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IDAHO PUBLIC
UTILITIES COMMISSION

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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** **COMMENTS OF THE COMMISSION STAFF**

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

BACKGROUND

On January 19, 2024, Rocky Mountain Power, a division of PacifiCorp ("Company"), filed an application ("Application") with the Idaho Public Utilities Commission ("Commission") for approval of the capacity deficiency period determination to be used for Public Utility Regulatory Policies Act of 1978 ("PURPA") avoided cost rates.

The Company represents that its 2023 Integrated Resource Plan ("IRP") includes the results of the Company's capacity load and resources without resource additions ("L&R") for the summer and winter seasons. The Company states that the capacity balance is generally highest for summer peak loads as the Company is expected to be deficient in the summer prior to becoming deficient in the winter.

The Company represents that after several adjustments, the first capacity deficiency of 1,327 megawatts ("MW") occurs in the summer of 2024, and the first winter capacity deficiency of 890 MW also occurs in 2024. The Company requests that the Commission authorize the summer of 2024 as the first capacity deficiency period when capacity payments should be made to qualified facilities ("QFs") under the Surrogate Avoided Resource ("SAR") and IRP avoided cost methodologies.

STAFF ANALYSIS

Staff's review focused on compliance with Order No. 35834, the proposed load forecast, and the proposed resources. Staff recommends that the Commission order the Company to file a compliance filing incorporating the following:

- Break the "Existing – Demand Response" line item into different components with clear labels, such as existing Demand Response ("DR") programs, growth of existing DR programs, approved future DR programs, and growth of approved future DR programs;
- Use a 79% PURPA renewal rate for other states;
- Include all the contract updates as of the date of the compliance filing;
- Remove all the early coal retirements from the L&R in the compliance filing, if not done so already; and
- Use the Front Office Transactions ("FOT") limits of 3,326 MW for 2023 through 2027 in the L&R.

Compliance with Order No. 35834

On August 10, 2023, the Commission approved a waiver of the compliance filing ordered in Order No. 35834, conditioned upon the Company incorporating those compliance items into the Company's application for its 2023 capacity deficiency case. Order No. 35882 at 2.

The Application in this case addressed all the compliance items specified in Order No. 35834. The Company generally complied with the requirements in the order, albeit with two exceptions including the method that determines capacity contribution and the inclusion of projected growth of existing DR programs. Staff's analysis focused on these two exceptions in addition to the 3% contingency reserve requirement of FOTs and the inclusion of newly approved DR programs and their projected growth.

Method that Determines Capacity Contribution

In the last filing, the Company used two different methods to determine capacity contributions for individual resources in the L&R: the method used in the 2021 IRP, and the method used in the 2021 IRP Update. The former allocated capacity to individual resources on an hourly basis, while the latter allocated capacity to individual resources based on the top 5% net load hours. Order No. 35834 required the Company to use the 2021 IRP method because the 2021 IRP Update method was not robustly vetted.

In the Application, the Company used a new method that was also utilized in the 2023 IRP method, which attributes capacity to individual resources based on their availability during the top 5% net load hours and the top 5% gross load hours. Response to Staff Production Request No. 10(a). This method is applied to all resources. Application at 8.

Although this treatment does not meet the requirement of using the 2021 IRP method from Order No. 35834, Staff believes it is reasonable to use the 2023 IRP method for two reasons. First, the proposed L&R used a consistent method to determine capacity contribution of all resources. Second, different allocation methods would not have a significant impact on the capacity deficiency in a given year because the L&R is based on the total capacity achieved by the portfolio as a whole for the most restrictive hour. Response to Staff Production Request No. 10(b). The most restrictive hour is the hour when the capacity achieved by the portfolio has the lowest resource availability relative to the load requirement including a planning reserve margin. Response to Staff Production Request No. 10(a).

3% Contingency Reserves of FOTs

Order No. 35834 allowed the Company to include 3% FOT contingency reserves in the L&R. At the same time, the order also required the Company to provide clear evidence that these reserves can be reliably counted upon in the next filing. Staff believes the Company provided sufficient explanation for the 3% contingency reserve associated with the FOTs and that the 3% FOT contingency reserves can be reliably counted upon in order to meet the BAL-002-WECC-3 requirement.

The Company explained that each balancing authority area ("BAA") transmission system operator within the Western Interconnect is required to maintain contingency reserves equal to 3% of its load plus 3% of its generation. Appendix F: Flexible Reserve Study of 2023 IRP; also North American Electric Reliability Corporation website https://www.nerc.com/pa/Stand/Reliability%20Standards/BAL-002-WECC-3.pdf. If the Company purchases power from a counterparty whose generation resources are located in another BAA, the 3% contingency reserve associated with the generation is the counterparty's responsibility. Because the Company does not have to provide 3% contingency reserve for the FOTs compared to the energy it generates itself, the capacity value of the FOTs is effectively 3% higher than the capacity value of the Company's resources. Application at 4 and 5.

<u>Projected Growth of Existing DR</u>

In Case No. PAC-E-22-14, the Company stated that it included the projected growth of existing DR programs in "New Demand Response" in the L&R. However, the Commission could not find "New Demand Response" in the L&R, and Order No. 35834 required the Company to include growth in existing DR programs that is clearly labeled. In the proposed L&R in this case, the projected growth of the existing DR programs is still not clearly identified.

The Company includes growth in existing DR programs in "Planned and approved DR", which is contained in the "Existing – Demand Response" line item in the L&R. 1st Revised Response to Staff Production Request No. 4; 1st Supplemental Response to Staff Production Request No. 5. In order to comply with Order No. 35834, Staff recommends that the Company break "Existing – Demand Response" line item into different components with clear labels, such as existing DR programs, growth of existing DR programs, approved future DR programs, and growth of approved future DR programs in an updated L&R in a compliance filing.

<u>Approved Future DR</u>

Order No. 35834 ordered the Company to address the issue of unapproved DR programs and asked the Company to only include approved future DR programs in the L&R. The Company included approved future DR programs and their projected growth in the "Existing –

Demand Response" line of the L&R. 1st Supplemental Response to Staff Production Request No. 5. Although the requirement of Order No. 35834 is met, Staff recommends, as stated above, that the Company break "Existing – Demand Response" line item in the compliance filing into different components with clear labels, such as existing DR programs, growth of existing DR programs, approved future DR programs, and growth of approved future DR programs.

Load Forecast

Staff reviewed the proposed load forecast and believes the forecast is reasonable. The Commission requires utilities to use the latest most up-to-date information to determine the capacity deficiency used for calculating avoided cost rates as was done in previous cases. Order Nos. 33958, 34918, and 35415. The proposed load forecast is the Company's most recent forecast. Response to Staff Production Request No. 1.

Proposed Resources

Staff's review of proposed resources to be included in the L&R was focused on the following areas: PURPA contract renewals, contract updates, coal plant retirements, and FOT limits.

<u>PURPA Contract Renewals</u>

The Company assumed 100% renewals of PURPA contracts in the State of Idaho, which complies with Order Nos. 34918 and 35834. However, for PURPA projects located outside of Idaho, the Company assumed PURPA contracts expire at the end of their current contracts, even though the 2023 IRP assumed a 79% probability of renewal in all states. Application at 5 and 6. Staff believes that it is reasonable to apply the 79% renewal rate to other states, while assuming 100% renewal in Idaho. Therefore, Staff recommends that the Company use the 79% renewal rate for other states in the L&R and provide an update in a compliance filing.

<u>Contract Updates</u>

The resources included in the proposed L&R are based on the resource information as of December 31, 2023. Application at 8. Since then, there have been additional contract changes such as two solar contracts in Oregon. Response to Staff Production Request No. 8. Staff recommends including all contract updates, including contract additions[1] and terminations, in an updated L&R as of the date of compliance filing.

Coal Plant Retirements

The proposed L&R removed uncommitted early coal plant retirements, such as Hunter Unit 1, Hunter Unit 2, Hunter Unit 3, Huntington Unit 1, and Huntington Unit 2. Response to Staff Production Request No. 13. However, for plants where the Company has a minority ownership share, the Company used the expected closure date identified in consultation with other owners. Response to Staff Production Request No. 13. Staff believes that, if the expected closure date identified in consultation with other owners is an early retirement date, which has not been evaluated and approved by the Commission, the early retirement date should not be used in the L&R.

Order No. 34918 states:

> Together, the thermal resources represent a significant part of the Company's resource stack. Unless and until this Commission evaluates and approves an early retirement date, these resources are part of the Company's resource stack… It is appropriate for this process to scrutinize resource retirements which the Commission has not yet evaluated or approved. The decision of whether or when these units will be retired is uncertain. Under such circumstances, it would not be fair, just, or reasonable to approve a capacity deficit date that is unconfirmed and would operate to the detriment of ratepayers. Order No. 34918 at 6.

Staff believes that this principle should be applied to all of the Company's coal plants, regardless of ownership. Therefore, Staff recommends that the Company remove all the early coal plant retirements from the L&R in the compliance filing, if not done so already.

FOT Limits

FOTs are assumed firm proxy resources that represent the Company's procurement activities made on an ongoing forward basis to address the Company's short positions. FOT procurements can be made years, quarters, or months in advance. 2023 IRP at 125. Staff discovered that the Company did not distinguish short-term and long-term FOT limits in the

[1] Contract additions should only include contracts with regulatory certainty. Specifically, contracts that require pre-approval have been approved, and contracts that do not require pre-approval have been executed and are eligible for recovery.

proposed L&R. The Company assumed 1,000 MW FOT limits in the winter and 500 MW FOT limits in the summer (before 3% contingency reserves are added), for the entire planning horizon from 2024 through 2042. Application at 7. However, the 2023 IRP distinguished short-term and long-term FOT limits, because "historical trends supported higher purchases in the first few years." 2023 IRP at 125. Table No. 1 below shows the FOT limits from the 2023 IRP. Given historical trends, Staff recommends that the Company use the FOT limits of 3,326 MW for 2023 through 2027 in the compliance filing.

Table No. 1. FOT Limits from 2023 IRP

Market Hub	FOT Limits in 2023 IRP		
	Short-term (2023-2027)	Long-term (2028-2042)	
		Summer	Winter
Mid-Columbia	1979	500	350
California Oregon Border	424	0	250
Nevada Oregon Border	200	0	100
4 Corners	398	0	0
Mona	325	0	300
Total (MW)	**3326**	**500**	**1000**

STAFF RECOMMENDATION

Staff recommends that the Commission order the Company to file a compliance filing incorporating the following:

- Break the "Existing – Demand Response" line item into different components with clear labels, such as existing DR programs, growth of existing DR programs, approved future DR programs, and growth of approved future DR programs;
- Use a 79% PURPA renewal rate for other states;
- Include all the contract updates as of the date of the compliance filing;
- Remove all the early coal retirements from the L&R in the compliance filing, if not done so already; and

- Use the FOT limits of 3,326 MW for 2023 through 2027 in the L&R.

Respectfully submitted this 29th day of April 2024.

Chris Burdin
Deputy Attorney General

Technical Staff: Yao Yin

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 29th DAY OF APRIL 2024, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. PAC-E-24-01, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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