

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE FILING BY)	
AVISTA CORPORATION DBA AVISTA)	CASE NO. AVU-G-09-06
UTILITIES OF ITS 2009 NATURAL GAS)	
INTEGRATED RESOURCE PLAN (IRP))	NOTICE OF FILING
)	
)	NOTICE OF
)	MODIFIED PROCEDURE
)	
)	ORDER NO. 30990

On December 30, 2009, Avista Corporation dba Avista Utilities filed its 2009 natural gas Integrated Resource Plan (IRP) with the Commission. In Order No. 22290 issued in January 1989, the Commission required electric and natural gas utilities to file a biennial IRP describing the utility’s plans to meet the future energy needs of its customers. Typically, an IRP analyzes an energy company’s changes in customer base, load growth, supply-side resources, demand-side management (DSM) programs and various risks facing the Company. Avista’s IRP and its related appendices contain information regarding available resource options, planning forecasts, potential portfolios, a 20-year resource plan, and a near-term (2010-2011) action plan.

Avista serves approximately 315,000 natural gas customers in three states including about 73,000 natural gas customers in northern Idaho. In Avista’s northern operating division (eastern Washington and northern Idaho), it serves roughly 218,000 natural gas customers. The Company’s customer base is generally comprised of 94% residential customers, 5% commercial customers, and 1% industrial customers. IRP at p. 2.3.

NOTICE OF IRP FILING

YOU ARE HEREBY NOTIFIED that Avista’s 2009 IRP was developed with the participation of its Technical Advisory Committee (TAC). Members of the TAC include customers, Commission Staff, consumer advocates, academics, utility peers, governmental agencies, and other interested parties. Avista sponsored four TAC meetings to assist in the preparation of the IRP. The Company states that this IRP was developed during the last two years when the United States and other countries were experiencing a financial and credit crisis.

These financial uncertainties prompted the Company to “consider a wider range of scenarios to evaluate and prepare for a broad spectrum of potential outcome” in this IRP. IRP at p. 1.1.

YOU ARE FURTHER NOTIFIED that the IRP is a comprehensive long-range planning tool designed to identify and evaluate forecasted natural gas requirements. The purpose of the IRP is to plan for the acquisition of the most cost-effective, risk-adjusted portfolio of existing and future resources, and to meet the daily and peak-day demand and delivery requirements over the next 20-year period. IRP at p. 2.4. Avista’s IRP has five parts: Demand forecast; natural gas price forecast; supply resources; demand-side management (DSM) programs; resource needs; and the 2010-2011 near-term action plan.

YOU ARE FURTHER NOTIFIED that the Company’s approach to demand forecasting focuses on customer growth and consumption per customer as the basic components of demand. The Company considers various factors that influence these components including population, employment trends, age and income demographics, construction trends, conservation technologies, new uses (e.g., natural gas vehicles), and consumption per customer. In the demand forecast, Avista lays out six different scenarios including its “expected case” scenario. In the expected case, Avista anticipates an average growth in daily demand of 1.1% during the period 2010 to 2028-2029 (net of projected conservation savings from DSM programs). IRP at p. 1.3. During the same time frame, the Company estimates that its peak-day demand will increase by a compound rate of 1.3%. *Id.*

YOU ARE FURTHER NOTIFIED that the Company maintains that natural gas prices are a fundamental component of integrated resource planning. Although Avista does not believe that it can accurately predict future prices over the 20-year horizon, it has developed high, medium and low-price forecasts for the price of natural gas. Avista maintains that issues of economic recovery, expectations of new shale gas production, and increased natural gas-fired power generation make long-term pricing forecasts difficult. IRP at p. 1.4. The Company used low-price elasticity response factors in its expected case.

YOU ARE FURTHER NOTIFIED that Avista has a diverse portfolio of natural gas supply resources including owned and contract storage, firm capacity rights on six pipelines and commodity purchase contracts from several different supply basins. The Company also evaluated resource additions from incremental pipeline transportation, storage options, distribution enhancements, and various forms of liquefied natural gas storage or service. *Id.* at p.

1.5. Matching its resource supply scenario with its expected case demand scenario, the Company forecasts that its Idaho/Washington service territory will not experience a supply deficiency until the year 2023. IRP at p. 1.6. The graph of the forecast shortages is almost flat which leads the Company to conclude that its existing resources will be sufficient for quite some time to meet demand. “However, if demand growth accelerates, the steep demand curve could quickly accelerate resource shortages by several years.” *Id.* at 1.8. Given the estimated deficiency in 2023, the Company plans to monitor the forecasts underlying the projected shortages to address the future shortages in a timely manner.

YOU ARE FURTHER NOTIFIED that demand-side management (DSM) programs are intended to encourage customers to reduce their energy consumption. Cost-effective DSM measures may include incentives for the purchase of high efficiency appliances (water heaters, clothes dryers, furnaces), insulation, weather-stripping, insulated windows and duct work, and heat recovery systems. The Company considered a total of 155 residential and 147 non-residential DSM measures in this IRP. *Id.* at p. 4.4. The Company’s IRP then analyzed various DSM and other conservation measures and calculates that these measures may save approximately 3.12 million therms in the Company’s north division in 2010. *Id.* at p. 4.8.

THE 2010-2011 ACTION PLAN

YOU ARE FURTHER NOTIFIED that the Company’s IRP identifies and establishes a near-term action plan that will steer the Company toward the risk-adjusted, least-cost method of providing service to its natural gas customers. Included in this action plan are efforts to improve computer modeling, evaluate planning standards, and apply various risk analyses. Key components of the action plan include:

- Monitoring actual demand and responding aggressively when growth exceeds the Company’s forecast demand.
- Researching and refining the evaluation of resource alternatives including: The implementation of risk factors and timelines; updated cost estimates; feasibility assessments; and targeting options of the service territory with near-term unserved demand exposure.
- Analyzing per-customer data and DSM program results for indications of price elasticity response trends that may be influenced by evolving economic conditions. Determining if the American Gas Association will update its analytical work or consider hiring outside experts in price elasticity on a regional basis.

- Continuing pursuit of cost-effective demand-side solutions to reduce demand. In Washington and Idaho, conservation measures are targeted to reduce demand by 2.193 million therms in 2010. This goal represents an increase of 25% in Washington/Idaho from the 2007 IRP.
- Performing an updated assessment of technical and achievable potential for conservation in the Company's service territory prior to the 2011 IRP.
- Continuing to monitor issues of diminishing Canadian natural gas importing and looking for signals that indicate increased risk of disrupted or dwindling supply from Canada.
- Exploring and evaluating alternatives and additional forecasting methodologies for potential inclusion in the next IRP.

Id. at pp. 1.11-12.

YOU ARE FURTHER NOTIFIED that the Company has identified three general issues that require monitoring and may increase risk. First, the Company will continue to monitor economic conditions and financial markets on natural gas demand, infrastructure development, credit availability, and commodity prices. Second, the Company will continue to monitor federal climate change legislation and its projected effects upon emission target levels, phase-in time frames, allocation of allowances, availability of offsets, cost mitigation to customers, and a host of implementation challenges. Third, an increasing supply of natural gas in North America is forecasted to come from "unconventional" gas, especially shale gas. In addition, international liquefied natural gas (LNG) projects are in the permitting stage and may become a reality in the future. The availability of LNG combined with the projected increase in supply of unconventional gas may mean lower prices in the future. "Although beneficial to end users in the near term, this dramatic volatility and uncertainty could cause long-term disruption in production, pipeline and storage capital investment, exacerbating boom/bust cycles in the long term." IRP at 1.14.

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 in past IRP cases.

YOU ARE FURTHER NOTIFIED that Avista's IRP and supporting workpapers have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The IRP is also available on the Commission's web site at www.puc.idaho.gov by clicking on "File Room" and then "Gas Cases."

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.*

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on Avista's IRP may **file a written comment in support or opposition with the Commission no later than March 23, 2010**. 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 Avista's IRP shall be mailed to the Commission and the Applicant at the addresses reflected below:

Commission Secretary	Greg Rahn
Idaho Public Utilities Commission	Avista Corporation
PO Box 83720	1411 E. Mission
Boise, ID 83720-0074	PO Box 3727
	Spokane, WA 99220-3727
Street Address for Express Mail:	E-mail: greg.rahn@avistacorp.com
472 W. Washington Street	
Boise, ID 83702-5918	

All 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 "Comments and Questions" icon 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 Applicant 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.

ORDER

IT IS HEREBY ORDERED that persons desiring to comment on Avista's natural gas IRP shall file written comments with the Commission no later than March 23, 2010.

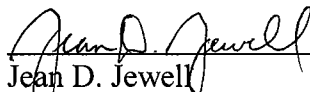
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28th day of January 2010.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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