

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF AVISTA</b>	)	<b>CASE NO. AVU-E-17-08</b>
<b>CORPORATION'S 2017 ELECTRIC</b>	)	
<b>INTEGRATED RESOURCE PLAN</b>	)	<b>NOTICE OF FILING</b>
	)	
	)	<b>NOTICE OF</b>
	)	<b>MODIFIED PROCEDURE</b>
	)	
	)	<b>ORDER NO. 33900</b>

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On August 31, 2017, Avista Corporation dba Avista Utilities filed its 2017 Electric Integrated Resource Plan (IRP). The IRP outlines and analyzes the Company's strategy for meeting its customers' projected energy needs over the next 20 years. The Company files an IRP every two years, and uses it to guide resource acquisitions. With this order, the Commission provides notice that the Company has filed its 2017 Electric IRP, and that interested persons may file written comments about the IRP.

**NOTICE OF FILING**

YOU ARE HEREBY NOTIFIED that the Company's 2017 Electric IRP is about 190 pages long and is accompanied by about 770 pages of appendices. The 2017 Electric IRP includes the following sections: (1) Executive Summary, (2) Introduction & 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, (9) Generation Resource Options, (10) Market Analysis, (11) Preferred Resource Strategy, (12) Portfolio Scenarios, and (13) Action Items. The information set forth below is taken from the Executive Summary.

YOU ARE FURTHER NOTIFIED that the 2017 Electric IPR 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 2017 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 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 October 2026 using existing resources, conservation, and market purchases. *Id.*

YOU ARE FURTHER NOTIFIED that the Company explains that it develops its PRS through a multi-step approach. First the Company identifies and quantifies potential new generation resources to serve projected electricity demand across the West, and 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 2018 to 2037 – 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 2037. *Id.* at 1-2.

YOU ARE FURTHER NOTIFIED that the Company's 2017 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 \$35.85 per megawatt hour (MWh) in nominal dollars over the 2018-2037 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.* 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 \$4.20 per dekatherm over the next 20 years. *Id.*

YOU ARE FURTHER NOTIFIED that the Company's 2017 IRP includes a 20-year Conservation Potential Assessment to determine potential residential, commercial and industrial energy efficiency applications. The study estimated that conservation will serve 53.3% of future load growth. Based on the study, the Company reports that its conservation efforts since 1978 have decreased its load requirements by 12.3%. *Id.* at 1-3.

YOU ARE FURTHER NOTIFIED that the Company states that its management and the TAC guided the development of the 2017 PRS after carefully considering the information gathered and analyzed in the IRP process. *Id.* at 1-4. The resulting 2017 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 2017 PRS describes a reasonable low-cost plan along the efficient frontier of potential resource portfolios accounting for fuel supply risks and price risks. *Id.* However, major changes from the 2015 IRP include a reduced contribution from natural gas-fired peakers, and inclusion of demand response, solar, and storage resources. *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 forecast 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 return increases, 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.* at 1-4 to 1-5.

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 1-5.

YOU ARE FURTHER NOTIFIED that the Company's IRP describes the Company's plan for complying with the State of Washington's Energy Independence Act (EIA). The Company explains that Washington's EIA required or requires the Company to meet 9% of retail load from qualified renewable resources by 2016 and 15% by 2020. The EIA also requires the Company to acquire all cost-effective conservation and energy efficiency measures. The Company states it will satisfy its EIA obligations through the IRP timeframe by combining qualifying hydroelectric upgrades, the Palouse Wind project, and Kettle Falls Generating Station output. *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 regulations affecting emissions from electric generation resources. *Id.* at 1-6. The Company notes that its emissions will decrease over the IRP timeframe, and predicts that western region emissions will also likely fall from historic levels over the same timeframe. *Id.*

YOU ARE FURTHER NOTIFIED that the Company reports that its 2017 Action Items chapter updates the Company's progress on Action Items from the 2015 IRP and outlines activities the Company intends to perform between the publication of the 2017 IRP and publication of its 2019 IRP. The Company notes that the 2017 Action Items are 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 1-7.

YOU ARE FURTHER NOTIFIED that the Company's 2017 Electric IRP and any supporting workpapers 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 attachments are also available on the Commission's Website at [www.puc.idaho.gov](http://www.puc.idaho.gov) under "File Room" and then "Electric Cases."

#### **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-.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 this filing may file a written comment with the Commission **no later than December 15, 2017**. 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 filing may be mailed to the Commission and Avista 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

David Meyer, Vice President and Chief  
Counsel for Regulatory & Governmental  
Affairs

Linda Gervais, Senior Manager – Regulatory  
Policy

Avista Corporation  
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E-mail: [david.meyer@avistacorp.com](mailto:david.meyer@avistacorp.com)  
[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 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 6, 2018.**

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.

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, and specifically *Idaho Code* § 61-503. 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.*

### **ORDER**

IT IS HEREBY ORDERED that this case be processed under Modified Procedure, Rules 201-204 (IDAPA 31.01.01.201-.204). Interested persons shall have until December 15, 2017 to file written comments. The Company shall have until January 6, 2018 to file reply comments, if any.


4th  
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this  
day of October 2017.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
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ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Diane M. Hanian  
Commission Secretary

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