

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF AVISTA** )  
**CORPORATION'S 2013 ELECTRIC** ) **CASE NO. AVU-E-13-07**  
**INTEGRATED RESOURCE PLAN** )  
 ) **NOTICE OF FILING**  
 )  
 ) **NOTICE OF**  
 ) **MODIFIED PROCEDURE**  
 )  
 ) **ORDER NO. 32888**

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On August 29, 2013 Avista Corporation dba Avista Utilities filed its 2013 Electric Integrated Resource Plan ("IRP") with the Commission. The Company is headquartered in Spokane, Washington and serves electricity customers in eastern Washington and northern Idaho. It files an Electric IRP with the Commission every two years to explain how it intends to meet its customers expected energy needs over the next 20 years.

With this Order, the Commission provides notice that Avista has filed its 2013 Electric IRP and that interested persons may file written comments about the IRP as set forth below.

**NOTICE OF FILING**

YOU ARE HEREBY NOTIFIED that Avista's 2013 Electric IRP is about 210 pages long and is accompanied by 913 pages of appendices. The 2013 Electric IRP includes an Executive Summary plus the following sections: (1) Introduction and Stakeholder Involvement; (2) Loads & Resources; (3) Energy Efficiency; (4) Policy Considerations; (5) Transmission & Distribution; (6) Generation Resource Options; (7) Market Analysis; (8) Preferred Resource Strategy; and (9) Action Items. The information discussed below is taken from the Executive Summary.

YOU ARE FURTHER NOTIFIED that the 2013 Electric IRP guides Avista's resource strategy over the next two years and directs resource procurements over the 20-year plan. It provides a snapshot of Avista's resources and loads and guides future resource acquisitions over a range of expected and possible future conditions. IRP Executive Summary at i.

YOU ARE FURTHER NOTIFIED that Avista says its 2013 Preferred Resource Strategy (“PRS”) includes energy efficiency, upgrades at existing generation and distribution facilities, demand response and new gas-fired generation. The PRS balances cost, reliability, rate volatility, and renewable resource requirements. The Company says its management and Technical Advisory Committee (“TAC”) guide the development of the PRS and the IRP by providing significant input on modeling and planning assumptions. TAC members include customers, Commission Staff, the Northwest Power and Conservation Council, consumer advocates, academics, utility peers, government agencies, and interested internal parties. *Id.*

YOU ARE FURTHER NOTIFIED that Avista says it uses a multiple-step approach to develop its PRS. *Id.* at iii. The Company first identifies and quantifies potential new generation resources to serve projected electricity demand across the West. A Western Interconnect-wide study explains the impact of regional markets on the Northwest electricity marketplace. The Company then maps its resources to the present transmission grid configuration in a model simulating hourly operations for the Western Interconnect from 2014 to 2033. The model adds cost-effective new resources and transmission to meet projected loads. *Id.* Monte Carlo-style analysis varies hydroelectric and wind generation, loads, forced outages and natural gas price data over 500 iterations of potential future market conditions. The simulation estimates Mid-Columbia electricity market prices by iteration, and the results collectively form the IRP Expected Case. *Id.*

YOU ARE FURTHER NOTIFIED that Avista’s 2013 IRP forecasts electricity price for the Expected Case, including the price range over the 500 Monte Carlo iterations. The Company forecasts the levelized average Mid-Columbia market price to be \$44.08 per megawatt hour (“MWh”) in nominal dollars over the next 20 years. *Id.* The Company observes that electricity and natural gas prices are highly correlated because natural gas fuels marginal generation in the Northwest during most of the year. *Id.* at iv. The Company reports that nominal levelized Expected Case natural gas prices at Stanfield trading hub, located in northeastern Oregon, and the forecast range from the 500 Monte Carlo iterations performed for the case result in an average \$5.40 per decatherm over the next 20 years. *Id.*

YOU ARE FURTHER NOTIFIED that Avista says the 2013 Electric IRP includes a 20-year Conservation Potential Assessment. *Id.* The study analyzed over 4,300 energy efficiency equipment and measure options for residential, commercial, and industrial

applications. Based on this data, Avista says its historical energy efficiency efforts decrease its energy requirements by 125 average MW (“aMW”), or about 10%. By 2033, energy efficiency reduces load by 164 aMW. *Id.*

YOU ARE FURTHER NOTIFIED that Avista says its management and the Technical Advisory Committee guided the development of the 2013 PRS after carefully considering the information gathered and analyzed in the IRP process. *Id.* at v. The resulting 2013 PRS meets future load growth with efficiency upgrades at existing generation and distribution facilities, conservation, wind, and natural gas-fired technologies. It also describes a reasonable low-cost plan along the efficient frontier of potential resource portfolios accounting for fuel supply risk and price risk. *Id.* However, major changes from the 2011 PRS include reduced contributions from conservation, wind, and natural gas-fired resources. *Id.* at v-vi. And for the first time, the Company’s PRS includes a modest contribution from demand response. *Id.* at vi.

YOU ARE FURTHER NOTIFIED that Avista says it then values each new resource and energy efficiency option against the Expected Case Mid-Columbia electricity market to identify its future value to the Company, as well as its inherent risk measured by year-to-year portfolio cost volatility. These values, and their associated capital and fixed operation and maintenance costs, are input into Avista’s PRS Linear Programming Model (“PRiSM”). PRiSM then develops optimal mixes of new resources along an efficient frontier. *Id.*

YOU ARE FURTHER NOTIFIED that Avista says its PRS provides a “least reasonable cost” portfolio that minimizes future costs and risks given actual or expected environmental constraints. *Id.* An efficient frontier helps determine the tradeoffs between risk and cost. Avista likens the approach to finding an optimal mix of risk and return in an investment portfolio. As expected returns increase, so do risks. Reducing risk reduces overall returns. There is a trade-off between power supply costs and power supply cost variability. Lower power cost variability comes from investments in more expensive, but less risky, resources. The PRS selection is the location on the efficient frontier where reduced risk justifies the increased cost. *Id.*

YOU ARE FURTHER NOTIFIED that Avista says the 2013 Electric IRP includes several scenarios that help identify tipping points where the PRS could change under alternative

conditions to the Expected Case. It includes scenarios for load growth, capital costs, higher energy efficiency acquisitions, and greenhouse gas policies. *Id.* at vii.

YOU ARE FURTHER NOTIFIED that the Company says its 2013 PRS significantly differs from the 2011 IRP resource strategy. The Company says 2011 PRS resources included, on a nameplate capacity basis: 120 MW of Northwest Wind by the end of 2012 and 2019-2020; 83 MW of simple-cycle combustion turbine by the end of 2018 and 2020, and 46 MW by 2029; 4 MW of existing thermal resource upgrades by the end of 2019; 270 MW of combined-cycle combustion turbine by the end of 2023 and 2026. Further, 2011 PRS efficiency improvements included 28 MW of distribution efficiencies and 419 MW of energy efficiency from 2012-2031 on a peak reduction basis. *Id.*

YOU ARE FURTHER NOTIFIED that Avista says its renewable and capacity needs have changed since the 2011 plan. For example, the Company says it satisfied the 2012 Northwest Wind component of the 2011 PRS by adding Palouse Wind to its resource mix in December 2012. Also, changes in Washington law eliminated the need for a 2019/2020 wind resource. Further, while the 2011 IRP forecast 1.6% annual load growth, the 2013 IRP forecasts just over 1% growth. The Company says the lower expected load growth delays the first natural gas-fired resource need by one year and eliminates the need for a combined-cycle combustion turbine in 2023. *Id.*

YOU ARE FURTHER NOTIFIED that Avista says that since 2007, its Expected Case has included forecasts of greenhouse gas emissions costs. However, based on current legislative priorities and the President's Climate Action Plan, the Company says a national greenhouse gas cap-and-trade system or tax is no longer likely. Therefore, the 2013 Expected Case does not include a market or tax solution to reduce emissions. Instead, because the states and the federal Environmental Protection Agency are implementing regulatory models limiting emissions for new facilities, and requiring current facilities to either implement best available control technologies or shut down, the 2013 IRP forecasts significant numbers of plant retirements to meet these environmental rules. Avista projects greenhouse gas emissions from its existing and new generation resources will modestly increase, while Western Interconnect Greenhouse Gas emissions will fall from historic levels as less-cost-effective coal and older natural gas-fired plants retire. Avista explains that it does not follow this overall trajectory because the carbon intensity of its portfolio already is relatively low. *Id.* at viii-ix.

YOU ARE FURTHER NOTIFIED that Avista says its 2013 Action Plan updates progress on the 2011 Action items and outlines activities Avista intends to perform for the 2015 IRP. Avista states the 2013 Action Plan includes input from Commission Staff, the Company's management team, and the TAC. *Id.* Action item categories include resource additions and analysis, demand-side management, environmental policy, modeling and forecasting enhancements, and transmission planning. *Id.* at x.

YOU ARE FURTHER NOTIFIED that the Company's 2013 Electric IRP and any supporting workpapers, testimonies and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and testimonies are also available on the Commission's web site at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click on the "File Room" tab at the top of the page, scroll down to "Open Electric Cases," and then click on the case number as shown on the front of this document.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code. The Commission may enter any final order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

#### **NOTICE OF MODIFIED PROCEDURE**

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal evidentiary hearing in this matter and will proceed under Modified Procedure pursuant to the Commission's Rules of Procedure 201 through 204, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure (with written comments) has proven to be an effective means for obtaining public input and participation in cases of this nature.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on the Application may file a written comment in support or opposition with the Commission **no later than November 13, 2013**. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning the Application shall be mailed to the Commission and the parties at the addresses reflected below:

Commission Secretary  
Idaho Public Utilities Commission  
PO Box 83720  
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street  
Boise, ID 83702-5918

Linda Gervais  
Manager, Regulatory Policy  
Avista Corporation  
1411 E. Mission Avenue  
Spokane, WA 99220  
E-mail: [linda.gervais@avistacorp.com](mailto:linda.gervais@avistacorp.com)

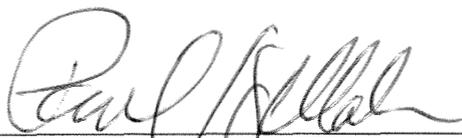
These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click the "Case Comment or Question Form" under the "Consumers" tab, and complete the comment form using the case number as it appears on the front of this document. These comments must also be sent to Avista at the e-mail address listed above.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing. **The Company shall have until November 27, 2013 to file reply comments, if any.**

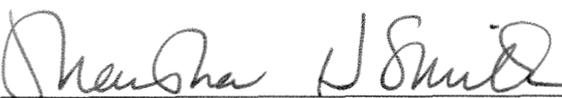
#### **ORDER**

IT IS HEREBY ORDERED that this case shall be processed by Modified Procedure, IDAPA 31.01.01.201-.204. Persons interested in submitting written comments in this matter must do so by November 13, 2013. The Company shall have until November 27, 2013 to file reply comments, if any.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 10<sup>th</sup>  
day of September 2013.

  
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PAUL KJELLANDER, PRESIDENT

  
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MACK A. REDFORD, COMMISSIONER

  
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MARSHA H. SMITH, COMMISSIONER

ATTEST:

  
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Barbara Barrows  
Assistant Commission Secretary

O:AVU-E-13-07\_kk