Office of the Secretary
Service Date
December 22, 2014

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN RE THE FILING OF AVISTA CORPORATION DBA AVISTA UTILITIES' 2014 NATURAL GAS INTEGRATED RESOURCE PLAN (IRP)	))))))	**CASE NO. AVU-G-14-03** **ACCEPTANCE OF FILING** **ORDER NO. 33196**

On September 2, 2014, Avista Corporation dba Avista Utilities (the "Company") filed its 2014 Natural Gas Integrated Resource Plan (IRP). On September 18, 2014, the Commission issued a Notice of Filing and Notice of Modified Procedure that sought comments on the IRP. *See* Order No. 33129. Commission Staff submitted comments recommending that the Commission acknowledge and accept the IRP for filing.[1]

Having reviewed the record, including the IRP and the comments, we enter this Order acknowledging the Company's 2014 natural gas IRP and accepting it for filing.

BACKROUND

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. 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

[1] In addition, a customer commented that he would be unable to pay for gas service if prices increase. The Commission understands the customer's concern about rate increases. The Company is not, however, asking to increase its rates in this case, and this Order does not authorize the Company to change its rates.

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.

Additionally, in the Company's 2012 IRP case, the Commission required the Company's future IRPs to include a more reader-friendly progress report (item 6, above), and that the Company offer a Technical Advisory Committee ("TAC") or other public outreach meeting that is geographically-convenient for Idaho customers. *See* Order No. 32698. The Commission also encouraged the Company to work with Staff to address statistical modeling inconsistencies that Staff perceived in that case. *Id.*

THE 2014 IRP

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.

In this IRP, the Company 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. Topics discussed with the TAC include natural gas demand forecasts, 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.

The Company also discusses the IRP planning environment and 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.

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.

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.

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).

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.

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.

In the IRP, the Company presents a 2015-2016 Action Plan outlining short-term activities that the Company will take as 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.

STAFF COMMENTS

Staff thoroughly reviewed the Company's 2014 natural gas IRP. Based on that review, Staff believes the IRP generally complies with Order Nos. 25342, 27024, 27098, and 32698, and recommended the Commission accept the IRP for filing. *See* Staff Comments at 3 and 10.

Staff highlights the Company's outreach efforts, which ensured that the 2014 IRP satisfies the requirements of Order No. 32698 from the 2012 IRP case. Staff explains that the 2014 IRP contains a more reader-friendly progress report than the one included in the 2012 IRP. Staff also notes that the Company held TAC meetings in a variety of locations that were more convenient for Idaho stakeholders to attend, and that the Company even recorded a meeting and made it available electronically. Staff encourages the Company to continue including reader-friendly progress reports in its IRPs, and holding TAC meetings in locations that are convenient for Idaho customers. *Id.* at 9.

Staff also recommended the Company submit an addendum to its 2015 DSM Business Plan that more thoroughly discusses when it might be cost-effective for the Company to re-implement natural gas DSM in Idaho. By way of background, Staff notes that the Commission has authorized the Company to suspend its natural gas DSM programs because they were not cost-effective. *See* Case No. AVU-G-12-03, Order No. 32650. The Company was to re-implement those programs, however, "when avoided costs sufficiently increase to make such programs cost-effective." *Id.* at 6. The natural gas Conservation Potential Assessment (CPA) in the Company's 2014 IRP concludes that Idaho's cumulative achievable potential will be 228,000 therms in 2015 and 3,629,000 therms by 2034. But the Company cautions that the CPA uses "high level assumptions" that "may be overly optimistic" (*see* IRP at 57) and should be vetted through "operation business planning processes" instead of in the IRP. *Id.* The Company explains it will "review the electric and natural gas DSM portfolios and perform the optimizations noted above" when it develops its 2015 DSM Business Plan. *Id.* at 58.

Staff notes, however, that when the Company filed its 2015 DSM Business Plan in November 2014, the Company did not analyze or comment on offering gas DSM in Idaho even though the Company's independent CPA indicates that cost-effective natural gas DSM is achievable. Given the lack of information, Staff is concerned that the Company may not know when avoided costs increase to the point where gas DSM programs should be re-implemented. Staff thus recommended the Company submit an addendum to its 2015 DSM Business Plan that fully analyzes the CPA results to determine when it might be cost-effective to re-implement natural gas DSM in Idaho. *See* Staff Comments at 7.

DISCUSSION

The Commission has reviewed Avista's IRP and Staff's comments. We find that the Company's IRP generally contains the necessary information and is in the appropriate format as directed by Order Nos. 25342, 27024 and 27098, and Section 303(b)(3) of PURPA. We thus acknowledge the Company's 2014 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 does it constitute approval of any resource acquisition or proposed action contained in the plan. We appreciate the Company's continuing efforts to make the IRP more reader-friendly and to hold TAC meetings and other public outreach meetings in locations that are convenient for Idaho customers.

We also appreciate Staff's review of the IRP, and acknowledge Staff's concern that the Company's IRP and DSM Business Plan do not analyze when the Company might cost-effectively re-implement natural gas DSM programs in Idaho. We find it reasonable and in the public interest to direct the Company to file an addendum to the 2015 DSM Business Plan that analyzes the CPA results and comments on when it might be cost-effective for the Company to again offer natural gas DSM in Idaho. The Company shall file the addendum as soon as is practicable, but no later than 60 days from the service date of this Order.

O R D E R

IT IS ORDERED that the Company's 2014 natural gas IRP is acknowledged and accepted for filing.

IT IS FURTHER ORDERED that the Company shall file an addendum to the Company's 2015 DSM Business Plan, as discussed above.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by 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 and 62-619.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 22nd day of December 2014.

PAUL KJELLANDER, PRESIDENT

MACK A. REDFORD, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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