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Salt Lake City, UT 84116

CASE NO. PAC-E-24-01



January 19, 2024

***VIA ELECTRONIC DELIVERY***

Commission Secretary  
Idaho Public Utilities Commission  
11331 W. Chinden Blvd  
Building 8 Suite 201A  
Boise, ID 83714

**RE: IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR  
APPROVAL OF A CAPACITY DEFICIENCY PERIOD TO BE USED FOR  
AVOIDED COST CALCULATIONS**

Attention: Commission Secretary

Please find for filing Rocky Mountain Power's Application in the above-referenced matter along with confidential workpapers.

Informal inquiries may be directed to Mark Alder, Idaho Regulatory Manager at (801) 220-2313.

Very truly yours,



Joelle Steward  
Senior Vice President, Regulation and Customer & Community Solutions

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*Attorney for Rocky Mountain Power*

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION  
OF ROCKY MOUNTAIN POWER FOR  
APPROVAL OF A CAPACITY DEFICIENCY  
PERIOD TO BE USED FOR AVOIDED COST  
CALCULATIONS**

**CASE NO. PAC-E-24-01  
APPLICATION**

Rocky Mountain Power, a division of PacifiCorp (“the Company”), in accordance with Idaho Code §61-502, §61-503, RP 052, Order Nos. 32697 and 32802 in Case No. GNR-E-11-03 and Order Nos. 35834 and 35882 in Case No. PAC-E-22-14, hereby respectfully submits this application (“Application”) to the Idaho Public Utilities Commission (“Commission”) for approval of the capacity deficiency period determination to be used in avoided cost calculations using the Surrogate Avoided Resource (“SAR”) methodology applicable to small qualifying facilities (“QFs”) eligible for standard pricing (known as “SAR-Based Contracts”) and in the Integrated Resource Plan (“IRP”) methodology applicable to larger QFs eligible for project-specific pricing (known as “IRP-Based Contracts”). This application is intended to establish the capacity deficiency period for both SAR-Based Contracts and IRP-Based Contracts.<sup>1</sup> As more fully described below, this update identifies Rocky Mountain Power’s capacity deficiency period in the

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<sup>1</sup> See *In the Matter of Rocky Mountain Power’s Application for Approval of a Capacity Deficiency Period to be Used for Avoided Cost Calculations*, Case No. PAC-E-22-14, Order No. 35834, p.5 “The Commission has previously ordered that public utility companies use the capacity deficiency period to determine capacity payments for IRP- and SAR-based contracts to ensure QF’s are only compensated for costs they avoid in the Company’s system. See Order Nos. 33377, 33159, 33898, and 33933. The Commission reiterates the need for the Company to do so in this case through a compliance filing”.

summer of 2024 and explains how the deficiency period was identified. In support of its Application, Rocky Mountain Power states as follows:

1. Rocky Mountain Power is authorized to do and is doing business in the state of Idaho. The Company provides retail electric service to approximately 88,780 customers in the state and is subject to the jurisdiction of the Commission. Rocky Mountain Power is a public utility in the state of Idaho pursuant to Idaho Code § 61-129.

**COMMUNICATIONS AND SERVICE OF PLEADINGS**

2. Communications regarding this Application should be addressed to:

Mark Alder  
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Salt Lake City, Utah 84116  
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In addition, the Company respectfully requests that all data requests regarding this matter be addressed to one or more of the following:

By e-mail (preferred)	<a href="mailto:datarequest@pacificorp.com">datarequest@pacificorp.com</a>
By regular mail	Data Request Response Center PacifiCorp 825 NE Multnomah, Suite 2000 Portland, OR 97232

**BACKGROUND**

3. Commission Order No. 32697 directed the utilities to initiate a case outside of their IRP filing to establish the capacity deficiency period to be used in the utility's SAR methodology:

“We find it reasonable and fair to subject each utility's determination of capacity deficiency to further scrutiny. Therefore, when a utility submits its Integrated Resource Plan to the Commission, a case shall be initiated to determine the capacity deficiency to be utilized in the SAR Methodology. The capacity deficiency determined through the IRP planning process will be the starting point, and will be presumed to be correct subject to the outcome of the proceeding.”<sup>2</sup>

4. In Order No. 32697, the Commission acknowledged that “some determinations made within the IRP process have an impact on calculations under the SAR and IRP methodologies. Specifically, the IRP process determines when the utility will experience a need for new capacity.”<sup>3</sup> The Commission ordered that payments to QFs should recognize the utility’s capacity needs, stating:

“In calculating a QF's ability to contribute to a utility's need for capacity, we find it reasonable for the utilities to only begin payments for capacity at such time that the utility becomes capacity deficient. If a utility is capacity surplus, then capacity is not being avoided by the purchase of QF power. By including a capacity payment only when the utility becomes capacity deficient, the utilities are paying rates that are a more accurate reflection of true avoided cost for the QF power.”<sup>4</sup>

5. In Order No. 35415, the Commission stated that “all future L&R Balances included in the capacity deficiency date update for avoided costs must contain the most up-to-date information available at the time of filing.”<sup>5</sup>

6. In Order No. 34918, the Commission indicated that early retirement of coal-fired thermal resources should not be reflected in the load and resource balance, “Unless and until this Commission evaluates and approves an early retirement date...”<sup>6</sup>

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<sup>2</sup> *In the Matter of the Commission’s Review of PURPA QF Contract Provisions Including the Surrogate Avoided Resource (SAR) and Integrated Resource Planning (IRP) Methodologies for Calculating Avoided Cost Rates*, Case No. GNR-U-11-03, Order No. 32697, p. 23.

<sup>3</sup> Order No. 32697, p.23.

<sup>4</sup> Order No. 32697, p.21.

<sup>5</sup> *In the matter of Idaho Power Company’s Application for Approval of the Capacity Deficiency to be Utilized for Avoided Cost Calculations*, Case No. IPC-E-21-09, Order No. 35415, p.10.

<sup>6</sup> *In the Matter of Rocky Mountain Power’s Application for Approval of a Capacity Deficiency Period to be Used for Avoided Cost Calculations*, Case No. PAC-E-20-13, Order No. 34918, p.5-6.

7. In Order No. 35834 the Commission ordered a compliance filing based on the Company's application and Staff comments. Order No. 35882 waived the compliance items ("Compliance Items") conditional upon the Company incorporating the Compliance Items into the Company's application for its 2023 capacity deficiency case.<sup>7</sup> The table on page 9 of this Application delineates how the Company has met each Compliance Item.

### **REQUEST TO ESTABLISH AVOIDED COST DEFICIENCY PERIOD**

5. On March 31, 2023, Rocky Mountain Power filed its 2023 IRP with the Commission. The 2023 IRP includes the results of the Company's Capacity Loads and Resources without Resource Additions for the summer season in Table 6.11 on pages 165-166 and for the winter season in Table 6.12 on pages 167-168. The capacity balance is generally highest for summer peak loads, with the summer peak occurring annually in July, as the Company is expected to be deficient in the summer prior to becoming deficient in the winter. The capacity balance is developed by determining firm resource capacity available, including the Company's firm access to imports from the wholesale market ("Front Office Transactions" or "FOTs"), less the system obligation and a 13 percent planning reserve margin.

6. In light of the risks associated with the evolving resource mix across the west, the 2023 IRP included a Front Office Transaction limit of 500 megawatts in the summer, and 1,000 megawatts in the Winter, as shown in Table 5.8 on page 114. To ensure reliable system operations, the transmission system operator of each balancing authority area ("BAA") within the Western Interconnect is required to maintain contingency reserves equal to three percent of its load and three percent of its generation, as discussed within the 2023 IRP in Appendix F (Flexible Reserve

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<sup>7</sup> *In the Matter of Rocky Mountain Power's Application for Approval of a Capacity Deficiency Period to be Used for Avoided Cost Calculations*, Case No. PAC-E-22-14, Order No. 35834, p.12 and Order No. 35882, p 2.

Study). When the Company purchases power from counterparties whose generation resources are outside of its BAAs, which is typical, the three percent contingency reserve obligation associated with generation remains in the source BAA, and the counterparty remains responsible for it as one of the ancillary services provided by the transmission system operator for the BAA in which their generator resides. Because the Company avoids the contingency reserve obligation associated with such purchases, which would otherwise be required if it generated the associated power itself, the effective capacity value of market purchases is three percent higher than the equivalent quantity of generation capacity.

7. The 2023 IRP shows that the Company's load and existing resource balance requires market purchases in excess of the Front Office Transaction limit and throughout the planning horizon; however, several inputs must be modified to account for changes since the 2023 IRP was prepared as well as the treatment of certain resources identified in Commission orders.

8. The following adjustments were made to account for committed and uncommitted resource impacts, relative to the representation in the 2023 IRP, specifically:

- Removing uncommitted early coal retirements, consistent with Order 34918.
- Adding contracts signed since the 2023 IRP Update was prepared, and removing contracts that have terminated or expired.
- Adding contracted resources that have not yet come online, which were not included in the 2023 IRP tables presenting the load and resource balance without additions.
- Adjusting QF renewal assumptions: In the 2023 IRP, QFs in all states were assumed to have a 79% probability of renewal at the end of their current contract term, and at the end of the current contract the modeled capacity and energy of each QF

continues at 79% of its prior level. For the avoided cost deficiency period determination, the load and resource balance has been adjusted so that all Idaho QFs renew at 100% of their current contracted levels, while QFs in all other states expire at the end of their current contracts.

- Adding demand response programs that have received Commission approval, including projected growth in those programs over time.
- Adding FOTs that have already been contracted.

9. After accounting for the adjustments described above, the first capacity deficiency of 1,327 megawatts occurs in the summer of 2024, as shown in Table No. 1. The first winter capacity deficiency of 890 megawatts also occurs in 2024 as shown in Table No. 2. Summer capacity deficiencies continue to be somewhat larger than winter capacity deficiencies throughout the IRP study horizon.

**Table No. 1**  
**Updated Summer Peak Loads and Resources**

System	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Total Resources	10,496	8,382	8,381	8,265	7,780	7,068	7,229	7,287	6,853	6,158
Obligation	10,919	11,163	11,110	11,285	11,609	11,733	11,727	11,830	11,816	11,857
Planning Reserves (13%)	1,419	1,451	1,444	1,467	1,509	1,525	1,524	1,538	1,536	1,541
Obligation + Reserves	12,338	12,614	12,554	12,752	13,119	13,259	13,251	13,368	13,352	13,398
System Position	(1,842)	(4,232)	(4,173)	(4,488)	(5,339)	(6,191)	(6,022)	(6,080)	(6,499)	(7,241)

FOT Limit with Reserves	515	515	515	515	515	515	515	515	515	515
Sufficiency/(Deficiency)	(1,327)	(3,717)	(3,658)	(3,973)	(4,824)	(5,676)	(5,507)	(5,565)	(5,984)	(6,726)

System	2034	2035	2036	2037	2038	2039	2040	2041	2042
Total Resources	6,185	6,097	6,917	5,715	4,351	4,372	3,772	3,852	4,008
Obligation	11,904	12,003	12,101	12,087	12,180	12,259	12,426	12,571	12,840
Planning Reserves (13%)	1,547	1,560	1,573	1,571	1,583	1,594	1,615	1,634	1,669
Obligation + Reserves	13,451	13,564	13,674	13,658	13,763	13,852	14,042	14,205	14,509
System Position	(7,266)	(7,467)	(6,756)	(7,943)	(9,412)	(9,481)	(10,270)	(10,353)	(10,501)

FOT Limit with Reserves	515	515	515	515	515	515	515	515	515
Sufficiency/(Deficiency)	(6,751)	(6,952)	(6,241)	(7,428)	(8,897)	(8,966)	(9,755)	(9,838)	(9,986)

**Table No. 2**  
**Updated Winter Peak Loads and Resources**

System	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Total Resources	8,555	8,896	8,755	9,352	8,648	7,725	7,484	8,520	8,209	7,460
Obligation	9,271	9,486	9,494	9,754	10,026	10,059	10,076	10,115	10,117	10,213
Planning Reserves (13%)	1,205	1,233	1,234	1,268	1,303	1,308	1,310	1,315	1,315	1,328
Obligation + Reserves	10,476	10,719	10,728	11,022	11,329	11,366	11,385	11,429	11,432	11,540
System Position	(1,920)	(1,824)	(1,974)	(1,669)	(2,682)	(3,641)	(3,902)	(2,909)	(3,223)	(4,080)

FOT Limit with Reserves	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030
Sufficiency/(Deficiency)	(890)	(794)	(944)	(639)	(1,652)	(2,611)	(2,872)	(1,879)	(2,193)	(3,050)

System	2034	2035	2036	2037	2038	2039	2040	2041	2042
Total Resources	7,179	6,696	6,863	6,441	5,037	4,833	4,403	4,237	4,421
Obligation	10,272	10,354	10,365	10,427	10,544	10,687	10,814	10,945	11,130
Planning Reserves (13%)	1,335	1,346	1,348	1,355	1,371	1,389	1,406	1,423	1,447
Obligation + Reserves	11,607	11,700	11,713	11,782	11,915	12,076	12,220	12,367	12,576
System Position	(4,428)	(5,004)	(4,850)	(5,341)	(6,878)	(7,243)	(7,817)	(8,131)	(8,155)

FOT Limit with Reserves	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030
Sufficiency/(Deficiency)	(3,398)	(3,974)	(3,820)	(4,311)	(5,848)	(6,213)	(6,787)	(7,101)	(7,125)

10. Based on these updates, the Company requests that the Commission find the summer of 2024 as the first capacity deficiency period when capacity payments should be made to QFs under the SAR and IRP avoided cost methodologies.



11. Rocky Mountain Power submits this Application to establish the capacity deficiency period as set forth in Commission Orders No. 32697 and No. 32802, and requests that the Commission approve the capacity deficiency period to be used in its SAR and IRP-method calculations.

**COMPLIANCE ITEMS**

12. The Company has addressed the Compliance Items in Order No. 35814. The following is a summary of the Compliance Items included with this filing:

Compliance Item	Company Compliance
The capacity deficiency period should be used to determine when capacity payments begin for both IRP-based and SAR-based contracts/Determination of the First Capacity Deficit Date through the L&R.	This application requests that the capacity deficiency period be set for both IRP-based and SAR-based contracts.
The Company should provide the L&R using the 20-year IRP planning horizon, instead of the 9-year timeframe submitted with the Company’s filing/Peak Load Forecast and Future Obligations for Incremental Resources.	The Company has provided the L&R using the 20-year IRP planning horizon.
Provide the L&R reflecting both summer and winter peak.	The Company has provided the L&R reflecting both summer and winter peaks.
Use the 2021 IRP method, instead of the 2021 IRP Update method, to determine capacity contributions of all resources/Capacity Contribution Determination	The same methodology has been used for resources included in the 2023 IRP and for resources added after the 2023 IRP.
Assume renewal of PURPA projects located in the state of Idaho, unless the Company has information from specific QFs to the contrary.	The application does assume the renewal of PURPA contracts located in the state of Idaho.
Update the L&R to include all contracts executed by the date of the Commission order that are eligible for rate recovery	The application includes all contracts executed through December 31, 2023, shortly before the application was prepared.
Include the additional 3% contingency reserves above the FOTs limit only if it increases the amount of available FOTs that the Company can rely on to meet its load obligations.	The additional 3% capacity value for FOTs is applied in the L&R as discussed in this application.
The Company shall include growth in existing DR programs that is clearly labeled so that the L&R in the Compliance filing can be verified.	Within the L&R calculation, each DR program modeled in the 2023 IRP is identified as Commission-approved or future. A calculation of the growth in the approved DR programs can be found in the Company’s

Compliance Item	Company Compliance
	confidential workpapers.
The Commission approves the DR programs the Company can use to meet its load requirements. Accordingly, the Commission finds that the Company must only include approved DR programs in the Company’s L&R. The Commission orders the Company to address this issue in a compliance filing.	Only approved DR programs have been included in the Company’s L&R

**MODIFIED PROCEDURE**

13. Rocky Mountain Power believes that a hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure; i.e., by written submissions rather than by hearing. RP 201 et seq. If, however, the Commission determines that a technical hearing is required, the Company stands ready to prepare and present its testimony in such hearing.

**CONFIDENTIAL INFORMATION**

14. This filing, specifically the Confidential Workpapers, contain confidential information including trade secret and other Company confidential information exempt from public review under Idaho Code §§ 74-104–109 and Idaho Public Utilities Commission’s Rule of Procedure 67.

**CONCLUSION**

WHEREFORE, Rocky Mountain Power respectfully requests that the Commission issue an order authorizing this Application be processed under Modified Procedure and approving the capacity deficiency period beginning July 2024, be used in the Company's avoided cost determinations under the SAR methodology, for both SAR-Based Contracts and IRP-Based Contracts, as shown in Table No. 1 above.

DATED this 19<sup>th</sup> day of January, 2024.

ROCKY MOUNTAIN POWER

A handwritten signature in blue ink, appearing to read "Joe Dallas", is written over a horizontal line.

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