

DECISION MEMORANDUM

TO: COMMISSIONER ANDERSON
COMMISSIONER HAMMOND
COMMISSIONER LODGE
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: YAO YIN
ADAM TRIPLETT, DEPUTY ATTORNEY GENERAL

DATE: JUNE 4, 2024

RE: 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.

BACKGROUND

On October 23, 2023, Idaho Power Company ("Company") submitted an Application to the Commission for approval of its first capacity deficiency period of July 2026 used for its Public Utility Regulatory Policies Act of 1978 ("PURPA") avoided cost calculations.

On January 29, 2024, the Commission issued Order No. 36070, requiring the Company to submit a compliance filing that (1) reflects the Company's most recent load forecast along with an explanation of the difference from the proposed load forecast; (2) excludes the 14-megawatt ("MW") Western Resource Adequacy Program ("WRAP") capacity benefit; and (3) provides evidence substantiating its proposed Capacity Benefit Margin ("CBM") so that Staff can adequately review the proposed capacity. Order No. 36070 at 4-5.

On March 27, 2024, the Company filed a Compliance Filing. However, this filing did not include information regarding deficit amounts needed for the Surrogate Avoided Resource model update.

On May 2, 2024, the Company filed a Supplemental Compliance Filing that included the necessary additional information.

STAFF REVIEW

The purpose of this memo is to provide Staff's analysis and recommendations (1) regarding the Company's Compliance Filing (filed on March 27, 2024) and Supplemental Compliance Filing (filed on May 2, 2024) necessary to comply with Commission Order No. 36070, and to establish an updated capacity deficit date for determining when capacity payments can begin for new PURPA contracts; and (2) to update the Company's published avoided cost rates through the Surrogate Avoided Resource ("SAR") Model utilizing the updated capacity deficit date.

Capacity Deficit Date in Compliance Filings

To fully comply with the Order, the Company submitted three updates to the proposal in its original Application. 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, which Staff believes is reasonable.

The Company also submitted its most recent forecast as ordered by the Commission. The primary difference between the most recent load forecast and the originally proposed load forecast contained in the Company's Application was caused by the expected load growth ramp for some industrial customers being pushed back by several months. Compliance Filing at 4. Staff believes the reasons for the change in the load forecast due to these reasons are reasonable.

Second, the Company removed the WRAP capacity benefit to comply with Order No. 36070.

Third, the Company removed the capacity contribution of the CBM from the Company's capacity position calculation because the CBM does not have corresponding third-party transmission reservations to the Mid-C market. The Company's continued evaluation showed that last-minute transmission capacity to the Mid-C market outside of the Company's border has not been consistently available. Compliance Filing at 6. Staff believes it is reasonable to remove CBM due to inconsistent transmission availability.

Update of Published Avoided Cost Rates

Although Staff agreed with the changes the Company made through the Compliance Filing, it identified two issues that needed to be addressed in order to establish new published avoided cost rates. First, the Company only provided the first capacity deficiency period of June 2026, but did not provide each year's deficit amounts required by the SAR Model. Second, the proposed deficits in the Application only showed annual capacity positions without separate winter and summer deficits required by the SAR Model.

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") 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.

On May 16, 2024, Staff updated the SAR Model and the published avoided cost rates, using the seasonal deficit positions, and sent both the SAR Model and the rates to the Company for verification.

On May 22, 2024, the Company filed a letter with the Commission, agreeing with Staff's updates in the SAR model and the resulting rates.

STAFF RECOMMENDATION

Staff recommends the Commission approve the following with an effective date based on when a final order is issued:

- The first capacity deficiency period of June 2026 identified in the Compliance Filing;
- The seasonal deficit positions contained in the Supplemental Compliance Filing; and
- The updated published avoided cost rates and updated SAR Model filed by Staff on May 16, 2024.

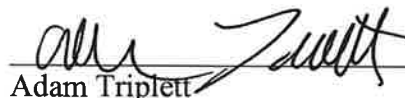
COMMISSION DECISION

Does the Commission wish to approve the following with an effective date based on when a final order is issued:

- The first capacity deficiency period of June 2026 identified in Compliance Filing;
- The seasonal deficit positions contained in Supplemental Compliance Filing; and
- The updated published avoided cost rates and updated SAR Model filed by Staff on May 16, 2024?



Yao Yin
Utilities Analyst II



Adam Triplett
Deputy Attorney General

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