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November 27, 2013

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
Statehouse Mail
W. 472 Washington Street
Boise, Idaho 83720

RE: Case No. AVU-E-13-07 – 2013 Electric Integrated Resource Plan

Dear Ms. Jewell:

Attached for filing with the Commission is an original and seven copies of Avista Corporation, doing business as Avista Utilities (hereinafter Avista or Company), reply comments regarding the Company's 2013 Electric Integrated Resource Plan (IRP) in accordance with Order No. 32888. Avista believes the Company's 2013 IRP satisfies Commission Orders No. 22299 and No. 25260 and requests that the Commission acknowledge the 2013 Electric IRP as filed.

Please direct any questions regarding these comments to Clint Kalich at 509-495-4532 or clint.kalich@avistacorp.com.

Sincerely,

Linda Gervais

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE AVISTA CORPORATION 'S 2013 ELECTRIC INTEGRATED RESOURCE PLAN	))))	CASE NO. AVU-E-13-07

REPLY COMMENTS OF AVISTA CORPORATION

I. INTRODUCTION

Avista Corporation, doing business as Avista Utilities (hereinafter Avista or Company), at 1411 East Mission Avenue, Spokane, Washington, respectfully submits reply comments regarding the Company's 2013 Electric Integrated Resource Plan (IRP) in accordance with Order No. 32888. Avista believes the Company's 2013 IRP satisfies Commission Orders No. 22299 and No. 25260 and requests that the Commission acknowledge the 2013 Electric IRP as filed.

II. BACKGROUND

The Commission issued a Notice of Modified Procedure, Order No. 32888, on September 10, 2013, setting forth a comment deadline of November 13, 2013. The Commission Staff ("Staff"), the Idaho Conservation League ("ICL"), the Snake River Alliance ("SRA"), and the Sierra Club and the Montana Environmental Information Center ("SCMEIC") submitted comments on or prior to the deadline.

Per Commission Orders No. 22299 and No. 25260, Avista is required to prepare and file biennially an IRP outlying how the Company would serve its retail electricity requirements into the future. Avista filed its 2013 Electric IRP on August 29, 2013.

III. COMPANY RESPONSE

Avista's IRP process is open and public, allowing the IRP to reflect the best analysis and information available to the Company and interested parties. The IRP itself is developed with the help of a Technical Advisory Committee (TAC) made up of customers, utility commission staff, consumer advocates, academics, utility peers, government agency staff and Avista's energy analysts. In total, Avista invites more than

120 representatives from 45 organizations. Six TAC meetings were held at Avista headquarters between May 23, 2012 and June 19, 2013 to inform members, receive feedback, and take suggestions, as well as direction from them. Further, Avista was available to discuss IRP-related matters outside of the TAC meetings via telephone, email, or in-person meetings.

It is important to note that, with the exception of Commission Staff, whom attended all TAC meetings held in support of the 2013 IRP process, none of the parties submitting comments in this Case materially participated in the IRP process. No comments or feedback were received prior to Commission Order 32888. Neither ICL, nor SRA, attended a single TAC meeting. SCMEIC did have a representative listen in, via conference bridge, for a portion of one of the six TAC meetings. When comments were provided by ICL, SRA, and SCMEIC, it was the first time Avista became aware that they had any concerns. Such comments would be much more useful if provided in a manner timely for inclusion in the 2013 IRP process. That being said, the comments and concerns of ICL, SRA, and SCMEIC, as expressed in this Case, do not warrant the Commission to not acknowledge the Company's 2013 Electric IRP. Further, the IRP does address the areas of concerns filed by ICL, SRA and SCMEIC.

None of the commenter's recommend the Commission not acknowledge the 2013 Electric IRP, instead they ask the Commission to direct Avista to perform various analyses in future IRP processes. Commission Staff states specifically that the IRP meets the requirements of Commission Orders on the requirements of developing and filing an IRP. Avista believes the Commission has ample evidence on the record in support of acknowledging the 2013 Electric IRP as filed. Avista herein responds to various issues raised by certain parties.

I. Related to Colstrip

The commenting parties (excluding Commission Staff) expressed various concerns that Avista did not adequately analyze, in their views, the various risks of the continued operation of Colstrip. However, Avista did dedicate a portion of the IRP to evaluating Colstrip options, including major upgrade and retirement options under both the Expected and High Carbon pricing cases. The IRP contains significant analysis of potential future liabilities with all thermal generation, and Colstrip specifically. The 10-page Policy Considerations section (Chapter 4), talks extensively about various environmental issues, Avista's climate change policy efforts, and current and proposed future environmental regulations at both the state and federal levels. The Market Analysis section (Chapter 7), details current and projected Western Interconnect carbon emissions, discusses briefly carbon and other environmental impacts of Western Interconnect thermal generation, and describes a Carbon Pricing case where the market is burdened by a carbon tax or similar program. This case explains the impacts of pricing carbon on the overall wholesale marketplace.

The Preferred Resource Strategy (PRS) section (Chapter 8) of the IRP spends six of its 37 pages detailing the environmental risks of Colstrip, as well as its performance in the Expected and Carbon Pricing cases. The result of this extensive analysis shows that Colstrip continues to provide value to customers.

Commenting parties, (excluding Commission Staff), expressed concern the IRP fails to disclose and adequately evaluate the potential impacts of the SCMEIC civil case against Avista and the other owners of Colstrip. However, the IRP would not be the proper method for Avista to address legal matters of this nature. The Company has fully disclosed this litigation in its Securities and Exchange Commission (SEC) filings. Unfortunately, such litigation limits, rather than enhances, public resource planning efforts. In addition, it is also too early to determine the outcome of the civil case and what portfolio and financial impacts the Company and its customers might incur. Many of the concerns expressed relate to Colstrip Units 1 and 2, of which Avista has no ownership interest. Avista is a minority 15% owner of only Units 3 and 4, which account for approximately 222 MW.

ICL challenges the IRP's lack of a carbon adder in the Expected Case, though ICL provided no recommended means of implementing such an adder in the future. Instead, ICL explains in their comments that such an analysis is difficult. Avista agrees with ICL that modeling carbon policies into the future is difficult. In past IRPs, Avista included carbon adders in its Expected Case, however conditions have changed. Currently, there is no pending legislation or rules requiring implementation of such an adder within this IRP timeframe. This IRP does include current and expected EPA regulations regarding permitting new coal fired facilities and tougher emission control requirements.

ICL suggested in its comments that to keep the costs of Colstrip retirement lower, Avista should have relied on the wholesale marketplace for replacement power instead of planning for a new generation resource. Such market reliance should, in Avista's view, only occur after a thorough evaluation of the wholesale power market, and a finding that significant surpluses exist within it. In both Avista and the Northwest Power and Conservation Council's (NPCC) assessments of the wholesale market, a deficiency exists well before any reasonable retirement timeline for Colstrip. It would therefore be incorrect to assume Colstrip output in the IRP is replaced with market purchases.

ICL expressed a concern that Avista did not include a sale value for Colstrip at retirement. The Colstrip retirement scenario does not include any offsets from selling the plant at a cost beyond reclamation. There is no reliable information presently to determine how a sale, if any, would impact the economics of Colstrip retirement. In its analysis, the Company followed the direction of the Washington Utilities and Transportation Commission (UTC) and focused instead on the impacts of removing the plant from its portfolio. As described above, the retirement of Colstrip would be expected to cost customers tens of millions of dollars per year in replacement portfolio power supply expenses.

SRA asked the Commission to:

> …withhold acceptance of any portions of this IRP that envision indefinite operations of Colstrip until such time as Avista provides the Commission more details about the expected costs (such as they can be determined) of all known and anticipated environmental regulations that will require new investment in Colstrip Units 3 and 4.

They went further to suggest that Avista should prepare contingency planning for replacement of the plant. The IRP does contain a discussion specific to Colstrip and future emissions compliance beginning on page 8-29 of the plan. The IRP evaluated future environmental regulations as they pertain to Colstrip units 3 and 4, and went so far as to evaluate Colstrip under three different environmental policy scenarios.

Both the SCMEIC and SRA expressed concern that in the Colstrip retirement scenarios the IRP replaced Colstrip output on a nameplate capacity basis. If Avista was short only on energy it might make sense to consider Colstrip's retirement on an energy basis, but the Company is not short of energy. The IRP shows that Avista's needs are driven exclusively by capacity (page 2-34 to 2-41). Replacing Colstrip based on its energy output would leave the Company short of those resources necessary to maintain reliable service for its customers and further increasing the cost to serve.

II. Energy Conservation

The Company will address each significant comment regarding energy conservation as follows:

a. Rely on Carbon Pricing Scenario To Set Higher Conservation Targets - ICL recommends in its comments that Avista use the Carbon Pricing scenario to support a higher level of energy conservation. Additional conservation would increase portfolio costs, and is not supported by the IRP analysis. In Table 8.12 on page 8-25 of the IRP, the 125% of avoided cost case shows that increasing conservation from 164 aMW over 20 years in the Preferred Resource Strategy (PRS) to 185 aMW, the approximate level of conservation in the Carbon Pricing case, was higher in cost than the Expected Case by $9 million levelized per year. In the Expected Case, the PRS includes 240 MW of incremental efficiency (164 aMW). The acquisition already benefits from an avoided cost 10% higher than what is used for generation resources. This adder increases conservation acquisition in the IRP by 10 aMW of conservation for an annual increased portfolio power supply cost of $5.3 million. Further, incentives would not be appropriate in the IRP, or consistent with least-cost principles.

b. Integrate Results of Conservation Potential Assessment (CPA) Into Near-Term Planning - ICL suggested in its comments that Avista should integrate the results of its conservation potential assessment into near-term energy efficiency planning. Avista already performs such integration. The IRP includes a CPA for the two-year time period covered by this IRP, and for the next ten years. The CPA was developed by EnerNOC, an independent consultant. Together with the CPA, Avista has a substantial 2014 DSM Business Plan, outlining acquisition and tactics.

c. Rely on Demand Response to Replace Gas Plants - SRA recommends that Avista consider demand response as an alternative to building gas-fired generation. Avista did include 19 MW of demand response in the 2013 IRP. This was the first time a demand response program passed the least costs test. With some demand response programs passing the cost-effectiveness test, Avista included an action item in the IRP to study this resource further. Where the study supports the present level of demand response or an expansion of the technologies, the Company will pursue this resource and will discuss the results in the 2015 Electric IRP.

III. Substitution of Hydro Upgrades for Gas Generation

a. ICL suggests that Avista pursue hydro upgrades at its existing facilities rather than rely on the PRS recommendation of additional gas-fired plants. The IRP specifically evaluated hydro upgrade options starting on page 6-15 and found that the hydro upgrades were not least-cost, nor would they reduce an overall portfolio risk in a significant manner.

Avista appreciates the opportunity to provide reply comments regarding the Company's 2013 Electric IRP. Please direct any questions regarding these comments to Clint Kalich at 509-495-4532 or clint.kalich@avistacorp.com.

DATED at Spokane, Washington, this 26th day of November, 2013.

AVISTA CORPORATION

By Linda Gervais on behalf of

David J. Meyer

Vice President and Chief Counsel for
Regulatory and Governmental Affairs

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this 26th day of November, 2013, served the foregoing Compliance Filing in Case No. AVU-E-13-07 upon the following parties, by mailing a copy thereof, properly addressed with postage prepaid as well as electronically sent to:

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