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IDAHO PUBLIC
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Idaho Public Utilities Commission

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May 16, 2024

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UPDATES TO CAPACITY DEFICIENCY USED IN DETERMINING AVOIDED COST RATES; ORDER NO. 36070 IN CASE NO. IPC-E-23-27.

Background

On October 23, 2023, Idaho Power Company ("Company") applied to the Commission for approval of its first capacity deficiency period of July 2026 used for its avoided cost calculations.

On January 29, 2024, the Commission issued Order No. 36070, requiring the Company to submit a compliance filing that reflects (1) the Company's most recent load forecast along with an explanation of the difference from the proposed load forecast and (2) exclusion of 14-megawatt ("MW") Western Resource Adequacy Program ("WRAP") capacity benefit. Order No. 36070 at 5. The Commission also required the Company to provide evidence substantiating its proposed Capacity Benefit Margin ("CBM") so that Staff can adequately review the proposed capacity. Order No. 36070 at 4.

Compliance Filing

On March 27, 2024, the Company filed a Compliance Filing and included three changes. First, the Company used the most recent load forecast developed in March of 2024. Second, the Company removed the 14-MW WRAP capacity benefit. Third, the Company removed the capacity of CBM, even though Order No. 36070 did not require it to do so. As a result of the changes, the first capacity deficiency period shifted from July 2026 to June 2026.

Staff believes that the three changes made by the Company are reasonable. First, the difference between the most recent load forecast and the proposed load forecast contained in the Company's Application was caused by variability in the expected ramp of load growth for some industrial customers. In the most recent load forecast, the load ramp has been pushed back by several months for some industrial customers. Compliance Filing at 4. Staff believes that this load change is reasonable. Second, the Company removed the WRAP capacity benefit to comply with Order No. 36070. Third, as for CBM, although the Company set aside 330 MW of import transmission capacity on the Company's transmission system, it does not have corresponding third-party transmission reservations to the Mid-C market. Compliance Filing at 6. Additionally, continued evaluation showed that last-minute transmission capacity to the Mid-C market outside of the Company's border has not been consistently available. *Id.* Staff believes it is reasonable to remove CBM due to inconsistent transmission availability.

Although Staff agreed with the changes the Company made through its Compliance Filing, it identified two issues that needed to be further addressed. First, the Company did not provide each year's deficit amounts, which are required by the Surrogate Avoided Resource ("SAR") Model; instead, the Company only provided a first capacity deficiency period of June 2026. Second, the proposed deficits in the Application only showed annual capacity positions without distinguishing winter and summer, but the SAR Model requires separate deficit inputs for winter and summer. On April 4, 2024, Staff contacted the Company regarding these issues.

Supplemental Compliance Filing

On May 2, 2024, the Company filed a Supplemental Compliance Filing to address these issues and provided updated annual and seasonal capacity positions. The annual capacity positions were determined by using 0.1 event-days per year Loss of Load Expectation ("LOLE") reliability threshold, while the seasonal capacity positions were determined by applying a 0.05 event-days per year LOLE threshold to summer and winter, respectively. The Company tested various seasonal LOLE thresholds and it concluded, and Staff agrees, that the 0.05 event-days per year LOLE seasonal threshold is roughly equivalent to an annual LOLE threshold of 0.1 event-days per year.

Staff believes it is appropriate to use the 0.05 event-days per year LOLE threshold for both summer and winter, but only for purposes of determining the amounts of deficits required by the SAR model. The Company's Reliability and Capacity Assessment Tool ("R-CAT") model is used to determine the annual capacity positions and amounts of deficit. To determine the deficit in one season (i.e. summer or winter), the Company added resources in the other three seasons to ensure the seasonal capacity position is based on the risks within the specified season only. As a result, the Company needed to establish separate and more stringent seasonal LOLE thresholds to arrive at an equivalent annual deficit position.

SAR Model Updates

Staff made the following changes to the SAR Model:

- Seasonal capacity deficits are entered on Tab "Input – IPCO IRP", which are used by Tab "Input – Load and Resource". As a result, the avoided cost of capacity will be paid to new projects starting in the first deficit year of 2026.
- Tab "IPCOStorage(Capacity) is updated to reflect the first deficit year of 2026.

Staff re-calculated avoided cost rates for new contracts to reflect the new capacity deficit information. Attachment A shows the updated published avoided cost rates for new contracts.[1]

Please review these attachments and file a response with the Commission by May 22, 2024, stating whether the updates to the SAR model and the calculations were made correctly. Please contact Yao Yin (yao.yin@puc.idaho.gov) if you have any questions.

Sincerely,

Adam Triplett

Adam Triplett
Deputy Attorney General

Enclosures

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[1] Published avoided cost rates for renewal contracts are not affected by the new first capacity deficit date, because those rates contain capacity payments from the first year of the contract term.