BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR APPROVAL OF THE CAPACITY DEFICIENCY PERIOD TO BE UTILIZED FOR AVOIDED COST CALCULATIONS	)	**CASE NO. IPC-E-23-27** **ORDER NO. 36070**

On October 23, 2023, Idaho Power Company ("Company") applied for approval of its capacity deficiency period determination for avoided cost calculations under the Public Utility Regulatory Policies Act of 1978 ("PURPA"). The Company projected its first deficit will be in July 2026.

On November 14, 2023, the Commission issued a Notice of Application and Notice of Modified Procedure establishing public comment and Company reply deadlines. Order No. 35997.

On November 17, 2023, the Idaho Hydroelectric Power Producers Trust ("IdaHydro") petitioned to intervene. The Commission granted IdaHydro's petition. Order No. 36013.

The Commission Staff ("Staff") filed comments to which the Company replied. No other comments were received.

Having reviewed the record, the Commission issues this Order directing the Company to take further action as set forth below.

BACKGROUND

Under PURPA, the Commission has established a Surrogate Avoided Resource ("SAR") methodology and an integrated resource plan ("IRP") methodology to calculate avoided cost rates for qualifying facilities ("QFs"). Under both methodologies, a QF receives capacity payments only after the first capacity deficit date. Order No. 32697.

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 anticipates its capacity deficiency period will begin in July 2026. The Company asks that the Commission approve the capacity deficiency period.

STAFF COMMENTS

Staff reviewed the proposed capacity deficiency date, focusing on the Loss of Load Expectation ("LOLE") methodology, the proposed load forecast, and the proposed resources. Based upon this review, Staff did not recommend approval of the Company's Application. Rather, Staff recommended that the Commission order the Company to submit a compliance filing that: (1) reflects the most recent load forecast along with an explanation of any difference between that forecast and its proposed forecast; and (2) excludes the 14-megawatt ("MW") Western Resource Adequacy Program ("WRAP") capacity benefit in determining the capacity deficiency period.

Staff further recommended that the Company substantiate its proposed Capacity Benefit Margin ("CBM") capacity size and use the latest load forecast in future deficiency filings as required by Order Nos. 33958, 34918, and 35415. If these recommendations were accepted, Staff indicated it would review the Company's compliance filing, reconcile any issues with the Company, and then submit a decision memo recommending approval of the capacity deficiency period, deficiency amounts, an updated SAR model using the capacity deficiency information, and resulting published avoided cost rates.

<u>LOLE Methodology</u>

In making the above recommendations, Staff observed that the Company did not ascertain the proposed deficiency period using the deterministic load and resource balance methodology (which assesses the ability of a resource to meet peak load to ensure they can meet high-risk peak load) as in previous cases. Rather, the Company used the LOLE methodology through the Reliability and Capacity Assessment Tool ("R-CAT"). The LOLE methodology examines the statistical likelihood of system net load exceeding generation capacity hourly. Staff believed that increasing penetration by solar, wind, and other variable energy resources makes the LOLE methodology better suited to the Company's system. This is because high-risk hours no longer align with system peak hours. Rather, high-risk hours occur later when solar generation diminishes. Staff further noted that the Company used the LOLE methodology in this case and its 2023 IRP to calculate annual capacity positions.

Load Forecast

Staff noted that the Company's overall load forecast is higher than that used in the last capacity deficiency case primarily because of the added load requirements of Meta and Micron. Despite believing that the difference between forecasts is reasonable, Staff recommended that the Company submit a compliance filing reflecting its most recent load forecast and explaining any difference between that forecast and the proposed forecast in this case. Staff noted that the proposed load forecast used in this case was created in the second quarter of 2023, but after that the Company used a load forecast created in September of 2023 in Case No. IPC-E-23-25. Staff further noted that the on-site generation, energy efficiency, and demand response programs included in the overall load forecast were reasonable.

Resources

In reviewing the resources counted to determine the Company's proposed capacity deficiency, Staff focused on the retirement of Valmy Unit 2, firm transmission capacity, non-firm transmission capacity, PURPA contract renewals, non-PURPA contract renewals, Boardman-to-Hemingway transmission, proposed resources from Case Nos. IPC-E-23-05 and IPC-E-23-20, and the WRAP's capacity. Staff argued the only resources that should count in determining capacity deficiency for avoided cost rates are those with certainty (*e.g.*, existing, approved, signed if pre-approval is unnecessary, reserved, etc.). Staff believed that the Company's treatment and assumptions related to all the above-listed resources is reasonable—except for non-firm transmission capacity and WRAP.

The only non-firm transmission the Company included in the R-CAT model is the Capacity Benefit Margin ("CBM"). The Company's 2023 IRP reduced the CBM capacity from 330 MW for all seasons to 200 MW in the summer and 0 MW in winter because of transmission market limitations outside the Company's border and wholesale energy market concerns during winter in the Pacific Northwest. Despite believing it reasonable to reduce CBM capacity, Staff recommended that the Company provide evidence substantiating its proposed CBM capacity based on a reasonable level of certainty in its next capacity deficiency case.

The Company also included a WRAP capacity benefit of 14 MW for the 20-year planning horizon following 2027. Staff believed this should not be included in the determination of the capacity deficiency period until the Company makes a binding commitment to join WRAP.

COMPANY'S REPLY COMMENTS

The Company indicated that it did not oppose Staff's recommendations. Not only did the Company agree to use the latest load forecast in future capacity deficiency filings, it also indicated that it will substantiate its proposed CBM capacity in future filings.

However, the Company asked that, if Staff's recommendations were adopted, the Commission direct Staff to cooperate with the Company in developing a timeline and process for implementing the recommended adjustments so that Staff can review and reconcile any issues with the Company prior to the filing of the recommended compliance filing. The Company asserted that this will avert the risk of additional filings being necessary to resolve this case.

COMMISSION DISCUSSION AND FINDINGS

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, 61-502, and 61-503. The Commission has the power to "supervise and regulate every public utility in the state and to do all things necessary to carry out the spirit and intent of the [Public Utilities Law]." *Idaho Code* § 61-501. The Commission also has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission ("FERC") 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.

Having reviewed the record, we find it reasonable to direct the Company to submit the compliance filing recommended by Staff before approving the Company's updated capacity deficiency date. Both Staff and the Commission have previously indicated a preference that companies use the most recent load forecast be used in deficiency filings. *See e.g.,* Order Nos. 34918, and 35415. Because of the impact the decision in these types of cases can have on certain parties, including customers and generators, we prefer making decisions with the most recent, relevant, and accurate information available. Accordingly, the Company's future deficiency filings must use the most recent load forecast.

Additionally, it is reasonable to consider only resources with sufficient certainty, such as those identified in Staff's comments, when determining capacity deficiency for avoided cost rates. Accordingly, until making a binding commitment to join WRAP, the Company shall exclude the WRAP capacity benefit of 14 MW when determining the capacity deficiency period. Furthermore, we find it reasonable to require the Company to provide evidence substantiating its proposed CBM so that Staff can adequately review the proposed capacity.

ORDER

IT IS HEREBY ORDERED that the Company shall submit a compliance filing (1) reflecting the Company's most recent load forecast along with an explanation of any difference between that forecast and its proposed forecast; and (2) excluding the 14 MW WRAP capacity benefit in determining its capacity deficiency period.

IT IS FURTHER ORDERED that Staff and the Company shall cooperate in developing a timeline and process that will facilitate review and reconciliation of any issues in the above-described compliance filing before its formal submission for consideration by the Commission.

IT IS FURTHER ORDERED that, after receiving and reviewing this compliance filing, Staff shall submit a decision memo to the Commission for review of the capacity deficiency period, deficiency amounts, an updated SAR model using the capacity deficiency information, and resulting published avoided cost rates.

IT IS FURTHER ORDERED that the Company shall use the latest load forecast and provide evidence substantiating its proposed Capacity Benefit Margin in future capacity deficiency filings.

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 29th day of January 2024.

ERIC ANDERSON, PRESIDENT

JOHN R. HAMMOND JR., COMMISSIONER

EDWARD LODGE, COMMISSIONER

ATTEST:

Monica Barrios-Sanchez
Commission Secretary

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