Office of the Secretary
Service Date
December 30, 2024

# BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| **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-24-40**<br><br>**ORDER NO. 36434** |

On October 15, 2024, Idaho Power Company ("Company") filed its annual compliance filing to update the load forecast, natural gas forecast, and long-term contract changes used in the Company's Incremental Cost Integrated Resource Plan ("ICIRP") avoided cost methodology ("Filing"). 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 4, 2024, the Commission issued a Notice of Filing, establishing public comment and Company reply deadlines. Order No. 36385. Commission Staff ("Staff") filed comments to which the Company replied. No other comments were received.

Having reviewed the record, the Commission issues this Order approving the Company's annual update to its load forecast, contract changes, Peak Hours, and Premium Peak Hours as filed. The Commission declines to adopt the Company's natural gas price forecast and directs the Company to take additional action described below.

## BACKGROUND

Pursuant to 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 may 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 currently forecasts an average annual load growth for the 20-year period from September 2024 forward that constitutes an increase from the average annual load growth forecast that the Commission approved in the Company's September 2023 forecast update.[1] According to the Company, it developed its natural gas forecast using the most recent Henry Hub and Sumas Basis Annuals from S&P Global Platt's Long-term Forecast, which was published in September 2024. The Company continues to believe this forecast is the most appropriate for its IRP avoided cost model.

The Company states it has six non-PURPA, long-term power purchase agreements with projects that are currently online—Elkhorn Valley Wind (101 megawatts ("MW")), Raft River Geothermal (13 MW), Neal Hot Springs Geothermal (22 MW), Jackpot Solar (120 MW), Black Mesa Solar (40 MW), and Franklin Solar (100 MW). In addition to its agreements with non-PURPA projects, the Company has 129 contracts for PURPA QFs which, in the aggregate, have a total nameplate capacity of 1,128.58 MW.

The Filing also updates the Peak and Premium Peak Hours ("PPH") used by the Company for the avoided capacity cost calculations available to energy storage QFs. The Company proposes updated timeframes for determining its PPH for 2025 using the method directed by the Commission in Order No. 34913. The Company proposes Peak hours for 2025 as follows: 1:00 pm through the 9:00 pm hour (to 10:00 pm) for the month of July; 3:00 pm through the 7:00 pm hour (to 8:00 pm) for the month of August. The Company also proposes PPH for 2025 as follows: 5:00 pm through the 9:00 pm hour (to 10:00 pm) for the month of July; 5:00 pm through the 7:00 pm hour (to 8:00 pm) for August.

## STAFF COMMENTS

Staff recommended approval of the Company's updated load forecast, PPH for use in calculating capacity payments for energy storage QFs using ICIRP-based avoided cost rates, and Peak Hours for use in calculating payments for energy storage QFs using SAR-based rates. Staff also believed that the contract updates contained in the Filing are correct. However, Staff

[1] The Commission approved the Company's September 2023 forecast in Order No. 36037 in December 2023.

recommended that the Commission approve the natural gas forecast contained in Table No. 1 of Staff's comments for use in determining the Company's ICIRP-based avoided cost rates, instead of the Company's proposed forecast. Staff's analysis and rationale for each of these recommendations is described below.

**1. Load Forecast**

Staff compared the load forecast proposed in the Filing with that approved in the Company's last forecast update in Case No. IPC-E-23-25. Although the proposed load forecast generally exceeds that approved in Case No. IPC-E-23-25 throughout the forecast period, Staff believed the difference is reasonable and explained by (1) increased demand from a special contract customer; and (2) commercial and industrial load growth stemming from population growth and economic development. Additionally, Staff noted the Company's adoption of a 50$^{th}$ percentile load forecast better reflects expected load under normal conditions and, therefore, avoided costs.

**2. Peak and Premium Hours**

Despite concerns about the load forecast percentiles used to develop them, Staff believed the Company's proposed PPH are reasonable. Staff noted that the Company used the same method to develop the proposed PPHs used to develop the PPH approved in the Company's last forecast update. However, Staff expressed concern that some of the datasets the Company analyzed to develop its PPH were based on different percentiles of load. Specifically, Staff noted that the forecasted 2025 average hourly load the Company analyzed was based on the 50$^{th}$ percentile while the Loss of Load Probability data from the 2023 Integrated Resource Plan's Preferred Portfolio is based on the 70$^{th}$ percentile. Although Staff recommended that the Company use the same percentile across the datasets used to develop its PPH for comparable results, the highest load hours are the same under both the 50$^{th}$ and 70$^{th}$ percentile of load forecasts. Accordingly, Staff believed the Company's proposed PPHs are reasonable and recommended approval of (1) the proposed PPHs for calculating the capacity payments under ICIRP-based avoided cost rates; and (2) the proposed Peak Hours for calculating capacity payments under SAR-based rates.

**3. Natural Gas Forecast**

Staff recommended using the average of Avista's and Rocky Mountain Power's natural gas forecasts, instead of the Company's proposed forecast. To support this recommendation, Staff noted that the proposed forecast is substantially different than (1) Avista's and Rocky Mountain Power's forecasts in the near term; and (2) the gas forwards market published by NYMEX. Staff's comments indicated that the inconsistency between the Company's proposed forecast and that of the other two major Idaho electric utilities apparently arose from changes to market fundamentals. However, these changes are not reflected in Henry Hub forecasts of either Avista or Rocky Mountain Power. Accordingly, Staff believed the Company's natural gas forecast was unreasonable.

## COMPANY REPLY COMMENTS

The Company accepted Staff's recommendations to approve the load forecast and PPHs and focused its reply comments on opposing Staff's recommendation to substitute the proposed natural gas forecast with the average of Avista's and Rocky Mountain Power's natural gas forecast. The Company supported its opposition with two arguments. First, the Company argued that rejecting its natural gas forecast runs contrary to the intent of the forecast update process. In this vein, the Company contended that the purpose of updating the load and gas forecasts is to produce an accurate reflection of the Company's current avoided costs. According to the Company, not only would adopting Staff's recommendation disconnect the price forecast in the 2023 IRP from the forecast used in the ICIRP, but it would do so without the level of public review and comment by the Company's stakeholders available in the IRP process.

The Company also contends that Staff's recommendation to reject the Company's natural gas forecast is not supported by evidence. To support this contention, the Company noted its forecast is based on specific drivers and market fundamentals. Furthermore, the Company observed that the Henry Hub and NYMEX are distinct and relying exclusively on current NYMEX futures will not accurately reflect the daily gas price exposure the Company will eventually experience. Additionally, the Company objected to the inputs of other utilities being used to update its avoided cost rates. In particular, the Company noted that Avista's natural gas forecast will be more than a year old when the update becomes effective on January 1, 2025. Accordingly, the Company requested that the Commission approve its natural gas forecast contained in the Filing.

## 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, Staff's comments, and the Company's reply. Although we find the proposed load growth forecast and all contract changes to be reasonable as filed, we cannot say the same for the Company's proposed natural gas price forecast. Although the Company's Henry Hub forecast for 2025 only slightly exceeds those submitted by Avista and Rocky Mountain Power, it jumps significantly for 2026—almost doubling the price predicted for 2025 and then dropping back down in 2027. In addition to the forecasts filed by Avista and Rocky Mountain Power, NYMEX futures do not indicate that the Company's forecasted price spike will occur in 2026. Throughout the Company's forecasted spike, the forecasts for Avista and Rocky Mountain Power are nearly the same, appear consistent with NYMEX forward prices, and remain substantially stable. Furthermore, contracts negotiated with ICIRP avoided cost methodology are typically two-year contracts, making the accuracy and reliability of near-term price forecasting critical.

Moreover, this is not the first time a significant discrepancy between the Company's natural gas forecast and those submitted by Idaho's two other large electric utilities has arisen. The Company's 2021 natural gas forecast was significantly lower than Avista's and Rocky Mountain Power's forecasts over the near-term, which is the critical timeframe for two-year PURPA contracts for QFs. Order No. 35294. To address this discrepancy, we directed the Company to file a three-year natural gas forecast using the latest NYMEX forwards prices to determine IRP avoided cost rates for contracts signed after January 1, 2022, until the Company's next natural gas price forecast annual update.

We find it reasonable to impose a similar requirement in this case. We acknowledge the Company's concern that NYMEX forward prices rely on hedging practices that differ from the Company's. However, the NYMEX forecast reflects current market conditions and aligns with other similar forecasts filed by Avista and Rocky Mountain Power. Accordingly, we direct the Company to file a three-year natural gas forecast utilizing the latest NYMEX forward prices as a compliance filing. This forecast shall be used to determine avoided cost rates for contracts signed after January 1, 2025.

Finally, the Peak Hours and Premium Peak Hours used to calculate and pay capacity payments for energy storage QFs are the same as those approved in the Company's last forecast update. We acknowledge Staff's concerns over the Company's use of the $50^{th}$ percentile load forecast on some of the datasets used to generate the Peak Hours and Premium Peak Hours. However, because the highest-load hours are the same for the $50^{th}$ or $70^{th}$ percentile of load forecast, we find it reasonable to approve the Company's proposed Peak Hours and Premium Peak Hours.

## ORDER

IT IS HEREBY ORDERED that the Company's annual updates to its energy load forecast are reasonable and approved, effective as of January 1, 2025.

IT IS FURTHER ORDERED that the Company file a three-year natural gas forecast update as a compliance filing to this case, utilizing the latest NYMEX forward prices to determine avoided cost rates from contracts signed after January 1, 2025, until the effective date of the next natural gas price forecast annual update.

IT IS FURTHER ORDERED that the Company's proposed Premium Peak Hours used to calculate and pay capacity payments for energy storage QFs using ICIRP-based avoided cost rates are approved, as filed.

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

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30th day of December 2024.

ERIC ANDERSON, PRESIDENT

JOHN R. HAMMOND JR., COMMISSIONER

EDWARD LODGE, COMMISSIONER

ATTEST:

Monica Barrios-Sanchez
Commission Secretary

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