



**Avista Corp.**

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February 25, 2013

***Via Electronic Mail***

Public Utility Commission Oregon  
550 Capitol St. N.E. Suite 215  
Salem, OR 97308-2551

**RE: Docket No. LC 55 - Avista Utilities 2012 Natural Gas Integrated Resource Plan  
Response Comments**

To All:

Avista appreciates the effort and participation of Commission Staff (Staff) and the Citizens' Utility Board of Oregon's (CUB) in the investigation of the Company's 2012 Natural Gas Integrated Resource Plan (IRP) and proposed suspension/revisions to its Demand Side Managements (DSM) programs. The following comments are in response to the comments filed by both Staff and CUB on January 25, 2012 in Docket No. LC 55.

Avista's IRP is the basis for determining the resources to be acquired and utilized for both the supply and demand side. The 2012 plan includes a forecast of our future market demand; assessments of demand-side and supply-side resource options; distribution system enhancements; consideration of planning uncertainties; analysis and selection of resource options for meeting future needs; and identifies actions to be accomplished over the next two years to carry out the Company's resource strategy and to complete additional planning activities.

Avista considers supply side and demand side resources on par as is prescribed in the Oregon Public Utility Commission IRP Standard and Guidelines – Order 07-002. The Order provides that plans submitted by utilities will be reviewed for adherence to the IRP principles. These principles have been set out in that order and in subsequent Commission decisions. The goal of the IRP review process is the Commission's acknowledgment of a resource plan for the utility. Avista believes its 2012 IRP meets the procedural and substantive requirements of the Order.

Resources to be considered for analysis within the IRP are discussed with the Technical Advisory Committee (TAC). Discussion of our current and potential supply side resources occurred at the TAC meeting held on February 21, 2012. While Avista is not currently pursuing the purchase of natural gas reserves, a discussion of its potential consideration within the context of the next IRP will be discussed with the TAC.

Additionally, modeling of distribution system enhancements and how they are or are not incorporated into the IRP was discussed with the TAC at the meeting held on March 20, 2012. While distribution enhancements are not specifically addressed in IRP guidelines, Avista incorporates distribution system enhancements that are required to facilitate additional interstate pipeline capacity takeaway as part of its Present Value of Revenue Requirements (PVRR) analysis.

The continued slow growth and the declining use- per- customer resulted in lower demand when compared to Avista's last IRP. Current IRP analysis indicated no near-term need for the acquisition of additional supply side resources. While Avista believes adoption of conservation is the best strategy for minimizing costs to our customers and promoting a cleaner environment, current and forecasted low prices challenge the cost effectiveness of demand side measures at the program level. The IRP process has many objectives, but foremost, is to ensure that proper planning will enable us to continue delivering safe, reliable and economic natural gas service to our customers well into the future. We are confident the plan delivers on that objective.

Avista agrees with Staff and CUB that DSM's role includes an attempt to lower customer bills, reduce supply side resource needs, and reduced greenhouse gas emissions. The IRP is only the starting point for a comprehensive evaluation of a natural gas DSM portfolio. The IRP does not include measure by measure evaluation or program implementation and management; rather it provides an end-use portfolio analysis inclusive of all available resources. The avoided cost generated from the IRP is one of the key inputs used in the Total Resource Cost (TRC) test for cost effectiveness of a DSM program or measure.

The changing natural gas supply picture, and resultant lower prices, resulted in the decline of natural gas avoided costs. While this is good news for consumers of natural gas, these lower avoided costs added new challenges to offering a comprehensive natural gas DSM portfolio. Once determined through the IRP process, the avoided costs are then provided to the DSM department for measure by measure evaluation and analysis of cost effectiveness utilizing the TRC methodology. The significant decline in natural gas prices produced much lower avoided costs from the last IRP, which resulted in most of Avista's programs no longer being cost-effective. As a result, on September 7, 2012, the Company filed (Docket UG240) to suspend its residential natural gas DSM programs and offer only a site-specific commercial DSM program. This filing has been suspended by the Commission in order to be evaluated on the same schedule as the IRP. Avista awaits Staff's guidance and recommendations on the future of its DSM programs. Avista remains committed to a continual re-evaluation of all programs and measures included its natural gas DSM portfolio.

A work plan will be submitted to the TAC on August 31, 2013 with the proposed schedule for the 2014 Natural Gas IRP and will again continue the discussions mentioned above. We look forward to and appreciate Staff and CUB's participation in the TAC, as well as, ongoing input and guidance into the development of current and future plans.

Again, the Company appreciates the work of Commission Staff and CUB on its 2012 IRP. Avista believes its plan is consistent with the goals of Oregon's energy policy to promote the efficient use of energy resources and sustainability.

If you have any questions regarding the IRP please direct them to Kelly Irvine at (509) 495-4335 or if you have questions regarding the Oregon DSM Programs please direct them to Kerry Shroy at (541) 858-4743.

Sincerely,

*/s/Linda Gervais/*

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