

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF ROCKY MOUNTAIN) CASE NO. PAC-E-20-13
POWER’S APPLICATION FOR APPROVAL)
OF A CAPACITY DEFICIENCY PERIOD TO)
BE USED FOR AVOIDED COST) ORDER NO. 34918
CALCULATIONS)

On October 6, 2020, Rocky Mountain Power (“Company”), a division of PacifiCorp, applied for Commission approval of a capacity deficiency period beginning July 2029, to be used in avoided cost calculations under the Public Utility Regulatory Policies Act of 1978 (“PURPA”).

On October 29, 2020, the Commission issued a Notice of Application and Modified Procedure, setting a December 22, 2020 comment deadline and a January 12, 2021 reply comment deadline. The Notice also established a 21-day intervention deadline. Order No. 34826. Idaho Hydroelectric Power Producers Trust dba IdaHydro and the Renewable Energy Coalition (“Intervenors”) each petitioned to intervene. The Commission granted these petitions to intervene on December 3, 2020. Order No. 34856.

On December 21, 2020, the Intervenors jointly filed written comments and protest, requesting a technical hearing under procedural Rule 203. *See* IDAPA 31.01.01.203. Commission Staff filed timely comments. The Company did not file reply comments. No public comments were received.

At its January 19, 2021 decision meeting, the Commission denied the Intervenors’ request for a technical hearing, choosing instead to decide the matter and issue its order based on the written positions before it. *See* IDAPA 31.01.01.204.

Having reviewed the record, we approve the Company’s Application as discussed below.

BACKGROUND

Under PURPA, the Commission has established a surrogate avoided resource (“SAR”) methodology and an integrated resource plan (“IRP”) methodology to calculate avoided cost rates for qualifying facilities (“QFs”). Under both methodologies, a QF receives capacity payments only after the applicable capacity deficit date is reached. Order No. 32697.

The capacity deficit date is determined through the biennial IRP planning process and is submitted to the Commission in a proceeding separate from the IRP docket. The capacity deficit date determined in the IRP process is presumed to be correct as a starting point but will be subject to the outcome of the capacity deficiency case. Order No. 32697.

The Company filed its IRP in October 2019. *See* Case No. PAC-E-19-16. The 2019 IRP showed a capacity deficiency period beginning July 2028. Staff critiqued the Company's load and resource balance used for PURPA purposes, specifically the early retirement of several thermal resources (including Craig Unit Nos. 1 and 2, Colstrip Unit Nos. 3 and 4, Naughton Unit Nos. 1 and 2, and Jim Bridger Unit Nos. 1 and 2). Staff noted:

The load and existing resource balance identifies resource deficiencies in the Company's system acting as a starting point for developing and evaluating future resource portfolios. A decision to close a plant early must be evaluated against other alternatives that maintain system reliability and should be made as part of the portfolio development and evaluation phase of the IRP.

Case No. PAC-E-19-16, Staff Comments at 5. In short, Staff disagreed with a load and resource balance that reflects an early retirement for these thermal resources because early retirement of these resources has not yet been evaluated and approved by the Commission. Early retirement remains optional and is not currently a requirement in Idaho.

THE APPLICATION

In its Application, the Company explained that it calculated its capacity deficit date in the present docket by removing from its load and resource balance the early retirement of the thermal resources noted by Staff in Case No. PAC-E-19-16, and updating the power purchase agreements in its load and resource balance. The Company stated these updates to the 2019 IRP result in a capacity deficit date in July 2029.

STAFF COMMENTS

Staff made several recommendations. First, Staff recommended the Company utilize the most recent peak-load forecast available to the Company to better reflect "current economic conditions...." Staff Comments at 2. Second, Staff argued "the Company should assume the expiring PURPA contracts are renewed after their current term is complete, unless the Company has been notified [by] QFs that they will not renew their contracts...." *Id.* Third, Staff argued the Company should include in its load and resource balance any changes since its Application was

prepared. Finally, while supporting the Company's decision to not calculate the Company's planned early retirement of its coal-fired thermal resources into its load and resource balance, Staff argued "the Company should reflect coal plant derate adjustments in the appropriate years" rather than lumping "the cumulative amount of coal plant derates into the deficit year." *Id.* at 2 and 5. If the Commission accepts its recommendations, Staff recommended the Commission direct the Company in its final order to file an updated load and resource balance for both summer and winter peak and the resulting capacity deficit date. The Company would then file the required information as a compliance filing, and the published rates would be updated on the Commission's website.

1. Peak-load forecast

Staff noted the peak-load forecast in the Company's load and resource balance was created in September 2018. Staff argued that the Company should recalculate its capacity deficit date using the Company's most recent peak-load forecast to account for changing customer consumption patterns resulting from the COVID-19 pandemic.

2. PURPA contract renewals

Staff noted that the Company's load and resource balance assumes PURPA contracts (except for co-generation contracts) will not be renewed at the end of the contract term. Staff argued this assumption is inconsistent with Avista Corporation and Idaho Power Company's assumption when calculating their capacity deficit dates that all existing PURPA contracts will be renewed and remain an "available" resource, barring contrary information from the QF. *See* Staff Comments, Attachment A. Citing Commission Order No. 29880, Staff noted the Commission values consistency between the three regulated electric utilities. "Staff believes the Company should assume expiring PURPA contracts are renewed after their current term is complete, unless the Company has been notified by a QF that its contract will not be renewed." Staff Comments at 4-5.

3. Contract changes since development of the Application

Staff noted there have been several contract changes since the preparation of the Application that might impact the Company's proposed capacity deficit date, most significantly two large non-PURPA contracts for solar resources. While acknowledging that it would be "inefficient and impractical to require utilities to update their [load and resource balance] for each resource change prior to the Commission's final order," Staff believes the changes are significant enough for the Commission to require the Company to update its load and resource balance.

4. Coal plant retirements and derates

Staff supported the Company not including the early retirement of select thermal resources in its load and resource balance. Staff Comments at 5. “These thermal resources are currently ‘available’ and/or ‘existing’ resources and any early retirements may be delayed to maintain reliability. Staff’s ongoing evaluations to retire coal units early are based on economic decisions and since economic retirements may be delayed it does not create deficits until committed and approved.” *Id.* Staff described the default standard for utility-owned generation resources in the load and resource balance for determining capacity deficiency to be: “Existing resources reflect their authorized useful life, unless early retirements are authorized. Future resources and their useful life are included when authorized.” *Id.*, Attachment A.

Staff noted that when the Company removed the early retirement of its thermal resources from its load and resource balance, it also “lumped the cumulative amount of coal plant derates into the deficit year.” Staff Comments at 5. To ensure a more accurate load and resource balance, Staff recommended the Commission require the Company to reflect each derate adjustment independently in the appropriate year.

INTERVENORS’ COMMENTS

The Intervenors disagreed with the Company not including the early retirement of its thermal resources in its load and resource balance when calculating its capacity deficit date. The Intervenors argued that not including the early retirement of the thermal resources would be illogical and contravene Commission Order No. 32697. The Intervenors requested a hearing under procedural Rule 203 so that “the Commission [can] review the matter on a fully developed record after complete discovery.” Intervenors’ Comments at 9.

The Intervenors cited extensively to Case No. GNR-E-11-03, Order No. 32697, in which the Commission laid the framework for the PURPA avoided cost methodologies. The Intervenors pointed out that the Commission recognized the capacity deficit date determined in a utility’s biennial IRP would “be the starting point” for determining the capacity deficit date utilized in the SAR methodology, and “will be presumed to be correct subject to the outcome of the proceeding.” *Id.* at 5; *see* Order No. 32697 at 23. The Intervenors noted that the Commission only established a second proceeding for determining the capacity deficit date utilized in avoided cost calculations because PURPA sellers were concerned that the variables in the IRP planning process could be manipulated by a utility to push out the capacity deficit date. The Intervenors argued that

the Company, in response to Staff's comments in Case No. PAC-E-19-16, is using this proceeding to push out its capacity deficit date—a result counter to the Commission-intended purpose of the proceeding.

The Intervenors argued it is illogical and inconsistent with Order No. 32697 to keep all the Company's IRP planning assumptions except the Company's planned early retirement of its thermal resources when calculating the Company's capacity deficiency date to be used in avoided cost calculations.

[The Intervenors] recognize that any specific planning assumption may or may not occur; however, there is no reason to assume that [the Company]'s actual plans for coal retirements is less accurate than its assumptions regarding other loads and resources. [The Company]'s avoided cost plans should be based on its plans assumed in the IRP, unless it can be demonstrated that those plans are unreasonable....

Intervenors' Comments at 6. The Intervenors asserted that if the Company's Application is approved, PURPA sellers in the Company's resource stack will be denied capacity payments during a year in which the Company is capacity deficient.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, 61-502, and 61-503. The Commission is vested with the power to “supervise and regulate every public utility in the state and to do all things necessary to carry out the spirit and intent of the [Public Utilities Law].” *Idaho Code* § 61-501. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503. In addition, the Commission has authority under PURPA and FERC regulations to set avoided costs, to order electric utilities to enter fixed-term obligations for the purchase of energy and capacity from QFs, and to implement FERC rules. The Commission may enter any final order consistent with its authority under Title 61 and PURPA.

We find the Company's decision not to include early retirement of various coal-fired thermal resources in its load and resource balance to be reasonable. The early retirement of select coal-fired thermal resources—Craig Unit Nos. 1 and 2, Colstrip Unit Nos. 3 and 4, Naughton Unit Nos. 1 and 2, and Jim Bridger Unit Nos. 1 and 2—has not been evaluated by the Commission,

much less approved. 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.

The Intervenor construe too narrowly the Commission's reasons for creating a capacity deficit date process in Case No. GNR-E-11-03. There, we noted that "[i]t would not be reasonable, nor to the benefit of customers, to hold a utility to a fixed 20-year projection of its anticipated resource needs." Order No. 32697 at 23. "A utility's long-term plan should remain just that – a plan that is flexible and responsive to its customers' needs over time." *Id.* We also acknowledged that "some determinations made within the IRP process have an impact on calculations under the SAR and IRP methodologies," notably "when the utility will experience a need for new capacity." *Id.* The purpose of this process, then, is to take a second look at a utility's load and resource balance to ensure the variables are accurate and reasonable for QFs, the utility, and ratepayers. It is true the Commission created this process in response to concerns from QFs about variable manipulation by a utility, but the process's purpose is broader than the concerns that inspired it. 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.

While Staff's recommended changes in this case to the Company's method of calculating its capacity deficit date have merit, we find the Company's method is consistent with our prior orders and is reasonable. We therefore approve the Company's Application as filed. However, when its next capacity deficiency case is filed, we find it reasonable and direct the Company to include a load and resource balance for both summer peak and winter peak that includes a) the most recent peak-load forecast available; b) the assumption that all current PURPA contracts will be renewed unless the Company has information about specific contracts to the contrary; and c) the appropriate derate adjustments for each year.

ORDER

IT IS HEREBY ORDERED that Rocky Mountain Power's Application is approved. The Company's capacity deficit date for use in the Commission's PURPA avoided cost methodologies shall be July 2029.

IT IS FURTHER ORDERED that Commission Staff update the SAR model and the SAR-based published avoided cost prices consistent with this Order.

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 9th day of February 2021.



PAUL KJELLANDER, PRESIDENT

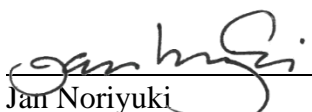


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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