

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
LEGAL
WORKING FILE

FROM: RICK STERLING

DATE: NOVEMBER 27, 2013

RE: CASE NO. IPC-E-13-18; IDAHO POWER COMPANY'S ANNUAL COMPLIANCE FILING TO UPDATE THE LOAD AND GAS FORECASTS AND LONG-TERM CONTRACTS IN THE INTEGRATED RESOURCE PLAN AVOIDED COST METHODOLOGY.

BACKGROUND

In its Final Order No. 32697, the Commission determined that the inputs to the Integrated Resource Plan ("IRP") avoided cost methodology, utilized for all proposed Public Utility Regulatory Policies Act of 1978 ("PURPA") qualifying facility ("QF") projects that exceed the published rate eligibility cap, shall be updated every two years upon acknowledgement of the utility's IRP filing, with the exception of the load forecast and the natural gas forecast—which is to be updated annually by October 15 of each year. The Commission stated:

We find that, in order to maintain the most accurate and up-to-date reflection of a utility's true avoided cost, utilities must update fuel price forecasts and load forecasts annually – between IRP filings. For the sake of consistency, these annual updates should occur simultaneously with SAR updates – on June 1 of each year. In addition, it is appropriate to consider long-term contract commitments because of the potential effect that such commitments have on a utility's load and resource balance. We find it reasonable to include long-term contract considerations in an IRP Methodology calculation at such time as the QF and utility have entered into a signed contract for the sale and purchase of QF power. We further find it appropriate to consider PURPA contracts that have terminated or expired in each utility's load and resource balance. We find it reasonable that all other variables and assumptions utilized within the IRP Methodology remain fixed between IRP filings (every two years).

Order No. 32697, p. 22. The date for the annual update was later changed from June 1st to October 15th of each year. Order No. 32802.

On October 15, 2013, Idaho Power ("Company") submitted its annual updates for fuel prices, load forecasts, and changes to long-term contracts for purchases or sales and any new or expiring QF contracts in compliance with Order Nos. 32697 and 32802.

STAFF REVIEW

Load Forecast

Idaho Power states that its most recent load forecast is dated October 7, 2013, and is the same load forecast that will be used to prepare the IRP update (each IRP is required to be updated in the off year, between IRP filings, by the Public Utility Commission of Oregon). The Company maintains that the methodology used for the October 7, 2013 load forecast is the same as that used for Idaho Power's IRPs. The load forecast submitted by Idaho Power shows, on average, a slight increase in customer loads when compared to the April 2012 load forecast that was used in the incremental cost IRP avoided cost model presented to the Commission in Case No. GNR-E-11-03.

Gas Forecast

As of October 15, 2013, Idaho Power has updated the natural gas forecast within the IRP avoided cost model to reflect the most recent U.S. Energy Information Administration ("EIA") natural gas forecast. The natural gas forecast is consistent with that utilized for Idaho Power's IRP and is a combination of the EIA Henry Hub and Sumas natural gas forecasts. The natural gas forecast submitted by Idaho Power indicates, on average, a slight increase in the average annual natural gas forecast prices over the next 20 years in comparison to the EIA 2012 natural gas forecast that was used in the incremental cost IRP avoided cost model presented to the Commission in Case No. GNR-E-11-03.

Contract Terminations, Expirations, and Additions

Idaho Power currently has 103 QF projects under contract with a nameplate capacity of 778 megawatts ("MW"). Idaho Power also currently has three non-PURPA, long-term power purchase agreements: Elkhorn Valley Wind (101 MW), Raft River Geothermal (18 MW), and Neal Hot Springs Geothermal (30 MW).

Order No. 32697 directs that new contracts be incorporated into the IRP avoided cost methodology at the time the QF and utility have entered into a signed contract, and that

terminated or expired contracts should likewise be included in the utility's load and resource balance. Idaho Power states that it has included new contracts at the time that they are signed by both parties, and has removed terminated/expired agreements from inclusion in the avoided cost methodology. In its filing, Idaho Power included an updated list of all current QF projects currently under contract with Idaho Power.

STAFF RECOMMENDATION

Staff believes that the load and gas price forecasts submitted by Idaho Power reflect the Company's most current estimates, and were prepared consistent with the methods used in the IRP. Staff believes the load and gas price forecasts and the long-term contract changes submitted by the Company comply with the requirements of Order Nos. 32697 and 32802. Staff recommends that the Commission accept the forecasts and contract changes for filing without further process or procedure.

COMMISSION DECISION

Does the Commission wish to accept Idaho Power's compliance filing without further process or procedure?


Rick Sterling

U:\sterlin\123\VOID\ipce1318 dm.docx