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May 21, 2018

VIA ELECTRONIC FILING

Attention: Filing Center
Public Utility Commission of Oregon
201 High Street SE, Suite 100
P.O. Box 1088
Salem, Oregon 97308-1088

Re: Docket UM 1730 – In the Matter of IDAHO POWER COMPANY, Application to Update Schedule 85 Qualifying Facility Information.

Attention Filing Center:

Attached for filing in the above-captioned docket is an electronic copy of Idaho Power Company's Reply Comments.

Please contact this office with any questions.

Sincerely,

A handwritten signature in blue ink that reads "Alisha Till".

Alisha Till
Legal Assistant

Attachments

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1730

In the Matter of

IDAHO POWER COMPANY

Application to Update Schedule 85
Qualifying Facility Information

**IDAHO POWER COMPANY'S
REPLY COMMENTS**

I. INTRODUCTION AND SUMMARY

1 Idaho Power Company (“Idaho Power” or “Company”) provides the Public Utility
2 Commission of Oregon (“Commission”) with this response to the comments of the Renewable
3 Energy Coalition (“REC”), submitted on May 11 and on May 18, 2018, regarding the Company’s
4 annual May 1 avoided cost price update.¹ REC’s comments are filed with the sole purpose of
5 arguing that the Company should be required to use a different natural gas forecast to calculate
6 its avoided costs. REC claims that Idaho Power’s gas price forecast used in the calculation of
7 avoided costs “has never been used to set avoided cost rates, and requests that the
8 Commission direct Idaho Power to use a more reasonable gas price forecast.”² Additionally,
9 REC argues that the gas forecast does not reasonably reflect the cost of natural gas over the
10 next 15 years, and notes that the Idaho Public Utilities Commission (“IPUC”) utilizes a different
11 natural gas forecast in determining avoided cost prices than that used by the Company in its
12 IRP.

¹ This filing was also made within 30 days of the Commission’s acknowledgement of Idaho Power’s 2017 Integrated Resource Plan, and therefore serves as its post-acknowledgement avoided cost update as well.

² Renewable Energy Coalition’s Comments at 1.

1 REC's arguments should be rejected for several reasons. First, REC's claims that the
2 Company is using a new natural gas forecast that is substantively different from previous
3 forecasts is patently incorrect. Idaho Power's avoided cost update filing does in fact use the
4 same natural gas forecast reference case, the U.S. Energy Information Administration's ("EIA")
5 Annual Energy Outlook ("AEO"), High Oil and Gas Resource and Technology reference case,
6 that was not only used in its recently-acknowledged IRP but also in its previous two filings to
7 update standard avoided costs in Oregon, both of which were approved by the Commission.
8 Second, contrary to REC's assertions that avoided costs and resource planning have different
9 standards necessitating different forecasts, the Commission has directed the utilities to use a
10 natural gas forecast for avoided cost purposes that is consistent with the utility's resource
11 planning—a goal that is achieved by the Company's use of the gas forecast that was used in
12 the IRP. Third, the forecast used by the Company is an accurate expectation of long-term
13 natural gas prices that are accessible to Idaho Power. REC argues that the IPUC has rejected
14 the use of the Company's gas forecast from its IRP in setting avoided cost prices. This
15 allegation is similarly not entirely correct. The IPUC has specifically approved the use of the
16 same natural gas forecast used in the Company's IRP, and proposed here, for avoided cost
17 prices applicable to all QF resources above the standard rate eligibility cap.³ The IPUC has
18 used a specific subset of the EIA forecast reference case, the Mountain Region's Electric Power
19 sector reference case, for the past five years in its annual updates of published, or standard,
20 avoided cost rates.⁴

21 The forecast used by Idaho Power incorporates the Company's best estimate of the gas
22 prices it can expect to experience, is consistent with not only the last two Commission approved
23 avoided cost updates, but also with the Company's recently acknowledged IRP, and therefore
24 was properly used in the May 1 Update.

³ IPUC Order No. 33957, Case No. IPC-E-17-15.

⁴ IPUC Order No. 34062, Case No. IPC-E-18-05.

II. DISCUSSION

1 In this standard avoided cost price update, Idaho Power relied on the U.S. Energy
2 Information Administration’s (“EIA”) 2018 Annual Energy Outlook (“AEO”) natural gas forecast,
3 published February 6, 2018. Specifically, the Company used EIA’s High Oil and Gas Resource
4 and Technology reference case to update natural gas prices—the same reference case used in
5 Idaho Power’s acknowledged 2017 IRP, and used in the Company’s last two standard avoided
6 cost price updates. Use of this reference case is appropriate for the following reasons.

A. Idaho Power Used the Same Gas Forecast Reference Case in the Company’s Two Prior Avoided Cost Price Updates.

7 REC claims that Idaho Power failed to provide the Commission with complete and
8 accurate information when the Company stated that the gas price forecast used in this update is
9 the same as the one used in the last two avoided cost updates.⁵ REC’s comments are incorrect.

10 Idaho Power first used the EIA’s AEO High Oil and Gas Resource and Technology
11 reference case for forecasted natural gas prices in its May 1, 2017, avoided cost update filing in
12 Docket No. UM 1730(3). The workpapers included with this filing clearly show the use of this
13 gas price forecast and reference case on the tab labeled Table 9.⁶ On May 23, 2017, Staff
14 recommended approval of Idaho Power’s avoided cost rates, and the Commission adopted this
15 avoided cost filing in Order No. 17-196.

16 On July 21, 2017, Idaho Power filed an update to avoided cost prices to reflect solar
17 integration charges in Docket No. UM 1793. This filing also utilized the EIA’s AEO High Oil and
18 Gas Resource and Technology reference case for forecasted natural gas prices in the
19 calculation of avoided cost prices. Again, the Company provided its workpapers with the filing to
20 support the calculation of the avoided cost prices, which included the natural gas price forecast
21 on the tab labeled Table 9.⁷ The updated avoided cost prices were approved and made

⁵ *Id.* at 2.

⁶ See Attachment A.

⁷ See Attachment B.

1 effective on July 21, 2017. These prices are currently in effect today. Use of EIA's High Oil and
2 Gas Resource and Technology reference case in this update would be absolutely consistent in
3 utilizing the same gas forecast reference case as the last two Commission-approved avoided
4 cost updates.

B. The Commission Has Clearly Directed Utilities to Use Gas Forecasts Consistent with the Forecasts Used in Utility Planning, as Idaho Power Did in This Filing.

5 REC would have the Company use a gas price forecast both inconsistent with prior
6 filings and with the inputs in Idaho Power's recently acknowledged IRP. This approach is at
7 odds with the Commission's general emphasis in prior orders on the relationship between
8 resource planning and the calculation of avoided cost prices.

9 In Order No. 05-584 of Docket No. UM 1129, the Commission explained that the
10 calculation of each electric utility's standard avoided costs begins with the utility filing an IRP.⁸ In
11 the same docket, Staff noted that there could be legitimate variations among utility forecasts.
12 Moreover, the continued review of avoided costs based on each utility's view of prices is
13 consistent with each utility's actual resource decisions.⁹

14 The Commission also addressed the link between avoided costs and resource planning
15 in Order No. 06-538 of Docket No. UM 1129, stating, "In Order No. 05-584, we addressed the
16 forecasting of natural gas prices for the purpose of calculating avoided costs. After careful
17 consideration of all the positions, we determined that the natural gas forecast used in the utility's
18 avoided cost filing *should be consistent with those used by the utility to make resource*
19 *decisions.*"¹⁰ Based on this precedent, Idaho Power finds it appropriate to use a consistent gas
20 price forecast reference case as used in the IRP.

⁸ *In the Matter of Public Utility Commission of Oregon Staff's Investigation Relating to Electric Utility Purchases from Qualifying Facilities*, Docket No. UM 1129, Order No. 05-584 at 21. (May 13, 2005).

⁹ *Id* at 36.

¹⁰ *In the Matter of Public Utility Commission of Oregon Staff's Investigation Relating to Electric Utility Purchases from Qualifying Facilities*, Docket No. UM 1129, Order No. 06-538 at 44. (September 20, 2006).

C. Idaho Power's Gas Forecast Reasonably Reflects the Company's Access to Gas Supplies and Incorporates Actual Forward Contracts Data.

1 Finally, the Company's use of the EIA's AEO High Oil and Gas Resource and
2 Technology reference case for forecasted natural gas prices is reasonable, as it best anticipates
3 actual natural gas prices for Idaho Power. As the Company explained in Case No. IPC-E-17-07
4 before the IPUC, the Company holds firm pipeline capacity at lower prices than in the locations
5 used to guide EIA's reference case forecasts. The Company's 2017 IRP model and process
6 used the EIA's AEO High Oil and Gas Resource and Technology reference case for forecasted
7 natural gas prices, adjusted for pricing at Sumas and Idaho City Gate, where Idaho Power holds
8 firm pipeline capacity and actually performs natural gas transactions. Idaho Power presented
9 this forecast at the IRP Advisory Council meetings, and believes the forecast provides a better
10 expectation of long-term natural gas prices that are accessible to Idaho Power.

11 EIA's AEO High Oil and Gas Resource and Technology reference case more accurately
12 reflects prices that Idaho Power sees on an actual basis, as confirmed by comparison to actual
13 market transaction data reported by the Intercontinental Exchange ("ICE") index. Actual natural
14 gas prices have been consistently lower than EIA's Reference Case or Idaho Power's past
15 planning forecasts. Idaho Power thus incorporated ICE data to bolster its analysis and to identify
16 the most likely gas price forecast. ICE data is based on actual market transactions, and its use
17 to inform the Company's gas price forecasting confirms the use of the High Oil and Gas
18 Resources and Technology reference case as the most reasonable expectation of future prices
19 that the Company is likely to experience at points where it executes transactions.

20 The Company fully explained how and why its gas forecast reference case was selected
21 in successive rounds of comments in its 2017 IRP—describing the historical problems with other
22 reference cases and the Company's use of ICE data to support its selection of a more likely

1 planning forecast.¹¹ In that proceeding, REC filed two separate comments contesting the
2 Company's gas price forecasts before raising the same concerns to the Commission at public
3 hearing.¹² The Commission nonetheless acknowledged the Company's IRP, with no indication
4 that it objected to Idaho Power's gas price forecast. Here, REC merely reiterates the same
5 concerns already presented to the Commission in the Company's IRP docket, while seeking to
6 delay the revision of clearly out-of-date avoided cost prices—exposing customers to additional
7 contracting at excessively high prices. But as Idaho Power has previously explained and
8 demonstrates again here, the High Oil and Gas Resources and Technology reference case best
9 reflects the Company's reasonable expectation of forecasted gas prices and is thus properly
10 used in the Company's standard avoided cost price update.

III. CONCLUSION

11 Idaho Power's use of EIA's AEO High Oil and Gas Resource and Technology reference
12 case for forecasting natural gas prices is appropriate because it is consistent with the
13 Company's previous two updates to Oregon standard avoided cost prices, with the calculation
14 of negotiated avoided cost prices in both Oregon and Idaho, and with the Company's recently
15 acknowledged IRP, and because this forecast best reflects the Company's real and expected
16 natural gas prices for actual gas transactions based on Idaho Power's access to firm pipeline
17 capacity and relevant market data. Insofar as REC urges the Company "to maintain some
18 consistency in avoided cost prices,"¹³ the Company has done so. Idaho Power therefore
19 requests that the Commission decline REC's request to revise or suspend the Company's
20 avoided cost filing, and instead approve the Company's avoided cost price update as consistent
21 with Idaho Power's resource planning process.

¹¹ See *In the Matter of Idaho Power Company's 2017 Integrated Resource Plan*, Docket No. LC 68, Idaho Power Company's Reply Comments at 80-84 (Dec. 8, 2017); Docket No. LC 68, Idaho Power Company's Final Comments at 42-47 (Feb. 16, 2018).

¹² See, e.g., Docket No. LC 68, Renewable Energy Coalition's Comments at 4 (Oct. 31, 2017); Docket No. LC 68, Renewable Energy Coalition's Final Comments (Jan. 18, 2018).

¹³ *Id* at 9.

Respectfully submitted this 21st day of May 2018.

McDOWELL RACKNER GIBSON PC

A handwritten signature in blue ink, appearing to read "Shoshana J. Baird", written over a horizontal line.

Lisa F. Rackner
Shoshana J. Baird

IDAHO POWER COMPANY

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Attorneys for Idaho Power Company

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1730

IDAHO POWER COMPANY

Attachment A

Table 9 from Workpapers filed with:
UM 1730(3) - Idaho Power Company's 2017 Annual May Update
(May 1, 2017)

May 21, 2018

Table 9
Gas Price Forecast
\$/MMBtu

Year	EIA Henry Hub Forecast Annual Energy Outlook (Nominal \$/mmBtu)	2017 Sumas Basis (Nominal \$/mmBtu)	2017 Transport Cost (Nominal \$/mmBtu)	Updated Delivered NG Cost (Idaho City Gate Price) (Nominal \$/mmBtu)
	(a)	(b)	(c)	(d) (a) + (b) + (c)
2017	\$2.827	(\$0.480)	\$0.471	\$2.82
2018	\$3.240	(\$0.600)	\$0.457	\$3.10
2019	\$3.750	(\$0.650)	\$0.461	\$3.56
2020	\$3.860	(\$0.533)	\$0.468	\$3.79
2021	\$3.617	(\$0.390)	\$0.471	\$3.70
2022	\$3.556	(\$0.285)	\$0.475	\$3.75
2023	\$3.714	(\$0.315)	\$0.481	\$3.88
2024	\$3.945	(\$0.315)	\$0.488	\$4.12
2025	\$4.138	(\$0.315)	\$0.495	\$4.32
2026	\$4.375	(\$0.315)	\$0.502	\$4.56
2027	\$4.630	(\$0.315)	\$0.509	\$4.82
2028	\$4.958	(\$0.315)	\$0.518	\$5.16
2029	\$5.080	(\$0.315)	\$0.523	\$5.29
2030	\$5.028	(\$0.315)	\$0.527	\$5.24
2031	\$4.895	(\$0.315)	\$0.530	\$5.11
2032	\$4.900	(\$0.315)	\$0.534	\$5.12
2033	\$4.965	(\$0.315)	\$0.539	\$5.19
2034	\$5.065	(\$0.315)	\$0.545	\$5.30
2035	\$5.149	(\$0.315)	\$0.551	\$5.38
2036	\$5.213	(\$0.315)	\$0.556	\$5.45
2037	\$5.271	(\$0.315)	\$0.562	\$5.52
2038	\$5.396	(\$0.315)	\$0.568	\$5.65
2039	\$5.531	(\$0.315)	\$0.574	\$5.79
2040	\$5.565	(\$0.315)	\$0.580	\$5.83
2041	\$5.561	(\$0.315)	\$0.584	\$5.83

Notes:

1. Henry Hub Forecast is from EIA's 2017 Annual Energy Outlook, High Oil and Gas Resource and Technology Case, Table 13, Natural Gas Supply, Disposition and Prices, published January 5, 2017.
2. Sumas Basis is Market Quoted Basis through 2023 per the ICE exchange and then held static from 2024 - 2041.
3. Transportation Costs include Pipeline Fuel Rate at 1.28% multiplied by the commodity price, Pipeline commodity charge of \$.0313, and Pipeline reservation charges of \$.410 through 2017, \$.3924 through October 2018, and \$.3903 for November 2018 through 2019 per current Tarriff, then escalated at 1% per year 2020 - 2041.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1730

IDAHO POWER COMPANY

Attachment B

Table 9 from Workpapers filed with:
UM 1793 - Idaho Power Company's 2017 Update of Avoided Cost Rates
(July 21, 2017)

May 21, 2018

Table 9
Gas Price Forecast
\$/MMBtu

Year	EIA Henry Hub Forecast Annual Energy Outlook (Nominal \$/mmBtu)	2017 Sumas Basis (Nominal \$/mmBtu)	2017 Transport Cost (Nominal \$/mmBtu)	Updated Delivered NG Cost (Idaho City Gate Price) (Nominal \$/mmBtu)
	(a)	(b)	(c)	(d) (a) + (b) + (c)
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