

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER RAPER
COMMISSION SECRETARY
LEGAL
WORKING FILE**

FROM: YAO YIN

DATE: OCTOBER 26, 2015

**RE: ANNUAL COMPLIANCE FILING TO UPDATE THE LOAD AND GAS
FORECASTS AND LONG-TERM CONTRACTS IN THE INCREMENTAL
COST INTEGRATED RESOURCE PLAN AVOIDED COST
METHODOLOGY, CASE NOS. AVU-E-15-09, IPC-E-15-25, PAC-E-15-13**

BACKGROUND

In final Order Nos. 32697 and 32802, the Commission determined that the inputs to the Integrated Resource Plan (“IRP”) avoided cost methodology¹ 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 are 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... 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 further find it appropriate to consider PURPA contracts that have terminated or expired in each utility's load and resource balance.

Order No. 32697 at 22.

The three electric utilities (Avista, Idaho Power, and Rocky Mountain Power) have each submitted their annual updates for fuel prices, load forecasts, and changes to long-term contracts for purchases or sales and any new or expiring qualifying facility (“QF”) contracts in compliance with Order Nos. 32697 and 32802.

¹ The IRP methodology is used for all proposed qualifying facility (“QF”) projects under the Public Utility Regulatory Policies Act of 1978 (“PURPA”) that exceed the published rate eligibility cap.

STAFF REVIEW

Avista's Filing

Avista's most recent load forecast was developed in July 2015 for energy, and September 2015 for peak. The recent energy load forecast remains, on average, a 0.6 percent annual average growth rate. The peak forecast growth rate decreased from 0.7 percent to 0.6 percent.

Avista's most recent Forward Price Curve was developed using a blend of two national price forecasting consultants' most recent forecasts and forward market prices as of September 25, 2015.

Avista signed new long-term PPAs with Chelan County PUD for 2016 through 2020, and with Douglas County PUD for September 2018 through September 2028, as detailed in the attachment to this filing. As of this filing date, Avista has no additions or subtractions of PURPA resource contracts.

Although the Commission did not receive Avista's update until October 16, 2015, Staff believes it is still appropriate, and in compliance with the Commission's Order, to implement the update as of October 15, 2015.

Idaho Power's Filing

Idaho Power's most recent load forecast from September 2015 shows, on average, a slight decrease in Idaho Power customer loads when compared to the October 2014 load forecast provided for the 2014 update, and approved by the Commission in Order No. 33182 (Case No. IPC-E-14-25).

As of October 15, 2015, Idaho Power will update the natural gas price forecast within the Incremental Cost IRP ("ICIRP") avoided cost model to reflect the most recent U.S. Energy Information Administration ("EIA") natural gas price forecast published on April 14, 2015. The October 2015 gas forecast is the nominal EIA forecast for Henry Hub. It indicates, on average, a slight increase in the average annual natural gas forecast prices over the next 20 years compared to the EIA 2014 natural gas price forecast used in the ICIRP avoided cost model from the previous update.

Idaho Power currently has three non-PURPA, long-term power purchase agreements: Elkhorn Valley Wind (101 megawatts ("MW")), Raft River Geothermal (13 MW), and Neal Hot Springs Geothermal (22 MW). Idaho Power currently has 140 contracts with PURPA QF projects with a total nameplate capacity of 1,232 MW. Included in the signed contracts are nine new

Oregon solar QF contracts totaling 69 MW. New contracts, terminated or expired contracts, as well as new contract pricing are all included in the ICIRP model on a continuous basis.

Rocky Mountain Power's Filing

Rocky Mountain Power's current long-term load forecast was prepared in May 2015. The load forecast used in the 2015 IRP was prepared in September 2014.

Rocky Mountain Power's most recent Official Forward Price Curve was prepared September 30, 2015 ("1509 OFPC"). The price forecast currently being used in the IRP method avoided cost calculation was prepared June 30, 2015 ("1506 OFPC").

Since the 2015 IRP, Rocky Mountain Power has signed 39 long-term contracts including 37 long-term contracts with QFs for a total nameplate capacity of 644.1 MW. Two long-term contracts with a combined nameplate capacity of 82.8 MW were terminated.

STAFF RECOMMENDATION

Staff believes that the load and gas price forecasts submitted by Avista, Idaho Power, and Rocky Mountain Power reflect their most current estimates, and were all prepared consistent with the methods used in their IRPs. Staff believes the load and gas price forecasts and the long-term contract changes submitted by the utilities 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 the compliance filings of Avista, Idaho Power, and Rocky Mountain Power without further process or procedure?

Yao Yin
Yao Yin

M:IPC-E-15-25_AVU-E-15-09_PAC-E-15-13_yy_djh