

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE FILING OF)
AVISTA CORPORATION DBA AVISTA) CASE NO. AVU-G-16-03
UTILITIES' 2016 NATURAL GAS)
INTEGRATED RESOURCE PLAN) ACCEPTANCE OF FILING
)
) ORDER NO. 33720
)

On August 31, 2016, Avista Corporation dba Avista Utilities (the “Company”) 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 Commission issued a Notice of Filing and Notice of Modified Procedure that sought comments on the IRP. *See* Order No. 33606. Commission Staff timely filed the only comments in the matter, and recommended that the Commission acknowledge the IRP and accept it for filing. The Company did not file a reply.

A natural gas IRP describes a company’s plans to meet its customers’ future natural gas needs. In Order No. 25342, the Commission adopted IRP requirements for local gas distribution companies in response to amended Section 303 of the Public Utility Regulatory Policies Act of 1978 (PURPA). In Order No. 27024, the Commission shortened the required planning horizon from 20 years to at least 5 years. Order No. 27098 removed any requirement that IRPs formally evaluate potential demand-side management (DSM) programs, and instead directed the companies to explain whether cost-effective DSM opportunities exist. Finally, in Order No. 32698, the Commission required the Company to offer a Technical Advisory Committee (TAC) or other public outreach meeting that is geographically convenient for Idaho customers.

In summary, these three Orders direct gas utilities to file an IRP every two years that includes:

1. A forecast of future gas demand for each customer class, which includes the number, type, and efficiency of gas end-users as well as effects from economic forces on gas consumption;
2. An analysis of gas supply options for each customer class, which includes a projection of spot market versus long-term purchases for both firm and

interruptible markets, an evaluation of the opportunities for using company-owned or contracted storage or production, an analysis of prospects for company participation in a gas futures market, and an assessment of opportunities for access to multiple pipeline suppliers or direct purchases from producers;

3. An explanation of whether or not there are cost-effective DSM opportunities;
4. The integration of the demand forecast and resource evaluations into a long-range (at least a five-year) plan describing the strategies designed to meet current and future needs at the lowest cost to the utility and its ratepayers;
5. A short-term (e.g., two-year) plan outlining the specific actions to be taken by the utility in implementing the IRP;
6. A progress report that relates the new plan to the previously filed plan; and
7. Public participation, including input from the TAC.

THE 2016 IRP

The Company's natural gas IRP is about 800 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 is from the IRP's Executive Summary. Further detail may be obtained in the IRP's remaining chapters and appendices.

In the IRP, the Company "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 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.*

The Company also 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.*

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.

In addition, 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.*

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.

Further, the Company 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.

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.

The Company’s IRP also 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.

STAFF COMMENTS

Staff reviewed the Company's 2016 natural gas IRP and believes the IRP generally complies with Order Nos. 25342, 27024, 27098, and 32698. Staff thus recommended that the Commission accept the IRP for filing. *See* Comments at 2, 8.

Staff noted that the Company proposes a number of projects in Idaho to upgrade the distribution system, including the Coeur d'Alene High Pressure Reinforcement project in 2017-2018 at a cost of \$8M, the Schweitzer Mountain Rd High Pressure Reinforcement project in 2018 at a cost of \$1.5M, and projects in 2019 at the Athol #219, Bonners Ferry #208, and Genesee #320 gate stations. Comments at 4 (*citing* IRP at 136-37). Staff suggested that the Company explore the "potential for deferring additional supply or distribution resources through targeted conservation programs." *Id.* at 7. Staff also noted that the Company suspended its DSM program in 2012 (approved by the Commission in Order No. 32650), then resumed the program in 2015 (Order No. 33444), and is now "exploring a number of DSM alternatives for the 2018 IRP." *Id.* at 5-6. Staff stated it supports the Company's continued evaluation of DSM avoided costs – including through participation in the DSM Advisory Group and IRP TAC team – to possibly defer distribution capacity upgrades. *Id.* at 5-7.

Finally, as to public participation, Staff appreciated that the Company made its presentations and information available to the public via meetings and the Company's website. *Id.* at 7-8. Staff believes public participation could be further enhanced through "bill stuffers, public flyers, local media, individual invitations, and other methods." *Id.* at 8.

DISCUSSION

The Commission has reviewed Avista's IRP and Staff's comments. We appreciate Staff's thorough review and input in this matter. We find that the Company's IRP contains the required information and is appropriately formatted, consistent with Order Nos. 25342, 27024, 27098, and 32698, as well as Section 303(b)(3) of PURPA. We therefore acknowledge the Company's 2016 natural gas IRP and accept it for filing.

Our acceptance of the IRP should not be interpreted as an endorsement of, or judgment of prudence as to any particular element of the plan, nor an approval of any resource

acquisition or proposed action included in the IRP. We appreciate the Company's ongoing efforts to keep customers informed, including through TAC meetings and other forms of public outreach. We encourage the Company to continue in its efforts to engage affected and interested persons.

ORDER


IT IS ORDERED that the Company's 2016 natural gas IRP is acknowledged and accepted for filing.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code §§ 61-626, 62-619.*

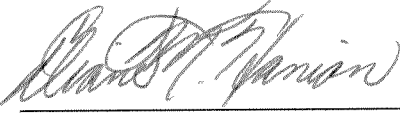
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this ^{23RD} day of February 2017.


PAUL KJELLANDER, PRESIDENT


KRISTINE RAPER, COMMISSIONER


ERIC ANDERSON, COMMISSIONER

ATTEST:


Diane M. Hanian
Commission Secretary