

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA)	
CORPORATION’S 2015 ELECTRIC)	CASE NO. AVU-E-15-08
INTEGRATED RESOURCE PLAN)	
)	NOTICE OF FILING
)	
)	NOTICE OF
)	MODIFIED PROCEDURE
)	
)	ORDER NO. 33385

On August 31, 2015 Avista Corporation dba Avista Utilities (the “Company”) filed its 2015 Electric Integrated Resource Plan (“IRP”) with the Commission. The Company 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 the Company has filed its 2015 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 the Company’s 2015 Electric IRP is about 214 pages long and is accompanied by 934 pages of appendices. The 2015 Electric IRP includes the following sections: (1) Executive Summary; (2) Introduction and Stakeholder Involvement; (3) Economic & Load Forecast; (4) Existing Supply Resources; (5) Energy Efficiency & Demand Response; (6) Long-Term Position; (7) Policy Considerations; (8) Transmission & Distribution Planning; (9) Generation Resource Options; (10) Market Analysis; (11) Preferred Resource Strategy; (12) Portfolio Scenarios; and (13) Action Items. The information discussed below is taken from the Executive Summary.

YOU ARE FURTHER NOTIFIED that the 2015 Electric IRP guides the Company’s resource strategy over the next two years, and resource procurements over the next 20 years. It provides a snapshot of the Company’s resources and loads and guides future resource acquisitions over a range of expected and possible future conditions. IRP at 1-1.

YOU ARE FURTHER NOTIFIED that the Company states that its 2015 Preferred Resource Strategy (“PRS”) includes energy efficiency, generation upgrades, and new natural

gas-fired generation. PRS development depends on modeling techniques to balance cost, reliability, rate volatility, and renewable resource requirements. The Company's management and Technical Advisory Committee ("TAC") guide the development of the PRS and IRP by providing input on modeling and planning assumptions. TAC members include customers, Commission Staff, the Northwest Power and Conservation Council, consumer advocates, academics, environmental groups, utility peers, government agencies, and other interested parties. *Id.*

YOU ARE FURTHER NOTIFIED that in describing its resource needs, the Company reports that it experiences its highest peak loads in the winter under extreme weather conditions. The Company explains its peak-planning methodology includes operating reserves, regulation, load following, wind integration and a 14% planning margin over winter-peak load levels. The Company states that it can meet peak-load requirements through 2020 using existing resources, conservation, and market purchases. *Id.* The Company notes that a short-term capacity need exists in the winter of 2015-2016, that it addressed this deficit with market purchases, and that the first long-term capacity deficit begins in 2021. The Company notes that it has acquired resources to meet projected winter deficiencies, and that these resources will provide capacity that exceeds summer needs. *Id.* at 1-2.

YOU ARE FURTHER NOTIFIED that the Company explains that it develops its PRS through a multiple-step approach. The Company first identifies and quantifies potential new generation resources to serve projected electricity demand across the West. This Western Interconnect-wide study determines the impact of extra-regional markets on the Northwest electricity marketplace of which the Company is a part. The Company then maps its existing resources to the transmission grid in a model simulating hourly operations for the Western Interconnect from 2016 to 2035, the IRP study timeframe. The model adds new resources and transmission to the Western Interconnect as regional loads grow and older resources are retired. Monte Carlo-style analyses vary hydroelectric and wind generation, loads, forced outages, and natural gas price data over 500 iterations of potential future market conditions to develop the Mid-Columbia electricity marketplace through 2035. *Id.*

YOU ARE FURTHER NOTIFIED that the Company's 2015 IRP forecasts the Mid-Columbia electricity price for the Expected Case, including the price range over the 500 Monte Carlo iterations, to be a levelized price of \$38.48 per megawatt hour ("MWh") in nominal dollars

over the 2016-2035 timeframe. *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 1-3. The Company reports that nominal levelized Expected Case natural gas prices at the Stanfield trading hub in northeastern Oregon, and the forecast range from the 500 Monte Carlo iterations performed for the Expected Case, result in an average \$4.97 per dekatherm over the next 20 years. *Id.*

YOU ARE FURTHER NOTIFIED that the Company's 2015 IRP includes a 20-year Conservation Potential Assessment that analyzed over 3,000 equipment and 2,300 measure options for residential, commercial, and industrial energy efficiency applications. Based on this data, the Company reports that its historical energy efficiency efforts have decreased its load requirements by 127 average MW ("aMW"), or about 11% of its total load in 2014. *Id.*

YOU ARE FURTHER NOTIFIED that the Company states that its management and the TAC guided the development of the 2015 PRS after carefully considering the information gathered and analyzed in the IRP process. *Id.* at 1-4. The resulting 2015 PRS meets future load growth with upgrades at existing generation facilities, energy efficiency, and natural gas-fired technologies. *Id.*

YOU ARE FURTHER NOTIFIED that the Company states its 2015 PRS describes a reasonable low-cost plan along the efficient frontier of potential resource portfolios accounting for fuel supply risks and price risks. *Id.* at 1-5. However, major changes from the 2013 IRP include a reduced contribution from natural gas-fired peakers, and the elimination of demand response because of lower projected load growth, more thermal plant upgrades, and higher demand response costs. *Id.*

YOU ARE FURTHER NOTIFIED that the Company also states that it values each new resource and energy efficiency option against the Expected Case Mid-Columbia electricity market to identify its future value and inherent risk measured by year-to-year portfolio cost volatility. The Company then inputs these values, and their associated capital and fixed operation and maintenance costs, into a PRS Linear Programming Model ("PRiSM") that optimally mixes new resources along an efficient frontier. *Id.*

YOU ARE FURTHER NOTIFIED that the Company explains that its PRS provides a least reasonable cost portfolio that minimizes future costs and risks within actual and expected environmental constraints. *Id.* An efficient frontier helps determine the tradeoffs between risk

and cost. The Company likens the approach to finding an optimal mix of risk and return in an investment portfolio. As expected returns increase, so do risks. Conversely, reducing risk generally reduces overall returns. In describing the change in cost and risk from the PRS on the efficient frontier, the Company notes that lower power cost variability comes from investments in more expensive, but less risky, resources like wind and hydroelectric upgrades. The PRS selection is the location on the efficient frontier where reduced risk justifies the increased cost. *Id.*

YOU ARE FURTHER NOTIFIED that the Company notes that its IRP includes several scenarios that help identify tipping points where the PRS could change under different conditions from the Expected Case. The IRP also evaluates the impacts of, among other things, varying load growth, resource capital costs, and greenhouse gas policies. *Id.* at 1-6.

YOU ARE FURTHER NOTIFIED that the Company's IRP describes the Company's plans for complying with the State of Washington's Energy Independence Act ("EIA"). The Company explains that Washington's EIA requires the Company to meet 3% of retail load from qualified renewable resources by 2012, 9% by 2015, and 15% by 2020. The EIA also requires the Company to acquire all cost-effective conservation and energy efficiency measures. The Company states that it will satisfy its EIA obligations through the IRP timeframe by combining qualifying hydroelectric upgrades, the Palouse Wind project, Kettle Falls Generating Station output, and renewable energy certificate ("REC") purchases. *Id.*

YOU ARE FURTHER NOTIFIED that the Company notes that regulation of greenhouse gases, or carbon emissions, is in various stages of development and implementation throughout the country. Some states have active cap and trade programs, emissions performance standards, renewable portfolio standards or a combination of active and proposed regulation affecting emissions from electric generation resources. *Id.* Further, the Environmental Protection Agency ("EPA") issued a proposed rule under the Clean Power Plan ("CPP") in June 2014 that aimed to reduce greenhouse gas emissions from existing fossil fuel electric generating plants based on state-by-state emission rates targets. *Id.* at 1-6, -7. The Company notes that its 2015 IRP reduces emissions consistent with the EPA's proposed rule, and includes all active regulations affecting generation in the Western Interconnect, including a \$12 per metric ton carbon cost that escalates over time. *Id.* at 1-7. However, because the Company had completed its modeling for the 2015 IRP before August 3, 2015, when the EPA issued the final CPP rule,

the Company states it will analyze the EPA's final CPP rule and resulting state implementation plans in the 2017 IRP. The Company predicts that western region emissions will likely fall from historic levels over the IRP timeframe, while the Company's emissions will modestly increase. The Company explains this discrepancy by noting that the Company does not own any of the less cost-effective coal and natural gas-fired plants projected to retire over the IRP timeframe. *Id.*

YOU ARE FURTHER NOTIFIED that the Company reports that its 2015 Action Plan updates the Company's progress on Action items from the 2013 IRP, and outlines activities the Company intends to perform between the publication of the 2015 IRP and the publication of the 2017 IRP. The Company notes that the 2015 Action Plan is based on input from Commission Staff, the Company's management team, and the TAC, and that action item categories include generation resource-related analysis, energy efficiency, and transmission planning. *Id.* at 1-8.

YOU ARE FURTHER NOTIFIED that the Company's 2015 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. These documents are also available on the Commission's web site at www.puc.idaho.gov. Click on the "File Room" tab at the top of the page, scroll down to "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 hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on the Company's 2015 IRP case may file a **written comment in support or opposition with the Commission no later than December 18, 2015**. 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 this IRP shall be mailed to the Commission and the Company 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

YOU ARE FURTHER NOTIFIED that 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. Click the "Utility 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 the Company at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that the Company shall file reply comments, if any, **no later than January 8, 2016**.

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.

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 no later than December 18, 2015. The Company shall have until January 8, 2016 to file reply comments, if any.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 25th day of September 2015.



PAUL KJELLANDER, PRESIDENT



MARSHA H. SMITH, COMMISSIONER



KRISTINE RAPER, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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