

J. Kahle Becker, ISB No. 7408
Attorney at Law
223 North 6th Street, # 325
Boise, ID 83702
Telephone: (208) 345-5183
Facsimile: (208) 906-8663
Email: kahle@kahlebeckerlaw.com

RECEIVED
2018 APR 30 PM 3: 27
IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Renewable Energy Coalition

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER
COMPANY'S ANNUAL UPDATE TO
AVOIDED COST RATES

CASE NO. IPC-E-18-05

I. INTRODUCTION

The Renewable Energy Coalition (the "Coalition") moves the Idaho Public Utilities Commission to approve Staff's update to Idaho Power Company's ("Idaho Power") avoided cost rate update, or in the alternative, request that the Commission schedule technical hearings. In its letter dated April 19, 2018 filed in this Docket No. IPC-E-18-05, Idaho Power Company ("Idaho Power") expresses concern over Staff's use of the Mountain Region's Electric power sector natural gas price forecast from EIA's Annual Energy Outlook. Instead Idaho Power requests that the Idaho Public Utilities Commission ("Commission") update its SAR methodology to use the natural gas price forecast that Idaho Power used in its 2017 Integrate Resource Plan ("IRP"). The Renewable Energy Coalition ("Coalition") opposes Idaho Power's objection and supports the Commission Staff's use of the traditional and approved EIA Annual Energy Outlook avoided cost rate update.

II. REQUEST FOR TECHNICAL HEARING

Idaho Power's request should not be granted unless the Commission opens up this docket and gives other stakeholders an opportunity to participate and comment through the submission of formal evidence. Idaho Power has not put forth any testimony or other relevant evidence to support a significant change in the natural gas forecast used for determining avoided cost rates. The issue of what gas price forecast is most accurate is technical in nature, and it would be inappropriate to proceed without expert testimony. Therefore, if the Commission chooses to consider Idaho Power's request, then the Commission should approve Staff's update, and open up a docket to consider Idaho Power's request, which will only become effective after a technical hearing.

III. THE EIA ENERGY OUTLOOK SHOULD CONTINUE TO BE USED TO SET AVOIDED COST RATES

The gas price forecast proposed by Idaho Power is not an appropriate forecast and engendered controversy in both Idaho and Oregon when Idaho Power proposed using that forecast in its 2017 IRP. Idaho Power departed from its past practice of using the EIA Reference Case gas price forecast¹ and instead used the High Oil and Gas Resource and Technology Case,² which forecasts a low natural gas price over the planning horizon. The Idaho Commission Staff characterized this departure as “[t]he most critical difference in this IRP” noting that it “assumes

¹ The Reference Case is “a business-as-usual estimate, given known market, demographic, and technological trends.” EIA, 2016 Annual Energy Outlook report, at MT-1 (available at: [https://www.eia.gov/outlooks/aeo/pdf/0383\(2016\).pdf](https://www.eia.gov/outlooks/aeo/pdf/0383(2016).pdf)) (hereafter referred to as 2016 AEO).

² The High Oil and Gas Resource and Technology Case represents 50% higher rates of recovery and technological improvement, and the Low Oil and Gas Resource and Technology Case represents 50% lower rates of recovery and technological improvement. 2016 AEO at E-11.

extremely low natural gas prices.”³ Staff also noted that Idaho Power’s proposal to use this forecast prompted intense discussions during IRP stakeholder meetings and that stakeholders unanimously opposed moving to the new forecast.⁴ Additionally, the Oregon Commission Staff believed “that Idaho Power seem[ed] to have used subjective judgment in determining what a likely future was,” and that it should have provided a “more robust justification for the decision to change its planning case from previous IRPs.”⁵

The EIA’s High Oil and Gas Resource and Technology Case represents an extreme set of uncertain circumstances on one end of the spectrum. Idaho Power’s proposed natural gas price forecast relies on future discoveries of a larger resource base, higher rates of recovery, and greater technological improvement than business-as-usual, and it does not account for possible downsides in the natural gas industry such as lower rates of recovery, fewer technological advances, or carbon regulation. The EIA analyzes a number of different future natural gas price scenarios in its Annual Energy Outlook. There is the “Reference” case, the “High Oil and Gas Resource and Technology” case, and the “Low Oil and Gas Resource and Technology” case. Please refer to the EIA’s Natural Gas: Henry Hub Spot Price graph included herein as “Figure 1.”

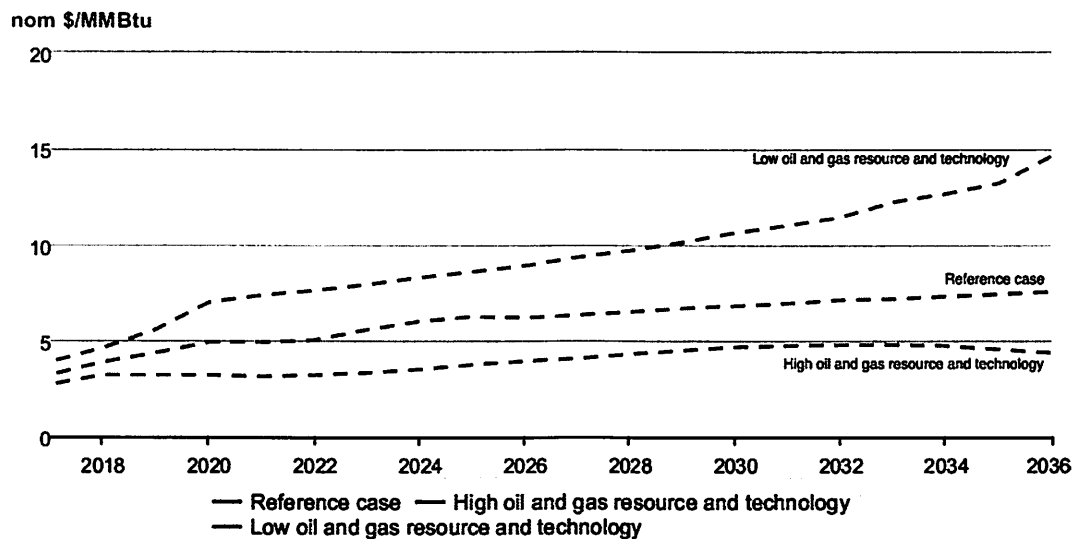
³ Re Idaho Power Company’s 2017 Integrated Resource Plan, IPUC Case No. IPC-E-17-11, Comments of the Commission Staff at 6 (Nov. 27, 2017).


⁴ Id.

⁵ Re Idaho Power Company’s 2017 Integrated Resource Plan, Oregon Public Utility Commission (“OPUC”) Docket No. LC 68, Staff’s Opening Comments at 25-26 (Oct. 31, 2017) (available at: <http://edocs.puc.state.or.us/efdocs/HAC/lc68hac152510.pdf>).

Figure 1

Natural Gas: Henry Hub Spot Price



 Source: U.S. Energy Information Administration

The Reference Case is “a business-as-usual estimate given known market, demographic, and technological trends.”⁶ Idaho Power began using the EIA in its 2013 IRP as the basis for the natural gas price forecast.⁷ In both the 2013 and 2015 IRPs, Idaho Power used the Reference Case as its price forecast.⁸ As Figure 1 illustrates, the EIA’s 2016 Reference Case represents a middle-of-the-road estimate with rates gradually increasing to approximately \$7.50/MMBtu.

The High Oil and Gas Resource and Technology Case represents a “larger resource base and more rapid improvement in production technologies” than the Reference Case.⁹ Specifically, this case includes 50% higher estimated ultimate recovery as well as recovery of

⁶ EIA, 2016 Annual Energy Outlook report, at MT-1 (available at: [https://www.eia.gov/outlooks/aeo/pdf/0383\(2016\).pdf](https://www.eia.gov/outlooks/aeo/pdf/0383(2016).pdf)) (hereafter referred to as 2016 AEO).

⁷ Attachment A (Idaho Power’s Response to REC’s Data Request No. 1.2).

⁸ See Idaho Power’s 2015 IRP at 85; see also Idaho Power’s 2013 IRP at 62.

⁹ 2016 AEO at ES-6.

additional unidentified resources, 50% higher rates of technological improvement, and 50% higher rates of technically recoverable undiscovered resources in Alaska and offshore.¹⁰ As illustrated in Figure 1 above, this case results in the lowest projected natural gas prices staying below \$5/MMBtu over the entire planning horizon.

On the other hand, the Low Oil and Gas Resource and Technology Case represents the other end of the spectrum. Specifically, this case includes 50% lower rates of technological improvement, and 50% lower rates of technically recoverable undiscovered resources in Alaska and offshore.¹¹ Figure 1 illustrates that this case has the highest natural gas prices over the planning horizon with rates reaching nearly \$15/MMBtu.

The EIA's High Oil and Gas Resource and Technology forecast relies on aggressive estimates in oil and gas recovery and technology. It is an extreme case. To rely on such an aggressive forecast ignores the risk and uncertainty that gas recovery and technological improvement will not keep pace, and reliance upon this forecast will not accurately represent Idaho Power's avoided costs. Therefore, it is inappropriate to use that forecast as a basis for determining avoided costs. The EIA Annual Energy Outlook should continue to be used for the SAR methodology, and if a new forecast is considered, the Commission should open a docket and select a forecast that most accurately forecasts natural gas prices.

IV. CONCLUSION

The Commission should approve new avoided cost rates using the EIA Annual Energy Outlook and reject Idaho Power's recommendation to use EIA's High Oil and Gas Resource and Technology forecast. If the Commission intends to consider use of EIA's High Oil and Gas

¹⁰ 2016 AEO, at E-11.

¹¹ 2016 AEO, at E-11.

Resource and Technology forecast, then it should hold a technical hearing to investigate the reasonableness of this approach. The annual avoided cost update and these comments alone are not sufficient process to approve such a change to the natural gas price forecast.

J. KAHLE BECKER ATTORNEY AT LAW

/s/ J. Kahle Becker

J. Kahle Becker
Attorney for the Renewable Energy Coalition

Original and 7 copies to:

Diane Hanian
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

U.S. Mail, Postage Prepaid
 Overnight Courier
 Hand Delivered
 Via Facsimile
 E-mail
diane.hanian@puc.idaho.gov

Copies to:

Donovan Walker
Idaho Power Company
PO Box 70
Boise, ID 83707

U.S. Mail, Postage Prepaid
 Overnight Courier
 Hand Delivered
 Via Facsimile
 E-mail dwalker@idahopower.com

Sean Costello | Deputy Attorney General
Office of the Attorney General
Idaho Public Utilities Commission
472 W. Washington
P.O. Box 83720
Boise, Idaho 83720-0074

U.S. Mail, Postage Prepaid
 Overnight Courier
 Hand Delivered
 Via Facsimile
 E-mail sean.costello@puc.idaho.gov