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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

COMMISSION STAFF ("STAFF") OF the Idaho Public Utilities Commission, by and through its Attorney of record, Adam Triplett, Deputy Attorney General, submits the following comments.

BACKGROUND

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"). 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.

In its 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 ANALYSIS

Staff's review of the proposed deficiency date is focused on the Loss of Load Expectation ("LOLE") methodology, the proposed load forecast, and the proposed resources. Staff recommends that the capacity deficiency period and amounts of deficiency for purposes of determining when capacity payments should begin for new PURPA contracts be based on a compliance filing that reflects the following:

1. The Company file the most recent load forecast and explain the difference between the latest load forecast and the proposed forecast; and
2. The Company exclude the WRAP capacity benefit of 14 Megawatts ("MW") in determining the capacity deficiency period.

Staff also recommends that the Company use the latest load forecast for future capacity deficiency filings as required by Order Nos. 33958, 34918, and 35415, and that the Company provide evidence to substantiate its proposed Capacity Benefit Margin ("CBM") capacity size in the next capacity deficiency case.

If the Commission accepts Staff's recommendation, Staff will review the Company's compliance filing and reconcile any issues with the Company prior to submitting a decision memo for approval of the capacity deficiency period and amounts of deficiency, the updated SAR model that uses the capacity deficiency information, and resulting published avoided cost rates.

LOLE Methodology

The Company used the LOLE methodology through the Reliability and Capacity Assessment Tool ("R-CAT") to determine the capacity deficiency period. Staff believes this

new methodology is more suitable for the Company's system, given the increasing penetration of solar, wind, and other variable resources.

In the past, the Company used the deterministic load and resource balance ("L&R") based on a peak-hour view to determine the capacity deficiency period. *See* Supplemental Response to Staff's Production Request No. 20 in Case No. IPC-E-23-23. This method considers a resource's ability to meet peak load to ensure adequate resources are available to meet the high-risk peak load. Ellsworth's Direct Testimony at 4 in Case No. IPC-E-21-32.

However, as the penetration of solar, wind, and other variable resources has been increasing, the high-risk hours are not aligned with the system peak hours. *Id* at 4. The high-risk hours have shifted to later in the day when solar generation is reduced. *Id* at 5. The LOLE methodology examines each hour's statistical likelihood of the system net load exceeding the available generating capacity. *Id* at 4; the 2023 Integrated Resource Plan submitted in Case No. IPC-E-23-23 ("the 2023 IRP") at 89.

The 2023 IRP and this case use the LOLE methodology to calculate annual capacity positions. The resulting first capacity deficiency year starts in 2026. The 2023 IRP at 174. The annual capacity position is calculated by averaging the size of a perfect generating unit required to achieve a 0.1 event-days per year LOLE from six test years from 2017 through 2022. The 2023 IRP at 143; *see also* Response to Staff's Production Request No. 2. The first deficiency month is July, which is determined by identifying the first month exceeding a 0.0083 event-days per year LOLE (or 0.1 divided by 12) in 2026. The 2023 IRP at 174.

Load Forecast

The Company's overall load forecast determined the deficit date decrements for on-site generation, Energy Efficiency ("EE"), and Demand Response ("DR") capacity contributions from a pure end-use customer forecast. Staff's review includes a review of the overall forecast and each of the components in the final load forecast.

1. Overall Forecast

Compared to the load forecast used in the last capacity deficiency case, the proposed load forecast is higher primarily due to Energy Service Agreement load requirements from Meta Platforms and Micron Technology. *See* Response to Staff Production Request No. 1 (d). Staff

believes the difference between the two forecasts is reasonable. However, Staff recommends that the Company file the most recent load forecast through a compliance filing and explain the difference between the latest load forecast and the proposed forecast. Staff also recommends that the Company always use the latest load forecast for future capacity deficiency filings.

Commission Order Nos. 33958, 34918, and 35415 required utilities to use the most up-to-date information to determine the capacity deficiency period. Although the Company states that it uses the most recent information in this case (Application at 4), Staff believes the proposed load forecast is not the most recent forecast. The proposed load forecast was created in the second quarter of 2023, which was used in the 2023 IRP. *See* Response to Staff's Production Request No. 1. The Company has updated its load forecast at least once since then: Case No. IPC-E-23-25 used a load forecast created in September of 2023.

2. *On-site Generation*

The Company includes forecasted levels of on-site generation in the load forecast. *See* Response to Staff Production Request No. 15. Staff believes it is reasonable to include forecasted on-site generation to offset forecasted load in the R-CAT model.

3. *EE*

Cost-effective EE is included in the R-CAT model as a reduction to load forecast. Staff believes it is reasonable to include cost-effective EE, because utilities are expected to pursue all cost-effective EE. Order Nos. 32426 and 33917.

4. *DR*

The Company includes existing DR program at the current levels in the R-CAT model, which does not reflect forecasted changes in the participation level or additions of new DR programs. *See* Response to Staff Production Request No. 13. Staff believes that this is reasonable. First, for new DR programs, until such programs are implemented, the amount of capacity is speculative. Second, Order No. 33159 allows current DR participation to be used as a reasonable estimation of participation into the future for existing programs.

Resources

Staff's review of resources focused on the end date of Valmy Unit 2, firm transmission capacity, non-firm transmission capacity, PURPA contract renewals, non-PURPA contract renewals, Boardman-to-Hemmingway Transmission Line ("B2H"), resources proposed in Case No. IPC-E-23-05, resources proposed in Case No. IPC-E-23-20, and the Western Resource Adequacy Program's ("WRAP") capacity. Staff believes that only resources with certainty (i.e. existing, approved, signed if a pre-approval is not required, reserved, etc.) should be counted in determining the capacity deficiency for the purpose of avoided cost rates.

Exit Date of Valmy Units

The Company has continued to assume an exit from operation of Valmy Unit 1 at the end of 2019 and an exit from operation of Unit 2 at the end of 2025 for purposes of establishing the deficiency date. Staff believes these assumptions are reasonable even though the Company has included natural gas conversion of both Valmy Units by summer of 2026 in its 2023 IRP preferred portfolio. *See* Response to Staff Production Request No. 12. Also *see* Response to Staff Production Request No. 20 in Case No. IPC-E-23-23. Although the Company is currently investigating a possible natural gas conversion of both Units 1 and 2 with NVEnergy, the owner-operator of the facility, the Company has not yet developed an agreement. Staff believes that if an agreement is reached, the capacity contribution of the facility can be included for determining the deficiency date in the next deficiency date case.

Firm Transmission Capacity

The Company requires that transmission used for imports must have a corresponding firm third-party transmission reservation between an energy market hub and the Idaho Power transmission system, except for Four Corners, where PacifiCorp will provide Idaho Power a direct transmission ownership path from the Four Corners dessert southwest market hub to Idaho Power. *See* Response to Staff Production Request No. 8. Staff believes the firm transmission capacity in the R-CAT model is reasonable.

Non-Firm Transmission Capacity

The only non-firm transmission capacity included in the R-CAT model is the CBM, which is only used by the Company during an energy emergency. *See* Response to Staff Production Request No. 8; the 2023 IRP at 82. For the 2023 IRP, the Company reduced the CBM capacity from “330 MW for all seasons” to “200 MW in the summer and 0 MW in the winter.” The 2023 IRP at 82. The reduction to 200 MW in the summer is “in response to continued transmission market limitations beyond the Idaho Power border because CBM capacity does not have corresponding third-party transmission reservations to the Mid-C market.” *Id.* Also, the Company assumes 0 MW of CBM in the winter season due to wholesale energy market depth concerns during winter in the Pacific Northwest. *Id.* Staff believes it is reasonable to lower the CBM capacity from the 330 MW level due to the transmission market limitations in the summer and the wholesale energy market depth in the winter. However, Staff recommends that the Company provide evidence to substantiate its proposed amount of CBM capacity based on a reasonable level of certainty in its next capacity deficiency case.

PURPA Contract Renewals

The Company assumes that all PURPA projects will renew, except for wind, based on the Company’s experiences and discussions with QFs. *See* Response to Staff Production Request No. 10. Staff believes this assumption is reasonable.

Non-PURPA Contract Renewals

The Company assumes that non-PURPA contracts are not renewed in the R-CAT model, because these projects “have no right nor obligation to continue selling to Idaho Power once the existing contract expires.” *See* Response to Staff Production Request No. 11. Staff agrees and believes that these projects can sell to any buyer once their contracts expire.

B2H

The Company includes B2H in the R-CAT model as a resource, similar to market purchases. *See* Response to Staff Production Request No. 16. B2H was approved in Order No. 35838. Staff believes it is reasonable to include B2H in the R-CAT model.

Resources proposed in Case No. IPC-E-23-05

The Company includes resources proposed in Case No. IPC-E-23-05 in the R-CAT model. *See* Response to Staff Production Request No. 17. Case No. IPC-E-23-05 proposed a 60 MW energy storage facility, a 12 MW energy storage facility, and a 100 MW solar facility. These resources were approved in Order No. 35900. Staff believes it is reasonable to include these resources in the R-CAT model for purposes of determining the deficit date.

Resources proposed in Case No. IPC-E-23-20

The Company includes resources proposed in Case No. IPC-E-23-20 in the R-CAT model. *See* Response to Staff Production Request No. 18. Case No. IPC-E-23-20 proposed a 150 MW leased energy storage facility, a 77 MW Company-owned energy storage facility, and a 24 MW Company-owned energy storage facility. These resources were approved in Order No. 36011. Staff believes it is reasonable to include these resources in the R-CAT model.

WRAP

The Company includes WRAP capacity benefit of 14 MW beginning in 2027 and for the remaining 20-year planning horizon. However, until the Company makes a binding commitment, Staff believes it should not be included for determining the capacity deficiency period.

STAFF RECOMMENDATION

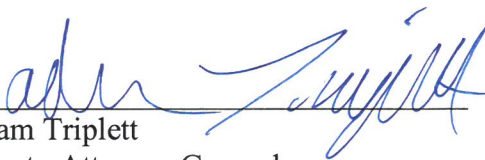
Staff recommends that the capacity deficiency period and amounts of deficiency for purposes of determining when capacity payments should begin for new PURPA contracts be based on a compliance filing that reflects the following:

1. The Company file the most recent load forecast and explain the difference between the latest load forecast and the proposed forecast; and
2. The Company exclude the WRAP capacity benefit of 14 MW in determining the capacity deficiency period.

Staff also recommends that the Company use the latest load forecast for future capacity deficiency filings as required by Order Nos. 33958, 34918, and 35415, and that the Company

provide evidence to substantiate its proposed CBM capacity size in the next capacity deficiency case.

Respectfully submitted this 14th day of December 2023.


Adam Triplett
Deputy Attorney General

Technical Staff: Yao Yin

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 14th DAY OF DECEMBER 2023, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF TO IDAHO POWER COMPANY**, IN CASE NO. IPC-E-23-27, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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