

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA)	CASE NO. AVU-E-17-10
CORPORATION'S COMPLIANCE FILING)	
TO UPDATE LOAD AND GAS)	NOTICE OF APPLICATION
FORECASTS IN THE INTEGRATED)	
RESOURCE PLAN AVOIDED COST)	NOTICE OF
MODEL AND TO ESTABLISH ITS)	MODIFIED PROCEDURE
CAPACITY DEFICIENCY PERIOD FOR)	
USE IN AVOIDED COST CALCULATIONS)	ORDER NO. 33926

On October 12, 2017, Avista Corporation, dba Avista Utilities, filed its annual update to certain components of its avoided cost rate calculation for qualifying facilities (QF) under the Public Utility Regulatory Policies Act of 1978 (PURPA). Specifically, Avista updated the load forecast, natural gas forecast, and contract information components of the incremental cost Integrated Resource Plan (IRP) avoided cost methodology. Application at 1. The Company also seeks approval of the capacity deficiency period to be used for avoided cost calculations. *Id.* Avista asks that its Application be processed by Modified Procedure. *Id.* at 5. With this order, the Commission provides notice of the Company's Application and notice that interested persons may file written comments about the Application.

BACKGROUND

Under PURPA, electric utilities must purchase electric energy from QFs at rates approved by the applicable state agency—in Idaho, this Commission. 16 U.S.C. § 824a-3; *Idaho Power Co. v. Idaho PUC*, 155 Idaho 780, 780, 316 P.3d 1278, 1287 (2013). The purchase or “avoided cost” rate shall not exceed the “‘incremental cost’ to the purchasing utility of power which, but for the purchase of power from the QF, such utility would either generate itself or purchase from another source.” Order No. 32697 at 7, *citing Rosebud Enterprises v. Idaho PUC*, 128 Idaho 624, 917 P.2d 781 (1996); 18 C.F.R. § 292.101(b)(6)(defining “avoided cost”).

The Commission has established two methods of calculating avoided cost, depending on the size of the QF project: (1) the surrogate avoided resource (SAR) methodology, and (2) the integrated resource plan (IRP) methodology. *See* Order No. 32697 at 7-8. The Commission uses the SAR methodology to establish what is commonly referred to as “published” avoided cost

rates. *Id.* Published rates are available for wind and solar QFs¹ with a design capacity of up to 100 kilowatts (kW), and for QFs of all other resource types with a design capacity of up to 10 average megawatts (aMW). For QFs with a design capacity above the published rate eligibility caps, avoided cost rates are “individually negotiated by the QF and the utility using the [IRP methodology].” *Id.* at 2; Order No. 32176. The IRP methodology “takes into account many different variables and produces a[n avoided cost] result based on each individual utility’s need for energy.” Order No. 32697 at 17.

In calculating avoided cost, the Commission found it “reasonable, appropriate and in the public interest to compensate QFs separately based on a calculation of not only the energy they produce, but the capacity that they can provide to the purchasing utility.” Order No. 32697 at 16. As to the capacity calculation for the SAR methodology, the Commission found it appropriate “to identify each utility’s capacity deficiency based on load and resource balances found in each utility’s IRP.” *Id.* With respect to the IRP methodology, the Commission similarly stated

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 a true avoided cost for the QF power.

Id. at 21.

The Commission directed that “when a utility submits its [IRP] to the Commission, a case shall be initiated to determine the capacity deficiency to be utilized in the SAR Methodology [used for calculating published avoided cost rates].” *Id.* at 23. The Commission further stated, “utilities must update fuel price forecasts and load forecasts annually—between IRP filings. . . . We find it reasonable that all other variables and assumptions utilized within the IRP Methodology remain fixed between IRP filings (every two years).” *Id.* at 22. The Commission directed that the update to fuel price forecasts and load forecasts should occur on October 15 of each year. Order No. 32802 at 3. The Commission also found it appropriate to consider long-term contract commitments, as well as PURPA contracts that have terminated or expired, in the utility’s load and resource balance. Order No. 32697 at 22.

¹ See Order No. 33785 (regarding battery storage facilities).

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that Avista explains that it has combined the capacity deficiency date filing with the annual update to the load and fuel price forecast due to the timing of its filing of its 2017 Electric IRP, which occurred on August 31, 2017. Application at 2. Avista indicates that it consulted with Staff prior to combining these filings. *Id.*

YOU ARE FURTHER NOTIFIED that Avista provides an updated load and fuel (natural gas) price forecast for each of years 2018 through 2040. *Id.* at 2-3. For the load forecast, Avista provides the forecasted energy (average megawatt) and one-hour peak (megawatt) for each of the years. *Id.* Avista explains that the energy forecast escalates at an annual average growth rate of 0.43 percent, and that the peak forecast growth rate is 0.38 percent. *Id.* at 2.

YOU ARE FURTHER NOTIFIED that regarding its updated natural gas price forecast, Avista states that the forecast was developed using the blend of a national price forecasting consultant's most recent forecasts and forward market prices as of September 28, 2017. *Id.* at 3. Avista provides forecasted prices at Henry Hub and Stanfield. *Id.* at 3-4.

YOU ARE FURTHER NOTIFIED that, regarding contract additions and terminations, Avista explains that it has signed three new long-term PURPA contracts since the last annual update, one of which is in Idaho, and no new Power Purchase Agreements (PPAs). *Id.* at 4. The Idaho PURPA agreement is a two-year agreement with Stimson Lumber. *Id.* The other two are Washington agreements with Deep Creek Energy and are extensions of a prior agreement. *Id.*

YOU ARE FURTHER NOTIFIED that, regarding the capacity deficiency period, Avista indicates that its 2017 IRP identifies a first deficit at the end of 2026. *Id.* Avista states that it "has since updated its load forecasts and the first sustained capacity deficit begins in December 2026 and October 2026 for energy based on the updated information. These deficits are a direct result of the expiration of the Lancaster PPA." *Id.*

YOU ARE FURTHER NOTIFIED that the Company's Application and supporting workpapers have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and attachments are also available on the Commission's Website at www.puc.idaho.gov under "File Room" and then "Electric Cases."

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201-.204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this filing may file a written comment with the Commission **no later than December 5, 2017**. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this filing may be mailed to the Commission and Avista at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

David Meyer, Vice President and Chief
Counsel for Regulatory & Governmental
Affairs

Linda Gervais, Senior Manager – Regulatory
Policy

Avista Corporation
PO Box 3727

1411 E. Mission Ave., MSC-27
Spokane, WA 99220-3727

E-mail: david.meyer@avistacorp.com
linda.gervais@avistacorp.com

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Case Comment or Question Form" under the "Consumers" tab, and complete the form using the case number as it appears on the front of this document. These comments must also be sent to the Company at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that the Company shall file reply comments, if any, **no later than December 19, 2017**.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code, and specifically *Idaho Code* § 61-503. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

ORDER

IT IS HEREBY ORDERED that this case be processed under Modified Procedure, Rules 201-204 (IDAPA 31.01.01.201-.204). Interested persons shall have until December 5, 2017 to file written comments. The Company shall have until December 19, 2017 to file reply comments, if any.

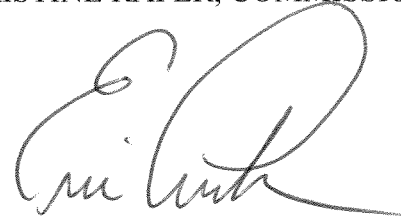
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *31st*
day of October 2017.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

I:\Legal\LORDERS\AVUE1710_djh1_Notice.doc