

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE FILING BY)	CASE NO. AVU-G-12-08
AVISTA CORPORATION DBA AVISTA)	
UTILITIES OF ITS 2012 NATURAL GAS)	NOTICE OF FILING
INTEGRATED RESOURCE PLAN (IRP))	
)	NOTICE OF
)	MODIFIED PROCEDURE
)	
)	ORDER NO. 32655

On August 31, 2012, Avista Corporation dba Avista Utilities filed its 2012 Natural Gas Integrated Resource Plan (IRP) with the Commission. Avista provides natural-gas service to 74,800 customers in northern Idaho, and to about 243,500 customers in Washington and Oregon. Avista files a natural gas IRP every two years to describe the Company’s plans to meet its customers’ future natural gas needs. The IRP must discuss the subjects required by Commission Order Nos. 25342, 27024 and 27098, and Section 303(b)(3) of the Public Utility Regulatory Policies Act (PURPA).¹ With this Order, the Commission provides notice of the IRP, sets deadlines by which interested persons may submit written comments on the IRP, and orders that the case be processed under the Commission’s rules of Modified Procedure.

NOTICE OF IRP FILING

YOU ARE HEREBY NOTIFIED that Avista’s Natural Gas IRP consists of two spiral-bound manuals, including appendices. The IRP contains an Executive Summary, and chapters on Demand Forecasts; Demand-Side Resources; Supply-Side Resources; the Company’s Integrated Resource Portfolio; Alternate Scenarios, Portfolios, and Stochastic Analysis; Distribution Planning; and the Company’s Action Plan. IRP, Ch. 1-10. The following summary comes from the Executive Summary of the IRP. Further detail may be obtained in the IRP’s remaining chapters and appendices.

YOU ARE FURTHER NOTIFIED that Avista says its IRP identifies a strategic natural gas resource portfolio that meets expected customer demand requirements over the next 20 years. The IRP involves input from the Company’s Technical Advisory Committee (TAC),

¹ Per Commission Order No. 32233, Avista must file its IRP by August 31 of every even-numbered year.

which includes Commission Staff, peer utilities, customers and other stakeholders. Topics discussed with the TAC include natural gas demand forecasts, demand-side management (DSM), supply-side resources, computer modeling tools and distribution planning. The Company says the end result is an integrated resource portfolio designed to serve customers' natural gas needs well into the future while balancing cost and risk. IRP at 1.

YOU ARE FURTHER NOTIFIED that Avista discusses the IRP planning environment by noting that shale gas has changed the landscape for North American supply and turned the price of natural gas on its head. The Company says a supply glut exists that has driven prices to lows not seen in the last decade. The Company hopes low-cost natural gas will continue to be available for many years, but it continues to perform "what if" analyses in order to cover the broad range of possibilities. *Id.* at 1.

YOU ARE FURTHER NOTIFIED that Avista discusses the Company's demand forecasts. The Company says it forecasts a 1.1% annual, average growth rate (net of projected demand-side management (DSM) program savings) of 1.1%, with average day, system-wide core demand increasing from 96,160 dekatherms per day (Dth/day) in 2012 to 117,660 Dth/day in 2031. The Company forecasts that coincidental peak day, system-wide core demand will increase from a peak of 365,720 Dth/day in 2013 to 474,670 Dth/day in 2031. Forecasted non-coincidental peak day demand peaks at 341,850 Dth/day in 2012 and increases to 440,630 Dth/day in 2031, for a 1.3% compounded growth rate in peak day requirements (when net of projected DSM savings). IRP at 1-1.3.

YOU ARE FURTHER NOTIFIED that Avista presents its natural gas price forecasts. The Company says gas prices are a significant part of the total cost of a resource option, which affects the avoided cost threshold for determining cost-effectiveness of conservation measures and how customers consume natural gas. The Company says that based on the costs and volumes of produced shale gas, there appears to be a consensus that production costs will remain low for quite some time. The Company's IRP sets forth high, medium and low price forecasts in an effort to represent a reasonable range of pricing possibilities over the next 20 years. The Company notes that it used an expected elasticity response factor to model how customers' consumption of natural gas will respond to price changes, and that it will monitor its assumptions over the IRP cycle and adjust them as needed. IRP at 1.4-1.5.

YOU ARE FURTHER NOTIFIED that Avista discusses existing and potential natural gas supply resources. The Company says it has a diversified portfolio of gas supply resources, including contracts to buy gas from several supply basins, stored gas, and firm capacity rights on six pipelines. The Company also notes that during the IRP process, it determined that current avoided costs rendered Idaho natural gas DSM programs cost-ineffective. The Company thus asked the Commission to suspend those programs. IRP at 1.5.² The Commission subsequently authorized Avista to suspend its Idaho natural gas DSM programs. *See* Order No. 32650, issued September 25, 2012, in Case Nos. AVU-G-12-03 and AVU-G-12-06.

YOU ARE FURTHER NOTIFIED that Avista discusses projected resource needs. The Company uses an average case demand scenario and existing supply resources scenario to determine that the Company will not be resource deficient during the 20-year planning horizon. Using the expected case demand scenario and the existing resources supply scenario, the Company determined that peak day demand will not be fully served in the Washington/Idaho service territory until 2030. The Company says it has ample time to carefully monitor, plan and take action on potential resource additions. IRP at 1.6-1.9.

YOU ARE FURTHER NOTIFIED that Avista discusses resource selections. The Company uses computer modeling to determine the best cost/risk resource portfolio to meet any identified resource shortages over the 20-year planning horizon. The Company notes that after DSM savings, the computer model generally prefers that the Company resolve resource shortages by acquiring incremental transportation resources from existing pipelines and supply basins. *Id.* at 1.9–1.11. The IRP describes several alternate demand scenarios that the Company considered during the planning process. *Id.* at 1.11.

YOU ARE FURTHER NOTIFIED that Avista says it is satisfied with the planning, analysis, and conclusions reached in the IRP. But Avista's IRP nevertheless recognizes and discusses that wide spread uncertainty exists requiring diligent monitoring of issues and challenges including what the Company describes as: Continued Economic Uncertainty; Five Dollar Gas Forever; Exporting LNG; and Natural Gas Vehicles. *Id.* at 1.12-1.13.

² On September 25, 2012, the Commission authorized Avista to suspend its natural gas DSM programs in Idaho. *See* Order No. 32650, Case Nos. AVU-G-12-03 and AVU-G-12-06.

YOU ARE FURTHER NOTIFIED that the IRP contains a 2013-2014 Action Plan outlining activities identified by the IRP team with input from company management and TAC members. The Company says the Action Plan is designed to position Avista to provide the best cost/risk resource portfolio and to support and improve IRP planning. Avista says key ongoing components of the Action Plan include:

- Monitoring actual demand for indications of growth exceeding our forecast to respond aggressively to address potential accelerated resource deficiencies arising from exposure to “flat demand” risk. This will include providing Commission Staff with IRP demand forecast-to-actual variance analysis on customer growth and use per customer. This information will be provided in Avista’s updates to each Commission Staff at least bi-annually;
- Pursuing the possibility of a regional elasticity study through the Northwest Gas Association or possibly the American Gas Association;
- Assessing potential demand impact from natural gas/compressed natural gas vehicles and other new uses of natural gas to Avista;
- Continuing to monitor supply resource trends including the availability and price of natural gas to the region, exporting liquid natural gas, Canadian natural gas supply availability and interprovincial consumption, as well as pipeline and storage infrastructure availability;
- Monitoring availability of current resource options and assessing new resource lead time requirements relative to when resources are needed to preserve flexibility; and
- Regularly meeting with Commission Staff members to provide information on market activities and significant changes in assumptions and/or status of Avista activities related to the IRP or natural gas procurement practices.

Id. at 1.13-1.14.

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 **sixty (60) days from the service date of this Order**. 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	Kelly Irvine
Idaho Public Utilities Commission	Avista Corporation
PO Box 83720	1411 E. Mission
Boise, ID 83720-0074	PO Box 3727
	Spokane, WA 99220-0500
Street Address for Express Mail:	E-mail: kelly.irvine@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 Avista at the e-mail address listed above.

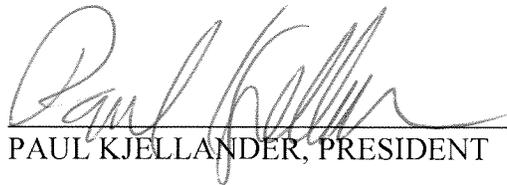
YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and

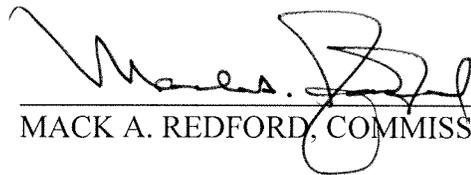
enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

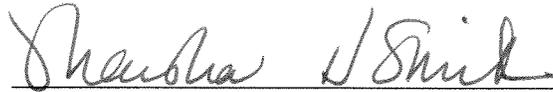
ORDER

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 **sixty (60) days from the service date of this Order.**

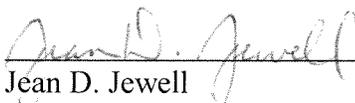
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *2nd* day of October 2012.


PAUL KJELLANDER, PRESIDENT


MACK A. REDFORD, COMMISSIONER


MARSHA H. SMITH, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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