BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1730

In the Matter of IDAHO POWER COMPANY, Annual Application to Update Avoided Cost Rates, Schedule 85, Cogeneration and Small Power Production Standard Contract Rates.	))))))))	RENEWABLE ENERGY COALITION'S REPLY COMMENTS TO STAFF REPORT

I. INTRODUCTION

The Renewable Energy Coalition ("Coalition") submits these comments replying to the Oregon Public Utility Commission (the "Commission") Staff report published on May 17, 2018. The Coalition continues to support its original comments filed in this proceeding, as well as its opening and reply comments filed in Idaho Power's integrated resource plan ("IRP") in LC 68. Specifically, the Coalition recommends that the Commission reject Idaho Power's proposal to change the gas price forecast from the Energy Information Agency's ("EIA's") Annual Energy Outlook ("AEO") 2018 "Reference case"[1] that Idaho Power has historically used rather than the EIA AEO "High Oil and Gas Resource and Technology case" that Idaho Power used in its current IRP.[2]

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) (hereafter referred to as 2016 AEO).

2 The High Oil and Gas Resource and Technology Case assumes 50% higher ultimate recovery per well, 50% higher rates of technological improvements, and 50% higher technically recoverable undiscovered resources. U.S. EIA, Oil and Natural Gas Resources and Technology at 8 (March 2018) (available at: https://www.eia.gov/outlooks/aeo/section_issues.php).

If the Commission grants Idaho Power's request, then it would be using a gas price forecast that is lower than what the Commission Staff believed was reasonable in Idaho Power's IRP and lower than what the Idaho Public Utilities Commission is using in avoided cost rates. The Idaho Commission refused to allow Idaho Power to make this type of major substantive change in the type of gas price forecast in an annual update, but informed Idaho Power that if it wanted to make those type of changes, then they should be more thoroughly in a separate process that allowed more complete vetting.[3] Idaho's policies under the Public Utility Regulatory Policies Act are generally more detrimental to qualifying facilities than Oregon, and this Commission should carefully consider taking actions more harmful than the Idaho Commission.

II. COMMENTS

A. Idaho Power's Gas Price Forecast Does Not Reasonably Reflect the Cost of Natural Gas Over the Next 15 Years

In previous comments, the Coalition, the Oregon Commission Staff during the Idaho Power IRP and the Idaho Commission Staff have all demonstrated that Idaho Power's gas price forecasts are inaccurate and should not be used because they: 1) rely upon unreasonable assumptions regarding future technology and recovery rates; 2) fail to account for the historic variability and fluctuation in prices; and 3) ignore the very real risk that gas prices are will increase in the future. This gas price forecast is being used to set avoided cost rates for the next fifteen to twenty years, not the upcoming three to four-year period, and should therefore reasonably reflect pricing over a longer term.

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[3] In the Matter of the Annual Update to Published Avoided Cost Rates Based on the Updated Natural Gas Price Forecast of the EIA, Case Nos. AVU-E-18-04, IPC-E-18-05 and PAC-E-18-02, Order No. 34062 at 3-4 (May 16, 2018).

The Staff Report supports the use of this historically low gas price forecast because it is allegedly in line with those used by other utilities. The Coalition has not had an opportunity to review those other gas price forecasts, which appear to have been provided in other dockets and may be confidential and thus unavailable to the Coalition for use in this proceeding. The more relevant question, however, is whether the applicable gas price forecasts are reasonable for Idaho Power, not other utilities. Because there is general consensus among the Oregon Commission Staff's IRP recommendations, the Idaho Commission Staff, the Idaho Commission itself and the Coalition that the EIA Reference case is the most reasonable forecast, it should be used to set these avoided cost rates.

If the Commission is inclined to adopt Idaho Power's recommendation, then it should not change to Idaho Power's new and historically low gas price forecast at this time, but instead: 1) either not change avoided cost power rates at this time and suspend them; or 2) use the EIA Reference case pending further investigation. The Commission has repeatedly stated that it encourages interested parties to seek suspension of an avoided cost filing when necessary to address concerns about natural gas forecasts.[4] Issuing an order based on information from other dockets that has not, and potentially cannot, be reviewed by the stakeholders would be highly inappropriate and inconsistent with basic notions of due process.

There are larger public policy issues at stake regarding this gas price forecast. Idaho Power had made a major change in the inputs and assumptions that the stakeholders have not had an opportunity to review. The Commission needs to provide QFs their "day in court", and the Commission should review the voluminous amount of information provided by the

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4 Re Investigation Related to Electric Utility Purchases from Qualifying Facilities, Docket No. UM 1129, Order No. 05-584 at 36-37 (May 13, 2005).

Coalition and decide on the merits, and not simply allow Idaho Power to fundamentally change the type of natural gas forecasts without a full and complete vetting.

B. Use of Idaho Power's Gas Price Forecast Illustrates the Inequity of Relying Upon the IRP for Setting Avoided Cost Rates

As explained in the Coalition's opening comments, the Coalition and the Oregon Staff challenged Idaho Power's gas price forecast and despite significant and repeated comments, the Commission elected not to even discuss this issue at the Public Meeting regarding the IRP. Idaho Power essentially chose whatever gas price forecast it deemed appropriate without scrutiny—despite the fact that it has a significant and material impact on avoided cost rates and will eventually reduce Idaho Power's investments in conservation and demand side management resources. Now that real rates are going to be set that will alter the viability of non-utility owned generation and determine which resources (and who owns them) will be used to serve customers, the issue may be resolved without any opportunity for stakeholders to review the basic information that Staff relied upon to determine its view of the reasonableness of the gas price forecasts. If Staff wanted to compare Idaho Power's gas price forecasts to those of other utilities, then that should have either been done in the IRP, or stakeholders should also have the opportunity to review and vet those forecasts to determine the applicability to Idaho Power.

III. CONCLUSION

Idaho Power's proposed gas price forecast, the High Oil and Gas Resource and Technology case, is inappropriate because it relies on aggressive assumptions about natural gas recovery, technology and discoveries. This new forecast will not accurately estimate Idaho Power's avoided costs over the full period in which rates will be in effect.

Dated this 18th day of May 2018.

Respectfully submitted,

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