

ITEM NO. RA2

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 21, 2023**

REGULAR X **CONSENT** **EFFECTIVE DATE** February 22, 2023

DATE: February 13, 2023

TO: Public Utility Commission

FROM: Ryan Bain

THROUGH: Bryan Conway, Caroline Moore, and Scott Gibbens **SIGNED**

SUBJECT: IDAHO POWER COMPANY:
(Docket No. UM 1730(8))
Update to Standard Avoided Cost Schedule for Qualifying Facilities.

STAFF RECOMMENDATION:

Approve Idaho Power Company's (Idaho Power or Company) post-Integrated Resource Plan (IRP) revisions to its Schedule 85, Cogeneration and Small Power Production Standard Contract Rates.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power's update of Schedule 85, Cogeneration and Small Power Production Standard Contract Rates following the acknowledgement of their 2021 IRP.

Applicable Orders and Rules

ORS 757.205(1) provides that "every public utility shall file with the Public Utility Commission, within a time to be fixed by the commission, schedules which shall be open to public inspection, showing all rates, tolls and charges which it has established and which are in force at the time for any service performed by it within the state, or for any service in connection therewith or performed by any public utility controlled or operated by it."

ORS 758.525 (1) provides that “at least once every two years each electric utility shall prepare, publish and file with the Public Utility Commission a schedule of avoided costs equaling the utility’s forecasted incremental cost of electric resources over at least the next 20 years. Prices contained in the schedules filed by public utilities shall be reviewed and approved by the commission.”

860-029-0080(3) directs each public utility to file with the Commission draft avoided-cost information at the time it files its integrated resource plan and file final avoided-cost information within 30 days of a Commission decision of acknowledgement of the integrated resource plan to be effective 30 days after filing. This information must include under sub-section (a) of this rule to reflect updated natural gas prices, and updated on- and off-peak forward-looking electricity market prices.

860-029-0085(1) additionally iterates that “each public utility must file with the Commission standard avoided cost rates within 30 days of a Commission decision regarding acknowledgement of the public utility's integrated resource plan.”

Order No. 22-246, entered on July 6, 2022, which directed the Company, IPC, to move the start of deficiency period pricing to January 1, 2024.

Analysis

Background

The Commission acknowledged IPC's 2021 IRP on December 6, 2022. On January 5, 2023, in compliance with the above stated order, rules, and statutes, Idaho Power filed its revised Schedule 85, Cogeneration and Small Power Production Standard Contract Rates, Sheet Nos. 85-6 through 85-8. This filing includes updates to the Resource Sufficiency/Deficiency date, Natural Gas Forward Prices, Electric Forward Prices, wind and solar capacity factors and contributions to peak, and associated costs of capital for avoided capacity and energy resources. On January 24, 2023, the Commission adopted Staff's recommendation in Order No. 23-012 to suspend the revisions to IPC's Schedule 85 Standard Avoided Cost rates to allow time for additional review.

Filing Overview

Staff has reviewed the Company's application and workpapers and finds that they are in compliance with the Commission approved methodology for Idaho Power's avoided cost rates. Staff provides additional discussion of some of the significant issues reviewed by Staff below but finds that overall, the rates were properly calculated and recommends that the rates be allowed to go into effect. Staff's review included verifying the accuracy of updated assumptions and inputs from the acknowledged IRP, and scrutiny of the

workpaper calculations for accurate references and output. Staff continues to work through QF-related issues while scoping UM 2000.

Natural Gas Forward Prices

Idaho Power filed their update with the independent-third party S&P Global Platt's Long-Term Forecast, published December 16, 2022.

Staff and stakeholders questioned and investigated whether the forward market gas prices used by Idaho Power appropriately capture possible fundamental changes to the gas market considering global events in the previous year. However, it remains unclear if long term expectations are structurally altered in the gas market or if market premiums should be expected in the long term relative to historical gas forward expectations. Therefore, Staff does not believe a departure from the Commission's methodology is warranted and the most recent long-term gas price forecasts available to Idaho Power are the appropriate input for avoided cost prices.

Electric Forward Prices

Idaho Power updated on and off-peak electric market prices using forward monthly market prices quoted at mid-Columbia from Inter-Continental Exchange on December 14, 2022. Forward electric market prices in the near term have risen appreciably given current market drivers. Idaho Power's avoided cost prices only rely on those market prices for the year 2023. The sufficiency period in this instance limits the impact of the relatively high prices seen in the electric forward markets.

Price Comparison

The Company's proposed standard fixed levelized avoided costs for a 15-year contract (2023 through 2037) as shown in Table 1 saw increases for all resource types.

Table 1: 15-Year Levelized Price Comparison (2023-2037)

Resource Type	Proposed Rates (\$/MWh)	Current Rates (\$/MWh)	Difference (\$/MWh)
Baseload	\$65.21	\$44.58	\$20.63
Wind	\$58.69	\$35.24	\$23.45
Solar	\$53.90	\$40.07	\$13.83

Stakeholder Comments

It is Staff's understanding that no stakeholder has an objection to the inputs Idaho Power used to calculate the avoided cost prices or the calculations themselves. However, the Community Renewable Energy Association (CREA) notified Staff that it intended to file comments in this docket asking the Commission to require Idaho Power

to offer a standard rate for solar + storage resources. If the Commission granted this request, Idaho Power would be required to offer separate rates for baseload, wind, solar, and solar + storage resources.

Staff disagrees that it is appropriate for the Commission to order a change in the avoided cost methodology in connection with a post-IRP avoided cost update for one utility. The Commission has noted that it generally will not make methodological changes to the avoided cost rate methodology outside of a generic proceeding applicable to all utilities.¹ The Commission has made an exception to this general policy when the party requesting the change can show harm from application of the current methodology.²

While Staff sees value in a solar + storage standard avoided cost rate, Staff disagrees that Idaho Power's update to standard avoided cost prices is the place to establish such a rate. Unlike other cases in which the Commission has considered methodological changes to the avoided cost methodology outside a generic investigation, Staff does not believe solar + storage QFs will be harmed if a standard rate is not established with this update. Solar + storage QFs are free to negotiate a non-standard rate that takes the value of QF storage into account. Accordingly, it is not necessary to take the extraordinary step of a methodological change to the avoided cost methodology to ensure QFs have access to a rate that takes the value of storage into account.

As noted above, Staff sees value in setting up a rate which properly compensates resources that could provide additional and differentiated benefits that help the utilities in their progress towards House Bill 2021 targets. Staff views it as most advantageous to work with stakeholders and all three electric utilities together to determine the most appropriate contribution to capacity adjustments for solar + storage resources for the three utilities. On November 30, 2022, Staff held a workshop with stakeholders in Docket No. UM 2000 and subsequently received written comments from several stakeholders urging the near-term implementation of an additional avoided cost rate for solar + storage resources as soon as possible.

Staff plans to initiate a process for determining a standard solar + storage rate soon. Optimally, Staff, stakeholders, and utilities will be able to agree on a solar + storage adjustment method ahead of the May 1 avoided cost updates. In any event, Staff believes the question of whether to adopt a standard rate for solar + storage QFs will be presented to the Commission this year.

¹ In the Matter of PacifiCorp, dba Pacific Power, Updates Standard Avoided Cost Purchases from Eligible Qualifying Facilities, Docket No. UM 1729, Order No. 18-289, p. 4 (August 9, 2018).

² Id.

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Conclusion

Staff believes Idaho Power followed the requirements for updating its avoided cost rates, implementing methodology appropriately and using appropriate updated inputs, consistent with its acknowledged 2021 IRP filing.

PROPOSED COMMISSION MOTION:

Approve Idaho Power Company's update of Schedule 85, Cogeneration and Small Power Production Standard Contract Rates.

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