

ITEM NO. 2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 22, 2018

REGULAR CONSENT EFFECTIVE DATE May 23, 2018

DATE: May 16, 2018

TO: Public Utility Commission

FROM: Brittany Andrus *BA*

THROUGH: *J* Jason Eisdorfer and *JPB* JP Batmale

SUBJECT: IDAHO POWER COMPANY: (Docket No. UM 1730) Annual and post-IRP avoided cost updates, Schedule 85.

STAFF RECOMMENDATION:

Staff recommends that the Commission issue an order approving Idaho Power Company's (Idaho Power) update of Schedule 85, Cogeneration and Small Power Production Standard Contract Rates, effective May 23, 2018.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power's Schedule 85 filing of updated standard avoided costs.

Applicable Orders and Rules

OAR 860-029-0040(4)(a) requires utilities to file updated avoided cost prices for qualifying facilities (QF) under PURPA¹ within 30 days of Commission integrated resource plan (IRP)² acknowledgment.³

¹ Public Utility Regulatory Policies Act of 1978.

² Integrated Resource Plan and least-cost plan are synonymous.

³ "In the same manner as rates are published for electricity sales each public utility shall file with the Commission, within 30 days of Commission acknowledgement of its least-cost plan pursuant to Order No. 89-507, standard rates for purchases from qualifying facilities with a nameplate capacity of one megawatt or less, to become effective 30 days after filing. The publication shall contain all the terms and conditions of the purchase. Except when a public utility fails to make a good faith effort to comply with the request of

The Commission added another avoided cost update in Order No. 14-058,

[a]fter reviewing the parties proposals, we adopt a new requirement for an annual update on a specific day each year, in addition to the current complete avoided cost update following each IRP [Integrated Resource Plan] acknowledgement order. We direct electric utilities to update their avoided cost rates 30 days after IRP acknowledgement, and on May 1 of every year. In the event that an IRP is acknowledged within 60 days of May 1 in a particular year, the Commission will use its discretion at that time to direct a utility to waive its 30-day post IRP update.

Annual updates, filed every May 1, will include the following four factors:

- (1) Updated natural gas prices;
- (2) On- and off-peak forward-looking electricity market prices;
- (3) Changes to the status of the Production Tax Credit [PTC]; and
- (4) Any other action of change in an acknowledged IRP update relevant to the calculation of avoided costs.

Electric utilities' annual updates will be presented at a public meeting, with a rate effective date within 60 days of the May 1 filing.⁴

Analysis

Background

Idaho Power's Schedule 85 avoided cost prices includes three price streams: Baseload, Wind, and Solar, each adjusted for the resource type's relative capacity contribution. Idaho Power has no requirement to meet Oregon's Renewable Portfolio Standard at this time, and therefore has no avoidable renewable resource avoided cost.

Idaho Power's 2017 IRP was filed June 30, 2017, and acknowledged on April 10, 2018. Idaho Power's avoided cost filing is both the post-IRP acknowledgment filing and the May 1 Update.

Staff Review

In its review, Staff identified no concerns with the majority of the inputs used to derive the updated avoided costs. Idaho Power calculated avoided costs based on a resource deficiency year of 2026 in accordance with the acknowledged 2017 IRP. Resource

a qualifying facility to wheel, the public utility's standard rate shall apply to purchases from qualifying facilities with a nameplate capacity of one megawatt or less."

⁴ Order No. 14-058 at 25-26.

costs, resource performance, capacity contribution factors, and financial parameters are also updated consistent with the 2017 IRP.

Below are Staff's estimate of levelized avoided cost prices over the 15-year period 2020 through 2034 (\$/MWh).

	Baseload	Wind	Solar
Current	\$41.69	\$13.45	\$48.95
Proposed	\$37.60	\$10.85	\$42.93
Difference	-9.8%	-19.3%	-12.3%

Idaho Power's avoided costs for wind QFs is reduced significantly by the wind integration charges currently in place, which are based on a wind integration study from 2013. These integration costs are significantly higher than either PGE or PacifiCorp's estimated costs to integrate wind. For example, for 2025, PGE's wind integration charge is \$1.00/MWh, PacifiCorp's is \$0.72/MWh, and Idaho Power's is \$27.88/MWh. The Commission directed Idaho Power to conduct a new wind integration study in 2017,⁵ and that study is currently underway. Staff anticipates that significantly lower wind integration charges will be included in future avoided cost filings.

Gas forecast

Idaho Power's filing uses the same (but updated) forecast from Idaho Power's 2017 IRP, which is AEO's Henry Hub "High Oil and Gas Resource and Technology case." The Renewable Energy Coalition (Coalition) opposes Idaho Power's use of this gas price forecast. The Coalition notes that Idaho Power has used the AEO Henry Hub "Reference case" in its 2015 IRP and in the subsequent avoided cost filings. The Coalition explains the difference between the AEO Henry Hub High Oil and Gas Resource and Technology case and Reference case:

The Reference case assumes trend improvement in known technologies, economic and demographic trends, and generally assumes that current law and regulations remain in place including existing sunset dates. The AEO 2018 Reference case is 14% lower than the 2017 Reference case to account for an estimated increase in lower cost resources. However, the Idaho Power still proposes to use the High Oil and Gas Resource and Technology

⁵ Order No. 17-075 in Docket No. UM 1793, Idaho Power Application for Approval of Solar Integration Charge.

side case, which assumes 50% higher ultimate recovery per well, 50% higher rates of technological improvements, and 50% higher technically recoverable undiscovered resources. * * * [I]t is essentially flat in real dollars over the planning horizon. On the other end of the spectrum, the Low Oil and Gas Resource and Technology side case assumes 50% lower ultimate recovery per well, 50% lower rates of technological improvement, and 50% lower technically recoverable undiscovered resources. It is simply not reasonable for Idaho Power to assume that the assumptions underlying the High Oil and Gas Resource and Technology case reflect a likely future.⁶

The Coalition asserts using the AEO High Oil Gas and Gas Resource Technology case to establish avoided cost prices creates an unrealistic forecast of future costs and prevents QFs from receiving full avoided costs for their output.⁷ The Coalition asks the Commission to require Idaho Power to use a more reasonable gas price forecast or suspend Idaho Power's filing pending further investigation into the gas price forecast.⁸

Staff was critical of Idaho Power's use of the High Oil Gas Resource Technology case in the 2017 IRP. In its Staff report to the Commission, Staff recommended "...a more prudent approach to the gas price base case scenario by reverting back to the EIA reference case for the 2019 IRP."⁹ Nonetheless, Staff's review of the gas forecasts used in the three utility avoided cost filings to date in 2018 shows that the Idaho Power gas price forecast values are in line with those used by other utilities. Staff concludes the information provided by the Coalition regarding is insufficient to show the gas price forecast from Idaho Power's 2017 IRP should be replaced with a different forecast.

Conclusion

Staff concludes, based on its review of this filing and supporting work papers, that inputs and calculations are correctly applied to the updated avoided cost prices. Therefore, Staff concludes that Idaho Power's application to update Schedule 85 as filed on May 1, 2018 are reasonable, and meet the requirements of Order No. 14-058 and of OAR 860-029-0040(4)(a).

⁶ Renewable Energy Coalition's Comments, p. 6 (citations omitted).

⁷ Renewable Energy Coalition's Comments, pp. 5-6.

⁸ Renewable Energy Coalition Comments, pp. 9-10.

⁹ Docket No. LC 68, Idaho Power 2017 Integrated Resource Plan, Staff Report for April 10, 2018 public meeting, p. 3.

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PROPOSED COMMISSION MOTION:

Idaho Power's revised Schedule 85, Cogeneration and Small Power Production Standard Contract Rates, be approved.

UM 1730 Idaho Power avoided cost update PMM.doc