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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF ROCKY MOUNTAIN)
POWER'S APPLICATION FOR APPROVAL OF) CASE NO. PAC-E-20-13
A CAPACITY DEFICIENCY PERIOD TO BE)
USED FOR AVOIDED COST CALCULATIONS)
) COMMENTS OF THE
) COMMISSION STAFF

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

BACKGROUND

On October 6, 2020, Rocky Mountain Power ("Company"), a division of PacifiCorp, applied for Commission approval of a capacity deficiency period beginning July 2029, to be used in 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 applicable capacity deficit date is reached. 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 Company filed its IRP in October 2019. The 2019 IRP showed a capacity deficiency period beginning July 2028. The Company notes that Commission Staff critiqued the Company's load and resource balance used for PURPA purposes, specifically the early retirement of several thermal resources that were included in the load and resource balance. *See* Case No. PAC-E-19-16, Staff Comments at 5. The Company explains in its Application that it calculated its capacity deficiency date in the present docket by removing the early retirement of the thermal resources noted by Staff in Case No. PAC-E-19-16 and updating the power purchase agreements in its load and resource balance.

The Company states that these updates to the 2019 IRP result in a capacity deficiency date in July 2029.

STAFF ANALYSIS

Staff examined the peak-load forecast and resources in the Load and Resource Balance ("L&R") filed in this case. The L&R is used to determine the proposed capacity deficiency date used in both the IRP and SAR methods.¹ Based on its analysis, Staff recommends the Company update the L&R and the resulting capacity deficiency date by addressing the following: (1) utilize the most recent peak-load forecast developed by the Company because the proposed load forecast does not reflect current economic conditions; (2) the Company should assume that expiring PURPA contracts are renewed after their current term is complete, unless the Company has been notified from QFs that they will not renew their contracts; (3) the Company should include any contract changes since the Application was prepared; and (4) the Company should reflect coal plant derate adjustments in the appropriate years.

If Staff's recommendations are authorized by the Commission, Staff proposes to update published rates on the Commission's website after the Company files an updated L&R and capacity deficiency date through a compliance filing. Details for each of the recommendations are contained in the following sections.

¹ In the Company's Application, it appears the Company incorrectly references using the capacity deficiency date in the SAR method only. *See* Application at 6; Order Nos. 33377, 33159, 33898, and 33933.

Peak-Load Forecast

The peak-load forecast in the L&R was created in September 2018. Staff is concerned that circumstances have changed since it was developed, especially given the COVID pandemic that began in early 2020 and its potential impacts on customer consumption patterns that could change the amount of load during system coincident peak. Staff believes changing economic conditions generally result in changes to both energy and peak load. The Company's energy load forecast filed in Case No. PAC-E-20-16 when compared to the previous year's filing reflected a small reduction in energy due to the pandemic in the first few years of the forecast. Although small, the reduction in energy indicates a change in consumption. Furthermore, an energy forecast being an average, it may not reflect a shift in hourly consumption patterns, which would be reflected in the peak load forecast. Because Staff believes the pandemic may have influenced consumption patterns affecting peak loads, Staff recommends that the Company recalculate the deficiency date using the Company's most recent peak-load forecast that incorporates all changes in the business environment if one is available.

Resources in the L&R

Staff reviewed the resources the Company included in the L&R for determining the capacity deficiency date. Resources can be represented either as resources serving load or reflected as a reduction to the peak-load forecast in the L&R. In this year's review, Staff performed a comparison of the different types of resources that were included in the L&R between Idaho's three regulated electric utilities to develop consistency between the utilities. Based on this analysis, Staff agrees with all resources the Company included in its L&R—except the absence of PURPA contract renewals, the use of out-of-date contract information, and the inappropriate treatment of derate adjustments.

PURPA Renewals

Staff compared the resources included in the L&R in the most recent capacity deficiency filings by PacifiCorp (current filing), Avista (AVU-E-20-03), and Idaho Power (IPC-E-19-20). Staff also examined the rationale each Company used for determining what and how resources should be included in its L&R. Staff's objective in making these comparisons was to develop a common standard for what should be included in the L&R for each type of resource. In Order

No. 29880, the Commission made it clear that consistency is important between the three regulated utilities:

The Commission develops its PURPA contract standards and requirements in generic methodology, ratesetting[,] and complaint cases....It is reasonable for QFs to expect that the contract requirements of Idaho regulated electric utilities will be similar and that a QF will not be disadvantaged by choosing to sell to one utility rather than another.

Order No. 29880 at 10.

After identifying differences between the utilities, Staff used the justifications and rationales obtained through production requests, meetings with utilities, and the Staff's evaluation of resources to document resources that are "available" and/or "existing" to include in the L&R.² A summary of these common standards for each resource type are included in Attachment A.

After developing common standards, Staff compared them to the resources the Company included in its L&R for establishing its proposed capacity deficiency date. Staff used the common standards as a default; if the Company's proposal deviated from the standard but the Company provided sufficient evidence, an exception could be made. The only difference between Staff's common standards and the resources included in the Company's proposed L&R was the treatment of PURPA contract renewals. Because the Company assumes that PURPA contracts, except for co-generation contracts, are not renewed at the end of the contract term, the Company excluded PURPA contract renewals from its L&R. However, Staff believes that almost all PURPA contracts will seek renewals and will be "available" to serve the Company's load for three reasons. First, utilities are mandated by PURPA to take energy produced by a facility determined to be a QF. 18 C.F.R. § 292.303. Second, since these facilities are already "existing" and currently in operation, the roadblocks to establishing a renewal contract are minimal. Third, there were 26 projects in total that were scheduled to expire in 2019 and 2020. Only two of them have expired without establishing a renewal. In every case, every facility continuing operation after its contract expired has established another contract with the same utility. Therefore, Staff believes the Company should assume expiring PURPA contracts are

² The Commission expressed its expectation for focusing on "available" and/or "existing" resources when deciding whether transmission capacity should be included in the L&R in Order No. 33425.

renewed after their current term is complete, unless the Company has been notified by a QF that its contract will not be renewed.

Contract Changes Since Development of Application

Since the preparation of the Application, there have been several contract changes. For example, the Company has entered into two non-PURPA contracts for solar resources, totaling 200 megawatts (MW) of nameplate capacity. *See* Attachment B (Response to Production Request No. 18 (c)). While Staff recognizes that utilities may add (or remove) resources during the comment period in capacity deficiency cases, and it would be inefficient and impractical to require utilities to update their L&R for each resource change prior to the Commission's final order, the amount of capacity added by the Company since the Application date is significant enough to impact the proposed deficiency date. Staff recommends the Company update the amount of capacity contribution in the L&R for recent resource contracts since the Application was developed.

Coal Plant Retirements and Derates

The Company's proposed L&R removes the early retirement of thermal resources, which includes Craig Unit Nos. 1 and 2, Colstrip Unit Nos. 3 and 4, Naughton Unit Nos. 1 and 2, and Jim Bridger Unit Nos. 1 and 2, to reflect these resources' useful life. This is consistent with Staff's common standards for company-owned resources and Staff's recommendation in Case No. PAC-E-19-16. These thermal resources are currently "available" and/or "existing" resources and any early retirements may be delayed to maintain reliability. Staff's ongoing evaluations to retire coal units early are based on economic decisions and since economic retirements may be delayed it does not create deficits until committed and approved.

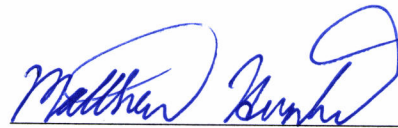
Removing early retirement of thermal resources required the Company to also back out coal-plant derates associated with these plant closures. To accomplish this, the Company lumped the cumulative amount of coal plant derates into the deficit year. To ensure the proper amount of derates are backed out of the L&R so that accurate deficiency years and amounts can be determined, Staff recommends each derate adjustment be reflected independently in the appropriate year, regardless of the deficit year, as was done in response to Staff Production Request No. 18.

STAFF RECOMMENDATION

Staff recommends that the Commission order the Company to file an updated L&R for both summer peak and winter peak with capacity deficiency dates and amounts through a compliance filing. If authorized, Staff recommends that the updated L&R for both summer peak and winter peak should include:

1. The most recent peak-load forecast;
2. The assumption that all current PURPA contracts will be renewed, unless the Company has information about specific contracts to the contrary;
3. All contract changes since development of the Application; and
4. The appropriate derate adjustments for each year.

Respectfully submitted this 22nd day of December 2020.



Matt Hunter
Deputy Attorney General

Technical Staff: Yao Yin
Rachelle Farnsworth

i:umisc/comments/pace20.13hyrf comments

Attachment A

Default Standards for Items in the Load and Resource Balance for Determining Capacity Deficiency	
Items	Justification
Company-Owned Resources	<p>Default Standards</p> <p>Existing resources reflect their authorized useful life, unless early retirements are authorized. Future resources and their useful life are included when authorized.</p>
Long-Term Generation Contracts	<p>Existing PPAs expire at the end of the contract term. New contracts are only included if authorized.</p>
PURPA Contracts	<p>All existing PURPA contracts are assumed to be renewed throughout the planning horizon, unless utilities have received information from QFs that contracts will not be renewed.</p>
Interruptible Load Contracts	<p>Interruptible load contracts are assumed to be renewed throughout the planning horizon, unless utilities have received information that such contracts will not be renewed.</p>
Planning Reserve Not Associated With Interruptible Load Contracts	<p>Interruptible capacity is firm and do not require planning reserves.</p>
Demand Response	<p>Existing DR programs are included at current levels, but can reflect forecasted changes in the amount based on forecast levels of participation or known changes to program. Future new DR programs are not included.</p>
Energy Efficiency	<p>All cost-effective EE is included based on forecasted participation.</p>
	<p>PPAs from merchant generators can sell to any buyer through competitive bidding once capacity is no longer under contract.</p> <p>Historic data shows that QFs seek renewals after contract expiration. Utilities are mandated to purchase power from qualifying facilities under PURPA. The roadblocks preventing an existing QF from establishing a renewal contract are minimal.</p> <p>Interruptible load contracts are with large existing customer and historical data shows they provide interruptible services as long they remain a load customer.</p> <p>Interruptible capacity contracts are firm.</p> <p>Potential new DR programs are planned as alternatives to meet future capacity deficits and constrained by future load. Until programs are implemented, amount of capacity is speculative. Order No. 33159 allows current DR participation to be used as a reasonable estimation of participation into the future for existing programs.</p> <p>Utilities are expected to pursue all cost-effective EE. See Order Nos. 32426 and</p>

<p>Private Generation: Net Metering</p>	<p>Net metering included at current levels but can reflect forecasted changes in the amount based on forecast levels of participation or known changes. Capacity is shown as an adjustment to load.</p>	<p>33917. Amount of EE is not constrained by future load. Capacity on the system is not constrained by load. Amount depends on customers that choose to make the investment.</p>
<p>Private Generation: Large Customers Generating Into Own Load</p>	<p>Private generation included at existing levels with future amounts based on known changes. Capacity is shown as an adjustment to load.</p>	<p>Private generation are also large customers and expected to self-generate as long as customer is included as load.</p>
<p>Front Office Transaction/ Market Purchases</p>	<p>Market purchases included in the Load and Resource Balance. Both existing transmission capacity and market availability should be considered.</p>	<p>Order No. 33425 states that a utility's import capability – its ability to make short-term purchases using its transmission capacity – should be included in the L&R.</p>
<p>Long-Term Wholesale Sales Obligations</p>	<p>Existing obligations expire at the end of contracts. No new, forecasted contracts are included.</p>	<p>Utilities plan resources to meet native load, while only selling into the wholesale market opportunistically.</p>
<p>Non-Owned Reserve Sales</p>	<p>Existing non-owned reserve sales are included throughout the planning horizon, unless utilities are informed by the transmission customer of future changes.</p>	<p>These types of reserve sales will continue to exist since utilities are required to balance the generation and load from these types of transmission customers (e.g. municipals and co-ops)</p>

IPUC Data Request 18

Please provide updated system capacity Load and Resource Balances for both summer peak and winter peak that meet the following criteria:

- (a) The most recent load forecast completed in June 2020 and mentioned in Response to Staff's Production Request No. 10 that reflects the COVID-19 pandemic.
- (b) Updated planning reserves based on the load forecast discussed above.
- (c) The latest contract information of both PURPA contracts and non-PURPA contracts as of filing the response to this request. In addition, please explain the difference between the latest contract information and the contract information used in the Application.
- (d) Cumulative coal plant derate adjustments that would be applied in each year, independently, so that the "Sufficiency/Deficiency w/o Early Retirements" are accurate for each year, instead of only providing cumulative derates for 2029.

Response to IPUC Data Request 18

Please refer to Confidential Attachment IPUC 18.

- (a) The change in the June 2020 load forecast, relative to the 2019 Integrated Resource Plan (IRP) forecast, is calculated within Confidential Attachment IPUC 18, tab "Load Forecast Update".
- (b) The change in the load forecast, grossed up for the impact of the 13 percent planning reserve margin (PRM), is shown in row 64 of tabs "Tbl 5.12" (for summer) and "Tbl 5.13" (for winter). This amount is subtracted from the "SAR Sufficiency/Deficiency" calculation on row 69 of both tabs.
- (c) Row 68 of tab "Tbl 5.12" (for summer) and tab "Tbl 5.13" (for winter) has been updated to include signed contracts through November 30, 2020. Since the Application in this proceeding was prepared, the Company has entered into two non-qualifying facility (QF) Public Utility Regulatory Policies Act (PURPA) power purchase agreements (PPA) for solar resources, totaling 200 megawatts (MW) nameplate capacity, and has extended two existing QF PURPA PPAs for Idaho small hydro resources totaling 0.8 MW. The Company has also entered or extended four non-firm (NF) QF PURPA contracts with 64 MW of nameplate capacity, which do not impact the capacity load and resource balance.
- (d) Please refer to row 80 of "Tbl 5.12" (for summer) and "Tbl 5.13" (for winter).

PAC-E-20-13 / Rocky Mountain Power
December 4, 2020
IPUC Data Request 18

Confidential information is provided subject to protection under IDAPA 31.01.01.067 and 31.01.01.233, the Idaho Public Utilities Commission's Rules of Procedure No. 67 – Information Exempt from Public Review, and further subject to any subsequent Non-Disclosure Agreement (NDA) executed in this proceeding.

Recordholder: Dan MacNeil

Sponsor: To Be Determined

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 22ND DAY OF DECEMBER 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-20-13, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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