

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE FILING OF)
AVISTA CORPORATION DBA AVISTA) CASE NO. AVU-G-16-03
UTILITIES' 2014 NATURAL GAS)
INTEGRATED RESOURCE PLAN) NOTICE OF FILING
)
) NOTICE OF
) MODIFIED PROCEDURE
)
) ORDER NO. 33606**

On August 31, 2016, Avista Corporation dba Avista Utilities filed its 2016 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 U.S.C. § 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 Avista's natural gas IRP, including appendices, is about 800 pages long. The IRP contains an Executive Summary, and chapters on Demand Forecasts; Demand-Side Resources; Supply-Side Resources; 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 Avista says its IRP "identifies a strategic natural gas resource portfolio to meet customer demand requirements over the next 20 years." IRP at 1. The IRP takes input from the Company's Technical Advisory Committee (TAC), which includes Commission Staff, peer utilities, customers, and other stakeholders. *Id.* For the IRP, the Company discussed topics with the TAC, including "natural gas demand forecasts, price forecasts, demand-side management (DSM), supply-side resources, modeling tools, and

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

forecasts, demand-side management (DSM), supply-side resources, modeling tools, and distribution planning.” *Id.* According to the Company, the end result is “a resource portfolio designed to serve our customers’ natural gas needs while balancing cost and risk.” *Id.*

YOU ARE FURTHER NOTIFIED that the Company discusses the IRP planning environment, noting that – as in its 2014 IRP process – there is “more certainty about the availability of economically extractable natural gas” compared to past planning cycles. *Id.* However, not all future uses of the resource are known, and there remain questions about liquefied natural gas (LNG) exports, natural gas vehicles, and power generation. *Id.* In the IRP, the Company addresses these uncertainties by “evaluating multiple scenarios over a range of possible outcomes.” *Id.*

YOU ARE FURTHER NOTIFIED that the Company discusses its demand forecasts by defining eight distinct demand areas in its service territory, then recognizing and accounting for factors influencing natural gas prices and demand, including “weather, customer growth and use per customer,” as well as “population, employment, age and income demographics, construction levels, conservation technology, new uses (e.g. natural gas vehicles), and use-per-customer trends,” supply, infrastructure, regulation, and industry innovations. *Id.* at 1-2. The Company states it forecasts a 0.5% annual growth rate (net of projected DSM program savings), with average day, system-wide core demand increasing from an average of 94,164 dekatherms per day (Dth/day) in 2016 to 102,840 Dth/day in 2035. The Company forecasts that coincidental peak day, system-wide core demand will increase from a peak of 361,901 Dth/day in 2016 to 387,742 Dth/day in 2035, for a 0.8% average annual growth rate in peak day requirements (net of projected DSM savings). *Id.* at 3.

YOU ARE FURTHER NOTIFIED that the Company presents its natural gas price forecasts. The Company states that gas prices are a “significant component of the total cost of a resource option,” thus affecting the “avoided cost threshold for determining cost-effectiveness of conservation measures” and how customers consume natural gas. *Id.* at 5. According to the Company, information about costs and volumes of produced shale gas reflect that “production costs will remain low for quite some time . . . even with increased incremental demand for LNG exports, transportation fuels, and increased industrial consumption.” *Id.* The Company states that it developed high and low price forecasts to “represent a reasonable range of pricing

possibilities” for its IRP analysis, providing variation needed to address the uncertainty of future prices. *Id.*

YOU ARE FURTHER NOTIFIED that the Company discusses existing and potential natural gas supply resources. The Company states it has a “diversified portfolio of natural gas supply resources,” including contracts to buy gas from several supply basins, stored gas, and firm capacity rights on six pipelines. *Id.* at 6. In addition, the Company considers “incremental pipeline transportation, storage options, distribution enhancements, and various forms of LNG storage or service” for potential resource additions. *Id.* The Company states that, starting with its 2018 IRP, it “intends to include conservation as a potential resource addition.” *Id.* However, according to Avista, due to current avoided costs, “a limited number of DSM programs are cost-effective” in its service territories. *Id.* at 7.

YOU ARE FURTHER NOTIFIED that Avista discusses projected resource needs. The Company states that average and expected case demand scenarios show it will not be resource deficient in the 20-year planning horizon. *Id.* The Company anticipates that, “where a resource deficiency is [expected to be] nearly present,” it will have “time to carefully monitor, plan and take action on potential resource additions.” *Id.* at 8-9.

YOU ARE FURTHER NOTIFIED that the Company states that uncertainty still exists, even with “the planning, analysis, and conclusions reached in [its] IRP.” *Id.* at 12. Thus the Company states 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) price issues arising from increased supply due to the “industrial renaissance” of shale gas and drilling technology (*see id.* at 1); and (3) the effects on demand and price from LNG exports and the development of new pipeline resources. *Id.* at 13.

YOU ARE FURTHER NOTIFIED that Avista’s IRP includes a 2017-2018 Action Plan, outlining “activities for study, development and preparation for the 2018 IRP.” According to the Company, the purpose of its Action Plan is “to position Avista to provide the best cost/risk resource portfolio and to support and improve IRP planning.” *Id.* Key ongoing components of the Action Plan include:

- Monitor actual demand for accelerated growth [to] address 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 at least bi-annually.

- Continue to monitor supply resource trends including the availability and price of natural gas to the region, LNG exports, methanol plants, supply and market dynamics and pipeline and storage infrastructure availability.
- Monitor availability of resource options and assess new resource lead-time requirements relative to resource need to preserve flexibility.
- Meet regularly with Commission Staff 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.
- Appropriate management of existing resources including optimizing underutilized resources to help reduce costs to customers.

Id. at 13-14.

YOU ARE FURTHER NOTIFIED that the Company's IRP and appendices have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The IRP and appendices are also available on the Commission's website at www.puc.idaho.gov. Click on the "File Room" tab at the top of the page, then click on "Natural Gas Cases," and then 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 and specifically *Idaho Code* §§ 61-118, 61-119, 61-502, and 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.*, including the Modified Procedure rules referenced below.

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 (that is, persons may 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 this Application may file a written comment in support or opposition with the Commission **no later than February 2, 2017**. 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 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
Spokane, WA 99220-3727
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Vice President and Chief Counsel of
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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. Click the "Consumers" tab, then click the "Utility Case Comment or Question Form," 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 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.

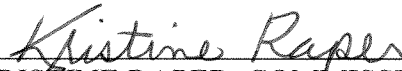
ORDER

IT IS HEREBY ORDERED that this case be processed by Modified Procedure. Persons desiring to comment on the Company's natural gas IRP shall file written comments with the Commission no later than February 2, 2017.

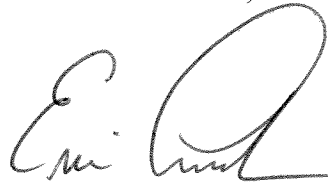
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28th day of September 2016.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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