

Idaho Public Utilities Commission

Case No. AVU-E-13-07, Order No. 32997

March 26, 2014

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PUC accepts Avista Utilities' growth plan

State regulators have accepted a long-range growth plan submitted by Avista Utilities, which serves about 125,000 electric customers in northern Idaho.

The Idaho Public Utilities Commission requires regulated electric and gas utilities to file an Integrated Resource Plan (IRP) every two years outlining how they anticipate meeting load growth over the next 20 years in the most cost-effective manner.

Avista has reduced its load-growth projections, from a forecasted 1.6 percent growth to 1.1 percent. That reduced growth will delay the need for a natural-gas fired plant by one year and eliminate the need for one of two natural gas plants that were projected for 2023.

Avista's plan says its own generation and its long-term contracts will provide enough energy to meet customer needs until 2020. The company may be short during peak winter periods in 2014-15 and 2015-16 but plans to meet those needs with market purchases.

A long-term capacity deficit does not happen until 2020. To address that deficit, Avista's IRP calls for the addition of an 83-MW simple-cycle combustion turbine natural gas plant in 2019. To meet growth beyond 2020, the plan calls for another 83-MW simple-cycle CT in 2023 and a 270-MW combined-cycle CT in 2026.¹ Another 50-MW simple-cycle natural gas plant is anticipated for 2032.

Costs related to greenhouse gas emissions have been removed for the first time since Avista's 2007 plan. "Based on current legislative priorities and the President's Climate Action Plan, a national greenhouse gas cap-and-trade system or tax is no longer likely," the plan's executive summary states. Instead, the IRP forecasts some plant retirements to meet potentially new environmental regulations. Avista's current thermal resources include five natural gas plants, a wood-waste biomass facility, and 222 MW from part ownership of two units of the Colstrip coal plant in eastern Montana.

Environmental organizations say costs related to the Environmental Protection Agency's potential greenhouse gas regulations should not be removed. Further, the Sierra Club and the

¹ A simple-cycle turbine is an engine that pumps air for combustion. The compressed air is mixed with natural gas and burned to produce electricity. A combined-cycle combustion turbine increases the efficiency of an electric generating unit by capturing its waste heat for use by a steam turbine to produce electricity.

Montana Environmental Information Center claim the plan does not fully address the risks associated with the Colstrip coal plant and overestimates the cost of alternative resources to the Colstrip coal. The groups contend their appeal of the EPA's regional haze decision could cost Colstrip owners more than \$100 million if the appeal is successful. Avista has 15 percent ownership of the Colstrip plant. Majority owner PPL Montana has announced plans to divest its interest in the plant.

The Snake River Alliance claims Avista is over-reliant on natural gas resources, exposing ratepayers to gas price volatility and uncertain supply. The SRA claims the utility's reliance on increased natural gas generation and only 19 megawatts from demand-reduction programs does not reflect a serious effort to reduce carbon emissions. Avista responds by saying its 2013 IRP is the first time that demand reduction programs pass cost-effectiveness tests and that the utility plans to study expanding its demand-response programs as part of its 2015 IRP.

In addition to its demand-reduction programs geared primarily to commercial and industrial customers, Avista's energy efficiency programs² currently decrease the utility's energy requirements by about 10 percent, or 125 average megawatts. Absent energy efficiency programs, Avista would be resource-deficient earlier than 2020. The company expects to achieve another 164 aMW in energy efficiency over the next 20 years.

Avista said it invited more than 120 representatives from 45 organizations to meetings seeking input on the IRP and that the environmental groups who expressed concerns in this case did not materially participate or express concerns until filing their comments.

In its order, the commission encouraged the environmental and other interested groups to participate in the 2015 IRP process. The commission said it expects Avista to, "monitor federal developments, such as the promulgation of federal environmental regulations, and to account for their impact in its resource planning."

"As always, our acceptance of the company's IRP should not be interpreted as an endorsement of any particular element of the plan or any proposed resource acquisition contained in the plan," the commission said. "By accepting the company's filing, we acknowledge only the company's ongoing planning process, not the conclusions or results reached through that process."

A copy of Avista's IRP and other documents related to this case are available on the commission's Web site at www.puc.idaho.gov. Click on "Open Cases" under the "Electric" heading and scroll down to Case No. AVU-E-13-07.

² Energy efficiency is using the same appliance or service to use less electricity (CFL lightbulb). Demand response is altering customer behavior in response to peak situations such as delaying consumption to non-peak periods, thereby reducing demand on an electric utility's generation.