Office of the Secretary
Service Date
December 26, 2023

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S ANNUAL COMPLIANCE FILING TO UPDATE THE LOAD AND GAS FORECASTS IN THE INCREMENTAL COST INTEGRATED RESOURCE PLAN AVOIDED COST MODEL	)	**CASE NO. IPC-E-23-25** **ORDER NO. 36037**

On October 13, 2023, Idaho Power Company ("Company") made a compliance filing ("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 ("ICIRP") avoided cost methodology." Filing at 1. The Company must update these inputs by October 15 of each year. *See* Order Nos. 32697 and 32802. ICIRP avoided cost 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").

On November 8, 2023, the Commission issued a Notice of Filing and Notice of Modified Procedure establishing public comment and Company reply deadlines. Order No. 35990. Staff filed the only comments.

Having reviewed the record, the Commission issues this Order approving 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 qualifying facilities ("QFs") that 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's most recent load forecast from September 2023 indicates lower customer loads over the next 20 years than last year's forecast, which was approved in Order No. 35644. According to the Company, this decrease is due to different ramp schedules and total peak requirements in expected energy service agreements and adjustments to commercial, industrial, and irrigation load. Using the most recent S & P Platts long-term natural gas forecast, the Company expects five percent lower gas prices compared to the Company's last update. More specifically, prices were generally lower during the first half of the forecast period and higher thereafter. The Company also represented that it currently has five non-PURPA contracts and 129 contracts with online PURPA QFs.

The Company also updated its peak and premium peak hours for 2024 using the method directed by the Commission in Order No. 34913. Peak hours in 2023 are as follows: July 1:00 p.m. to 10:00 p.m.; and August 3:00 p.m. to 8:00 p.m. Premium peak hours in 2024 are as follows: July 5:00 p.m. to 10:00 p.m.; and August 5:00 p.m. to 8:00 p.m.

STAFF COMMENTS

After reviewing the Filing, Commission Staff ("Staff") recommended approval of the Company's proposed load and natural gas forecasts. Staff also recommended use of the proposed Peak Hours and Premium Peak Hours to calculate capacity payments for energy storage QFs using ICIRP avoided cost rates. Additionally, Staff recommended use of the proposed Peak Hours to calculate to capacity payments for energy storage QFs using Surrogate Avoided Resource ("SAR") based rates. Staff's rationale for each of these recommendations is discussed more fully below.

1. Load Forecast

Despite acknowledging that the Company did not use the load forecast from its 2023 Integrated Resource Plan ("IRP") in this case, Staff believed the Company's proposed load forecast is reasonable. In support of this conclusion, Staff noted that the Company provided reasonable justifications for the decrease between this year's load forecast and the forecast submitted in Case No. IPC-E-22-26. Specifically, the Company indicated that not only had large customers Micron and Meta reduced their load forecasts, but the load forecast was also adjusted downward to gradually transition between actual and forecasted load.

Staff also compared the Company's proposed energy load forecast to that submitted in the 2023 IRP. While the load forecast proposed in this case uses the 50th percentile load, the 2023 IRP uses the 70th percentile load. Although the ICIRP methodology should use inputs established in the IRP planning process, *see* Order No. 32697 at 22, Staff believed using the 50th percentile load is appropriate to determine IRP-based avoided cost rates because that load represents the expected normal load and the cost of energy likely avoided.

2. Natural Gas Forecast

After comparing the proposed Henry Hub forecast, the Company's natural gas forecast from last year, and Rocky Mountain Power's Henry Hub forecast, Staff believed the Company's proposed natural gas forecast is reasonable. Although this year's Henry Hub forecast for the next two years is lower than last year's, Staff reasoned that the decrease stems significantly from the reduced impact of the Russia/Ukraine War on European markets. Staff further noted that the similarity between the Company's proposed Henry Hub forecast and Rocky Mountain Power's over the next few years reinforces its reasonableness conclusion.

3. Contract Updates

Although the IRP model incorporates contract updates continuously, the annual load and gas update is an opportunity for Commission review and supervision of contract updates. Staff believed that the six new contracts provided since the last annual load and gas update (Lowline #2, Bypass, Dietrich Drop, Pleasant Valley Solar, Franklin Solar, and Kuna Battery Energy Storage System) are reasonable.

4. Peak and Premium Peak Hours

After reviewing the method used to update the Company's Peak and Premium Peak Hours for 2024, Staff determined that it was same method used in last year's annual filing. Accordingly, Staff recommended approval of the proposed Peak Hours and Premium Peak Hours for use in calculating capacity payments for energy storage QFs under IRP-based avoided cost rates. Staff also recommended approval of the Peak Hours for use in calculating capacity payments for energy storage QFs under SAR-based rates.

Staff noted that, although Commission approval of the Company's filing would change the timeframe of Peak Hours, the total number of annual Peak Hours (which currently stands at

434 hours) would be unaffected. Accordingly, although the hours for which QFs will receive capacity payments for generation will change, the avoided cost of capacity for energy storage will not.

DISCUSSION AND FINDINGS

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 the law, and to fix the same by order. *Idaho Code* §§ 61-502 and -503. Additionally, the Commission has authority under PURPA and FERC regulations to set avoided costs, to order electric utilities to enter fixed-term obligations for purchase of energy from QFs, and to implement FERC rules. The Commission may enter any final order consistent with its authority under Title 61, Idaho Code, and PURPA.

Under this authority, we have reviewed the record, including the Filing and Staff's 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 as filed given the information available at this time. The Commission further finds that all contract changes as filed are reasonable.

Although the Company requested to adjust the timeframe of Peak Hours and Premium Peak Hours from the currently approved hours, the total number of annual Peak Hours requested (434 hours) did not change from last year. We note that the Company used the same method to determine these hours as last year. We observed in previous cases that no material problems have arisen from relying on this method. *See* Order No. 35644 at 5. Accordingly, we find the Company's proposal to adjust which hours are consider Peak Hours or Premium Peak Hours reasonable.

ORDER

IT IS HEREBY ORDERED that the Company's annual updates to its energy load and natural gas price forecasts are reasonable and approved, effective as of January 1, 2024.

IT IS FURTHER ORDERED that the Commission approves the proposed Peak Hours and Premium Peak Hours used to calculated and pay capacity payments for energy storage QFs using the ICIRP avoided cost rates, as filed.

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

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 about 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 26th day of December 2023.

ERIC ANDERSON, PRESIDENT

JOHN R. HAMMOND JR., COMMISSIONER

EDWARD LODGE, COMMISSIONER

ATTEST:

Monica Berrios-Sanchez
Interim Commission Secretary

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