH for 2023 using the method directed by the Commission in Order No. 34913.² The Company proposed PH for 2023 as follows: 2:00 p.m. through the 11:00 pm hour (to midnight) for July and 5:00 p.m. through the 8:00 p.m. hour (to 9:00 p.m.) for August. The Company also proposed PPH for 2023 as follows: 6:00 p.m. through the 9:00 p.m. hour (to 10:00 p.m.) for the month of July; 5:00 p.m. through the 8:00 p.m. hour (to 9:00 p.m.) for the month of August.

STAFF COMMENTS

Staff recommended approval of the updated energy load forecast, natural gas forecast, long-term contracts, and PH and PPH used for payment of avoided capacity costs effective January 1, 2023. Staff also proposed, modifications to the current methodology used to determine Non-Premium Peak Hour Rates (“NPPHR”) and Premium Peak Hour Rates (“PPHR”), which will allow the PPHR to be consistently 20% above the NPPHR. Staff Comments at 3.

Staff compared the proposed, updated load forecast with the approved forecast from last year and believed that the proposed forecast is reasonable. Staff stated that this year’s load forecast is higher than last year’s estimation (mainly due to new large industrial customers). However, Staff also noted the next few years are the most important timeframe for the forecasting relevant to this Filing, and that there is only a small amount of change in that timeframe.

Staff noted that in last year’s annual filing, due to limitations in Platts near-term forecasts, the Commission ordered the Company to blend Platt’s forecast with the New York Mercantile Exchange (“NYMEX”) futures prices prior to the next annual update. Order No. 35294. Staff noted that the Company argued that Platt’s forecasting method is reliable, consistent, and more compatible to the Company’s operations. Staff also noted that the Company also stated that NYMEX is highly volatile and uses technical drivers which can lead to a swing of “+/- 10 percent on any given day.” *Id.* at 4. For these reasons, the Company disfavored using NYMEX.

Staff maintained that the NYMEX can still be a valuable tool for near-term forecasting and noted that other utilities have mitigated the volatility by developing monthly projections from the daily data. However, “Staff also believe[d] that the Platt’s forecast is reasonable so long as the Company uses the most recent quarterly forecast and should reflect the most recent market fundamentals driving market prices over the next few years.” *Id.* at 5.

² The updated information is available in Attachment 2, Table 2-4 in the Company’s Filing.

Staff believed that the proposed Platt’s forecast was reasonable after completing the two separate analyses by comparing the proposed Platt’s Henry Hub forecast to forecasts (1) supplied in Case No. IPC-E-21-35, and (2) the Henry Hub forecasts proposed by Idaho’s other two electric utilities in their 2022 Load and Natural Gas Update filings (Case Nos. AVU-E-22-15 and PAC-E-22-16). Staff noted that, while the proposed forecast is higher than the forecast approved in last year’s filing, this is primarily due to “market fundamentals that have increased the price of natural gas over the past one and a half years.” *Id.* at 5. Staff noted that all three of Idaho electric utilities’ forecasts show similar trends over the next few years—which are most relevant for the “new contracts that would receive pricing for the two-year IRP-based contracts.” *Id.* at 6.

Although contract related updates are continuously incorporated into the IRP model, Staff recommended that contract updates continue to be a part of future filings to provide the Commission’s oversight of updates.

Staff noted that the method the Company used to update the PH and PPH for 2023 was the same method used in last year's annual filing. Staff recommended approval of the Company’s PH and PPH for payment of avoided capacity cost for energy storage IRP-based QFs. Because SAR-based avoided cost rates are only paid during PH and that the Company’s proposed changes do not change the total number of PH (which remains 434 hours for the year), “the SAR-based avoided cost rates for energy storage will not be affected. However, QFs will receive capacity payments for generation output during different hours if the proposed hours are approved by the Commission.” *Id.*

Staff proposed a new formula³ to ensure that “[PPHR] are consistently 20% above the [NPPHR]” without altering the QF’s total Annual Capacity Payments. *Id.* at 9. Staff stated that the current method has “no direct, fixed relationship between the [PPHR] and the [NPPHR].” *Id.* Staff stated that this modification will increase transparency in negotiations, and this is the ideal time for implementation as there are no present proposed PURPA projects using the current rate design. Staff’s comments included a diagram for illustrative purposes to depict the outcome under the current method versus the proposed methods.

³ The new formula is as follows:

Non-Premium Peak Hour rates = Annual Capacity Payment / (Generation during Non-Premium Peak Hours + Generation during Premium Peak Hours * 1.2).

COMPANY REPLY COMMENTS

The Company replied to Staff's comments and expressed appreciation for Staff's detailed review of the Filing. The Company supported Staff's recommendations and noted that it was open to the continued discussions concerning capacity compensation methodology; the Company also noted that it was open to the application of any conclusions reached by such discussions.

COMMISSION FINDINGS AND DISCUSSION

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. The Commission also has authority under PURPA and 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.

Pursuant to this authority, we have reviewed the record, including the Filing, Staff's comments, and the Company's reply comments. We find that the Filing complies with our directives in Order Nos. 32697 and 32802. The load growth and natural gas price forecasts are reasonable given the information available at this time, and the contract information was confirmed. We, therefore, approve the Company's annual updates.

Based upon the Company's proposal and Staff's verification, the Commission believes that the Company's method for defining which hours qualify as PH and which hours qualify as PPH is sound. While the Company requested slightly different hours from the currently approved hours for each of these designations in this filing, the Commission notes that the method used to determine these hours was also used last year, and that no material problems have arisen from relying on that method. For these reasons, the Company's proposal to slightly adjust which hours are considered PH and which hours are considered PPH is acceptable to the Commission.

The Commission agrees with Staff's recommendation to modify how PPHR and NPPHR are calculated. Staff has shown that its proposed formula provides a consistent 20% premium above the NPPHR regardless of the specific QF. The Company supports this modification. Therefore, the Commission finds that Staff's proposed rate calculation method should be implemented.

ORDER

IT IS HEREBY ORDERED that the Company's annual updates to its energy load, natural gas price forecasts and contracts are reasonable and approved, effective January 1, 2023.

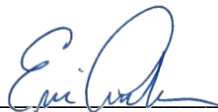
IT IS FURTHER ORDERED that the Commission approves the proposed PH and PPH used to calculate and pay capacity payments for energy storage QFs using IRP-based avoided cost rates, as filed.

IT IS FURTHER ORDERED that the Commission approves the PH used to calculate and pay capacity payments for energy storage QFs using SAR-based avoided cost rates, as filed.

IT IS FURTHER ORDERED that the method used to determine NPPHR and PPHR shall be modified based upon Staff's proposal.

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 27th day of December 2022.



ERIC ANDERSON, PRESIDENT

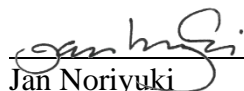


JOHN CHATBURN, COMMISSIONER



JOHN R. HAMMOND JR., COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary