

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA)	CASE NO. AVU-G-14-03
CORPORATION DBA AVISTA UTILITIES')	
2014 NATURAL GAS INTEGRATED)	NOTICE OF FILING
RESOURCE PLAN)	
)	NOTICE OF
)	MODIFIED PROCEDURE
)	
)	ORDER NO. 33129

On September 2, 2014, Avista Corporation dba Avista Utilities (the Company) filed its 2014 Natural Gas Integrated Resource Plan (IRP). The Company 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), 15 USC § 3202.¹ 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 the Company's natural gas IRP is about 630 pages long. 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. The following information comes from the IRP's Executive Summary. Further detail may be obtained in the IRP's remaining chapters and appendices.

YOU ARE FURTHER NOTIFIED that the Company 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), which includes Commission Staff, peer utilities, customers and other stakeholders.

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

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 the Company discusses the IRP planning environment by noting that natural gas availability, and the ability to extract the gas at favorable prices for consumers, is more certain than in prior planning cycles. However, some uses for the gas remain unknown, and questions exist about an "industrial renaissance," the amount of liquefied natural gas (LNG) exports, the market for natural gas vehicles, and power generation. The Company says it addresses the uncertainties by evaluating multiple scenarios with wide-ranging possible outcomes. *Id.* at 1.

YOU ARE FURTHER NOTIFIED that the Company discusses its demand forecasts. The Company says it forecasts a 0.7% annual, average growth rate (net of projected demand-side management (DSM) program savings), with average day, system-wide core demand increasing from 91,352 dekatherms per day (Dth/day) in 2014 to 102,937 Dth/day in 2033. The Company forecasts that coincidental peak day, system-wide core demand will increase from a peak of 358,736 Dth/day in 2014 to 404,122 Dth/day in 2033. Forecasted non-coincidental peak day demand peaks at 333,129 Dth/day in 2014 and increases to 375,747 Dth/day in 2033, for a 0.6% compounded growth rate in peak day requirements (when net of projected DSM savings). IRP at 1-4.

YOU ARE FURTHER NOTIFIED that the Company 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, it appears that production costs will remain low for quite some time even with increased incremental demand for LNG exports, transportation fuels, and increased industrial consumption. The Company's price forecasts include a lower federal carbon tax that occurs later than assumed in prior IRPs. The Company 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 5-6.

YOU ARE FURTHER NOTIFIED that the Company 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 avoided costs rendered its DSM programs in Idaho cost-ineffective; thus, the Company no longer offers Idaho DSM programs. IRP at 6-7; *see* Order No. 32650, issued September 25, 2012, in Case Nos. AVU-G-12-03 and AVU-G-12-06 (authorizing the Company to suspend its Idaho DSM programs).

YOU ARE FURTHER NOTIFIED that the Company discusses projected resource needs. The Company says the average case and expected case demand scenarios show the Company will not be resource deficient during the 20-year planning horizon. The Company says that under either scenario, it has ample time to carefully monitor any acceleration in demand growth, and to plan and take action on potential resource additions. The Company also describes several alternate demand scenarios that the Company considered during the planning process. *Id.* at 7-11.

YOU ARE FURTHER NOTIFIED that the Company says even with the planning, analysis, and conclusions reached in the IRP, uncertainty still exists. The Company says it will diligently monitor issues and challenges, including: (1) demand scenarios that will provide insight into how quickly resource needs can change if demand varies from the expected case; (2) how natural gas use in emerging markets will affect regional gas infrastructure and natural gas pricing; and (3) other issues that might arise with demand, pricing, and LNG exports. *Id.* at 11-12.

YOU ARE FURTHER NOTIFIED that the IRP contains a 2015-2016 Action Plan outlining activities identified by the IRP team with input from company management and TAC members. The Company says the Action Plan places the Company in a position to provide the best cost/risk resource portfolio and to support and improve IRP planning. The Company says key ongoing components of the Action Plan include:

- Monitor actual demand for growth exceeding the 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. The Company will provide this information to Commission Staff at least bi-annually;

- Continue to monitor supply resource trends including the availability and price of natural gas to the region, LNG exports, Canadian natural gas supply availability and interprovincial consumption, and pipeline and storage infrastructure availability;
- Monitor availability of current resource options and assess new resource lead-time requirements relative to when resources are needed to preserve flexibility; and
- Meet regularly with Commission Staff to provide information on market activities and significant changes in assumptions and/or status of Company activities related to the IRP or natural gas procurement practices.

Id. at 12-13.

YOU ARE FURTHER NOTIFIED that the Company'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. Click on the "File Room" tab at the top of the page, scroll down to "Natural Gas 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.*, including the Modified Procedure rules referenced below.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure (that is, persons will present their views through written comments) 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 IRP must file a written comment in support or opposition with the Commission by **December 16, 2014**. The comment must contain a statement of reasons supporting the comment. In addition, persons desiring a hearing must specifically request a hearing in their written comments and explain why they believe that Modified Procedure should not be used to process this case. Written comments concerning the 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
State and Federal Regulation
Avista Corporation
1411 E. Mission Avenue
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The 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, scrolling to the "Consumers" tab, clicking the "Utility Case Comment or Question Form," and completing 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 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.

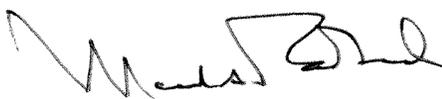
ORDER

IT IS HEREBY ORDERED that persons desiring to comment on the Company's natural gas IRP shall file written comments with the Commission no later than December 16, 2014.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 18th day of September 2014.



PAUL KJELLANDER, PRESIDENT



MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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