

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF ROCKY MOUNTAIN)	
POWER COMPANY'S APPLICATION TO)	CASE NO. PAC-E-17-09
APPROVE CAPACITY DEFICIENCY)	
PERIOD FOR AVOIDED COST)	ORDER NO. 33917
CALCULATIONS)	

On August 18, 2017, Rocky Mountain Power Company filed an Application asking the Commission to approve its updated capacity deficiency period for use in its avoided cost calculations under the Public Utility Regulatory Policies Act (PURPA), using the Surrogate Avoided Resource methodology. The Commission issued a Notice of Application and Notice of Modified Procedure. Order No. 33869. Staff filed the only written comments, and the Company did not file a reply. The Commission has reviewed the Application and Staff's comments, and now approves the Application as discussed below.

BACKGROUND

Under PURPA, electric utilities must purchase electric energy from qualifying facilities (QFs) at rates approved by the applicable state regulatory agency – in Idaho, this Commission. 16 U.S.C. § 824a-3; *Idaho Power Co. v. Idaho PUC*, 155 Idaho 780, 789, 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 “published” avoided cost rates, relevant to this case. *Id.* Published rates are available for wind and solar QFs 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). *Id.*

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.” *Id.* at 16. As to the capacity calculation, 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.* The Commission elaborated:

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.” *Id.* at 23. The Commission also 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 APPLICATION

Rocky Mountain filed its 2017 IRP (Case No. PAC-E-17-03) with the Commission in April 2017. The Company’s 2017 IRP includes the results of its capacity balance – the net of its surplus and deficiency – which is “calculated for summer peak loads only.” Application at 3. The 2017 IRP “shows that the Company first becomes capacity deficient in 2028.” *Id.*

Rocky Mountain identified two factors affecting the capacity deficit period reflected in its 2017 IRP: (1) power purchase agreements signed with QFs since preparation of the 2017 IRP; and (2) termination of a power purchase agreement originally included in the 2017 IRP. *Id.* at 4. Rocky Mountain’s Application included Table 2, which shows “updated system capacity loads and resources.” *Id.* Table 2 reflects inclusion of 460 megawatts (MW) of nameplate capacity from nine additional QF contracts, as well as removal of one QF contract, thus eliminating five MW of nameplate capacity. *Id.* at 4-5. The Company asked the Commission to approve a capacity deficiency period, for calculating SAR based avoided cost rates, of summer 2028.

STAFF COMMENTS

Staff compared the Company's 2017 and 2015 Summer Load and Existing Resource Balances. Staff Comments at 3. Staff determined there was a 1393 MW annual average reduction in demand and a 473 MW decrease in supply resources. *Id.* Staff determined the decreased demand was caused by an 829 MW average annual increase in Class 2 demand side management (DSM), and a 379 MW reduction in the load forecast. *Id.*

According to Staff, the increase in Class 2 DSM was due to the 2017 IRP's inclusion of forecasted, cost effective Class 2 DSM resources, a methodology used by Idaho Power. *Id.* at 3-4. Staff stated the increase in Class 2 DSM will "push out the deficit date to the time period when new PURPA projects not yet in the queue will contribute to capacity deficiency." *Id.* at 4. Staff stated that the Company's reduced industrial load forecast was due to lower industrial commodity prices, and the reduced per customer residential load forecast was due to "increased penetration of distributed generation and changes in building codes." *Id.* Ultimately, Staff recommended that the Commission authorize July 2028 as Rocky Mountain's first capacity deficiency date, and recommended that the Commission approve Staff's updated SAR model and avoided cost rates (submitted with Staff Comments) reflecting the July 2028 first deficiency date. *Id.* at 3, 5.

Staff acknowledged that Order No. 32697 directed all three Idaho electric utilities to file their first capacity deficiency cases after submitting their IRP reports to the Commission. However, Staff suggested that the utilities seek the Commission's first capacity deficiency date authorization after the Commission has acknowledged their IRPs. *Id.* at 5. Staff stated it would be more efficient to delay each utility's capacity deficiency filing until after Commission has acknowledged the utility's IRP, to avoid duplicative efforts by the parties, and to "ensure that all factors that could affect the first capacity deficiency date are covered through the comprehensive nature of the IRP acknowledgment review." *Id.*

DISCUSSION AND FINDINGS

The Commission has jurisdiction over Rocky Mountain, an electric utility, and the issues raised in this matter under the authority and power granted it under Title 61 of the Idaho Code and PURPA. The Commission has authority under PURPA and Federal Energy Regulatory Commission (FERC) regulations to set avoided costs, and to order electric utilities to enter into fixed-term obligations for the purchase of energy from QFs. Execution of FERC regulations – as

in this case – and the discretion to do so, are left to this Commission. *See Idaho Power Co. v. Idaho PUC*, 155 Idaho 780, 782, 316 P.3d 1278, 1280 (2013), *citing FERC v. Mississippi*, 456 U.S. 742, 751 (1982).

We find that Rocky Mountain has experienced a net reduction in demand since its last capacity deficiency filing in 2015, which delays the Company's need for new capacity from July 2025 – the currently authorized first capacity deficiency date – to July 2028. The decreased demand is attributable to the Company's inclusion of forecasted Class 2 DSM resources in its preferred portfolio. We find this methodology – which is used by Idaho Power – to be reasonable because the Company is expected to pursue all cost-effective DSM from its preferred portfolio before the first deficit date. We further find the Company's projections of reduced industrial and residential loads to be reasonable. We therefore authorize July 2028 as the Company's first capacity deficiency date for valuing contracts using the SAR methodology, and approve Staff's updated SAR model and avoided cost rates reflecting the July 2028 date.

As to the timing of the Company's and other electric utilities' capacity deficiency filings, we find it reasonable for the utilities to postpone such filings until after we have completed our consideration of the utilities' IRP reports and acknowledged them. Rocky Mountain did not oppose this change in timing, and it does not appear to have a negative impact on the utilities or their planning processes and will ensure improved efficiency and greater comprehensiveness of Staff's review. We therefore amend Order No. 32697 to direct the utilities to file their first capacity deficiency cases after the Commission has acknowledged their IRP reports.

ORDER

IT IS HEREBY ORDERED that Rocky Mountain's Application is approved. The Company's capacity deficiency period for use in SAR-based avoided cost calculations shall be July 2028.

IT IS FURTHER ORDERED that Staff's updated SAR model and SAR-based avoided cost rates are approved, as filed.

IT IS FURTHER ORDERED that each Idaho electric utility shall submit its updated capacity deficiency filing after the Commission has acknowledged its IRP report, rather than upon its IRP filing, thus amending Order No. 32697.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7)

days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

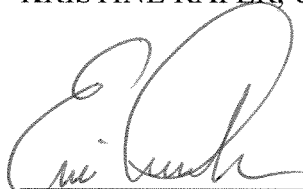
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 24th day of October 2017.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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