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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF ROCKY MOUNTAIN POWER'S APPLICATION FOR APPROVAL OF A CAPACITY DEFICIENCY PERIOD TO BE USED FOR AVOIDED COST CALCUATIONS	**CASE NO. PAC-E-22-14** **COMMENTS OF THE COMMISSION STAFF**

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Michael Duval, Deputy Attorney General, submits the following comments.

BACKGROUND

Order No. 33917 required each Idaho electric utility to submit a capacity deficiency period filing after the Commission has acknowledged its Integrated Resource Plan ("IRP"). A capacity deficiency period 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 period case. Order No. 32697.

On September 1, 2021, the Company filed its original 2021 IRP in Case No. PAC-E-21-19.

On September 15, 2021, the Company filed an updated IRP ("2021 IRP" or "IRP") for the purpose of clarifying some changes in the IRP filed on September 1, 2021.

On March 15, 2022, Commission Staff ("Staff") and Intervenors submitted comments on the 2021 IRP.

On April 4, 2022, the Company submitted the "2021 IRP Update," which included an updated load and resource balance ("L&R").

On August 30, 2022, the Commission acknowledged the Company's 2021 IRP (not 2021 IRP Update) in Order No. 35514.

On October 4, 2022, Rocky Mountain Power ("Company"), a division of PacifiCorp, applied for Commission approval of a capacity deficiency period beginning in the summer of 2023, to be used in avoided cost calculations using the Surrogate Avoided Resource ("SAR") method.

STAFF ANALYSIS

Staff reviewed the Company's Application and recommends that the Company make the following changes to the proposed L&R and First Capacity Deficit Date through a compliance filing:

1. The capacity deficiency period should be used to determine when capacity payments begin for both IRP-based and SAR-based contracts;
2. Provide the L&R using the 20-year IRP planning horizon, instead of the 9-year timeframe submitted with the Company's filing;
3. Provide the L&R reflecting both summer and winter peak;
4. Use the 2021 IRP Method, instead of the 2021 IRP Update Method, to determine capacity contributions of all resources;
5. Assume renewal of PURPA projects located in the State of Idaho, unless the Company has information from specific qualifying facilities ("QFs") to the contrary;
6. Update the L&R to include all contracts executed by the date of the Commission order that are eligible for rate recovery;
7. Include the additional 3% contingency reserves above the Front Office Transaction ("FOTs") limit only if it increases the amount of available FOTs that the Company can rely on to meet its load obligations;
8. Include projected growth in existing Demand Response ("DR") programs;
9. Among the selected DR programs from the 2021 Request for Proposals ("RFP"), only include approved programs in the L&R;

10. Include existing DR programs and approved new DR programs consistently in the L&R such that they are both treated either as a decrement to load or as a resource; and
11. Verify the value of the existing Energy Efficiency ("EE") in the load forecast, ensuring 68 megawatts ("MW") is used.

Determination of the First Capacity Deficit Date through the L&R

The Company's L&R shows the relationship between the Company's capacity contribution of its existing resources including available FOTs and its future peak load obligations. When these obligations exceed the capacity contribution of the Company's existing resources with FOTs, it identifies when the Company becomes capacity deficient, referred to as the First Capacity Deficit Date. It is at this point when new QFs begin avoiding capacity cost for the system and are eligible to start receiving capacity payments. *See* Order No. 32697.

In examining the Company's overall proposed L&R, Staff identified three major issues: (1) the Company requested that the capacity deficiency period be used only for SAR-based contracts; (2) the Company only included a 9-year L&R instead of a full 20-year L&R; and (3) the Company only provided a L&R for the summer peaks, but not for winter peaks.

First, the Company requested that the capacity deficiency period be used only for SAR-based contracts. Application at 6. However, prior Commission orders require the capacity deficiency period to be used for both SAR and IRP-based contracts. *See* Order Nos. 33377, 33159, 33898, and 33933. Regardless of the method, QFs should only begin receiving capacity payments starting on the First Capacity Deficit Date authorized at the time when a contract is executed.

Second, the proposed L&R uses a 9-year timeframe from 2023 through 2031. Staff recommends that the timeframe of the L&R be aligned with the planning horizon used in the IRP because the SAR model uses not only the first deficit year information (i.e., when capacity payments will be made), but also deficit values of each year. For example, if a deficit value is smaller than a QF's capacity size, partial capacity payments will be made. Ideally, 20 years of surplus/deficit values are available for a contract term of 20 years.

Third, the Company only filed a L&R for summer peaks in the Application. Order No. 34918 requires the Company to file a L&R for both summer and winter peaks. Staff recommends that the Company file an updated L&R for both peaks[1] in a compliance filing.

Peak Load Forecast and Future Obligations for Incremental Resources

The proposed L&R uses the Company's latest peak load forecast, which was developed for the 2021 IRP Update. *See* Application at 4 and Response to Staff's Production Request No. 3. Staff believes using the latest forecast provides the most accurate prediction of future loads because it incorporates the latest inputs and assumptions. Staff believes the proposed load forecast is reasonable and complies with Order Nos. 33958, 34918, and 35415.

The Company added a 13% planning reserve margin ("PRM") to the load forecast. The sum of these amounts represents the load obligation the Company must meet by planning a sufficient level of resources necessary to meet a Loss of Load Hours ("LOLH") target of 2.4 hours per year, which equates to one day in ten-year Loss of Load Expectation, a common reliability target in the industry. The PRM reflects capacity the Company needs to hold in reserve to manage uncertain events such as weather changes and generation outages and known requirements such as contingency reserves required by North American Electric Reliability Corporation ("NERC").

Existing Resources and Available FOTs in L&R

As discussed earlier, the existing resources and available FOTs are compared against future peak load obligations in the L&R to determine the timing and extent of deficiency that will occur in the Company's system. Staff reviewed all of the existing resources and available FOTs and believes they are reasonable except for issues discussed in further detail below including: (1) the method used to determine the capacity contribution of some resources; (2) assumptions about PURPA renewals; (3) contract updates since the filing of this case; (4) an additional amount of contingency reserves associated with FOTs; (5) issues related to DR programs; and (6) verification of EE amounts decremented from the load forecast.

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[1] The SAR model uses the greater of summer deficit and winter deficit to calculate each year's deficit. See Tab "Input-Load and Resource" in the SAR model.

Capacity Contribution Determination

The proposed L&R uses two different methods to determine capacity contributions for different resources: the method used in 2021 IRP and the method used in the 2021 IRP Update. Staff believes that only one method should be used for all resources for consistency and recommends that the Company use the 2021 IRP Method, because the 2021 IRP Update Method has not been fully vetted.

The fundamental difference between the two methods is how capacity is allocated to various resources to determine each resource's overall capacity contribution. The 2021 IRP Method allocated capacity on an hourly basis. Whereas, the 2021 IRP Update Method allocated capacity using the top 5 percent net load hours. *See* Responses to Staff's Production Requests Nos. 9 and 33. The capacity allocation under the 2021 IRP Method uses significantly more hours beyond the top 5 percent net load hours used in the 2021 IRP Update. As a result, different weightings of the time periods lead to different capacity contributions of resources. *See* Response to Staff's Production Request No. 33 (b).

Some resources (such as certain small contracts) in the proposed L&R use the 2021 IRP Method, while others (such as certain larger resources) use the 2021 IRP Update Method.[2] Staff recommends that only the 2021 IRP Method be used for all resources until the 2021 IRP Update Method has been sufficiently verified to be accurate and then can be consistently applied to all resources.

In addition, the 2021 IRP Update was filed after Idaho parties submitted comments on the 2021 IRP in Case No. PAC-E-21-19. Staff did not perform a review of the different method used in the 2021 IRP Update and the Update has not been vetted by stakeholders through a subsequent case. Until the 2021 IRP Update Method has been vetted through a full IRP process, Staff recommends that the Company use the 2021 IRP Method to determine capacity contributions of all resources for the purpose of this case.

PURPA Renewals

The proposed L&R does not assume PURPA contracts will be renewed. *See* Responses to Staff's Production Request Nos. 4 and 28. However, Order No. 34918 required that "all

[2] Staff obtained this information from the Company through email on December 22, 2022.

current PURPA contracts will be renewed unless the Company has information about specific contracts to the contrary." Staff recommends that PURPA projects located in the State of Idaho be renewed in the L&R, unless the Company has information to the contrary.

Contract Updates

Since the filing of the Application, there have been some contract changes, such as the recently signed contracts highlighted in green in Confidential Attachment IPUC 1 provided in Response to Staff's Production Request No. 1. Staff recommends that the Company file a compliance filing including all contract updates in the L&R that have occurred since the Application was filed.

Specifically, if a contract requires pre-approval[3] from the appropriate state commission, it should not be included in the updated L&R unless authorized. If a contract does not require pre-approval from a Commission, it should be included as long as it is executed by both parties and is eligible for rate recovery.

Available FOTs

The available FOTs determined in the proposed L&R include a 3% contingency reserves held by the counterparty to the transaction, which is required by NERC Regional Reliability Standard BAL-002-WECC-2.[4] *See* Responses to Staff's Production Request Nos. 1(b) and 25. Staff believes the additional 3% contingency reserves above the FOT limit[5] should be included in the L&R only if it increases the amount of available FOTs that the Company can rely on to meet its load obligations. It should not be included in the L&R, if the 3% is only used to ensure the available FOTs can be delivered on a firm basis.

[3] Supplemental Response to Staff's Production Request No. 16 states that, generally, the only contracts subject to pre-approval by a commission are PURPA contracts. Response to Staff's Production Request No. 27 states that (1) PURPA contracts in Idaho and Utah are subject to approvals from their respective commissions; (2) PURPA contracts in Wyoming are accepted for filing and are not generally subject to additional process or approval; and (3) PURPA contracts in the Company's other jurisdictions do not need approvals from their respective commissions.

[4] This standard applies to balancing authorities and reserve sharing groups in the Western Electricity Coordinating Council ("WECC") region and is intended to specify the quantity and types of contingency reserve required for maintaining reliability under normal and abnormal conditions. *See* https://www.federalregister.gov/documents/2013/11/29/2013-28626/regional-reliability-standard-bal-002-wecc-2-contingency-reserve

[5] The 2021 IRP states that the FOT limits are 500 MW in the summer and 1,000 MW in the winter. *See* the 2021 IRP at 114.

DR Programs

Existing DR Programs

The existing DR programs were included in the proposed L&R as a decrement to load. *See* Response to Staff's Production Request No. 10. These existing programs only included existing participants without considering projected growth in these programs. *See* Supplemental Response to Staff's Production Request No. 9 (c). Staff recommends that projected growth in existing DR programs be added in the L&R.

In Case No. PAC-E-20-13, Staff believed that existing DR programs can use current levels into the future *or* reflect forecasted changes in the amount based on forecast levels of participation or known changes to the existing programs. Order No. 33159 allowed current DR participation to be used as a reasonable estimation of participation into the future for existing programs. However, the new DR programs from the 2021 Request for Proposals ("RFP") included projected growth in those programs over time. Application at 5. Staff believes that a same treatment should be applied to existing DR programs. Therefore, Staff recommends that projected growth in existing DR programs be added in the L&R.

New DR Programs included in 2021 RFP

The proposed L&R includes all the selected DR programs from the 2021 DR RFP. Staff recommends that only approved programs be included in the L&R. There are two categories of the selected DR programs: those implemented by a third party and the WattSmart battery program implemented by the Company. *See* Response to Staff's Production Request No. 32. Those that will be implemented by a third party include:

- Commercial and industrial curtailment (all states)
- Irrigation load control (Oregon, Washington, and California)
- Residential smart thermostats load control (Oregon, Washington, and California)
- Residential water heater direct load control (Oregon, Washington, and California)

The Company has signed contracts with third parties managing the Company's commercial and industrial curtailment programs and irrigation load control program. In addition, the Company expects to sign contracts with third parties for residential DR programs by the end of 2022. The Company is seeking commission approval of all these programs in their respective states. Among these programs, Staff recommends that only approved programs be included in the L&R.

Besides the programs mentioned above, the WattSmart battery program was selected for all states in the 2021 RFP but has only been approved Utah and in Idaho as a pilot program. Staff recommends that only the WattSmart battery programs in Idaho and Utah be included in the L&R.

Treatment of DR Programs in L&R

The proposed L&R includes existing DR programs as a decrement to load but includes selected DR programs from the 2021 DR RFP as a resource. Staff believes that these DR resources should be treated in a consistent manner or be broken out in the L&R to ensure that the PRM is applied appropriately.

For example, if DR programs are treated as a decrement to load, the L&R needs to ensure that the PRM is not being applied to the decremented load obligation. Instead, the PRM should be applied to the original load forecast before DR resources are decremented. This ensures that the capacity contribution of DR programs are treated mathematically the same as DR programs treated as a resource.

<u>Existing EE</u>

The 2021 IRP Update states that existing EE is 73 MW. However, the value should have been 68 MW. *See* Supplemental Response to Staff's Production Request No. 13. Because existing EE is embedded in the load forecast instead of being singled out as a line item, Staff recommends that the Company verify the value of the existing EE used in the load forecast and make sure 68 MW is decremented.

STAFF RECOMMENDATION

Staff recommends that the Company file a compliance filing to update the proposed L&R and First Capacity Deficit Date reflecting the following changes:

1. The capacity deficiency period should be used to determine when capacity payments begin for both IRP-based and SAR-based contracts;

2. Provide the L&R using the 20-year IRP planning horizon, instead of only submitting a 9-year timeframe;
3. Provide the L&R reflecting both summer and winter peak;
4. Use the 2021 IRP Method, instead of the 2021 IRP Update Method, to determine capacity contributions of all resources;
5. Assume renewal of PURPA projects located in the State of Idaho, unless the Company has information from specific QFs to the contrary;
6. Update the L&R to include all contracts executed by the date of the Commission order that are eligible for rate recovery;
7. Include the additional 3% contingency reserves above the Front Office Transaction ("FOTs") limit only if it increases the amount of available FOTs that the Company can rely on to meet its load obligations;
8. Include projected growth in existing DR programs;
9. Among the selected DR programs from the 2021 RFP, only include approved programs in the L&R;
10. Include existing DR programs and approved new DR programs consistently in the L&R such that they are both treated either as a decrement to load or as a resource; and
11. Verify the value of the existing EE in the load forecast, ensuring 68 MW is used.

Respectfully submitted this 6th day of January 2023.

Michael Duval
Deputy Attorney General

Technical Staff: Mike Louis
Yao Yin

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 6th DAY OF JANUARY 2023, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. PAC-E-22-14, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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