



Avista Corp.

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March 1, 2016

Public Utilities Commission of Oregon
Attn: Filing Center
3930 Fairview Industrial Dr SE
Salem, OR 97302-1166

RE: Docket LC 61, Avista Utilities 2014 IRP Annual Update – Informational Filing Only

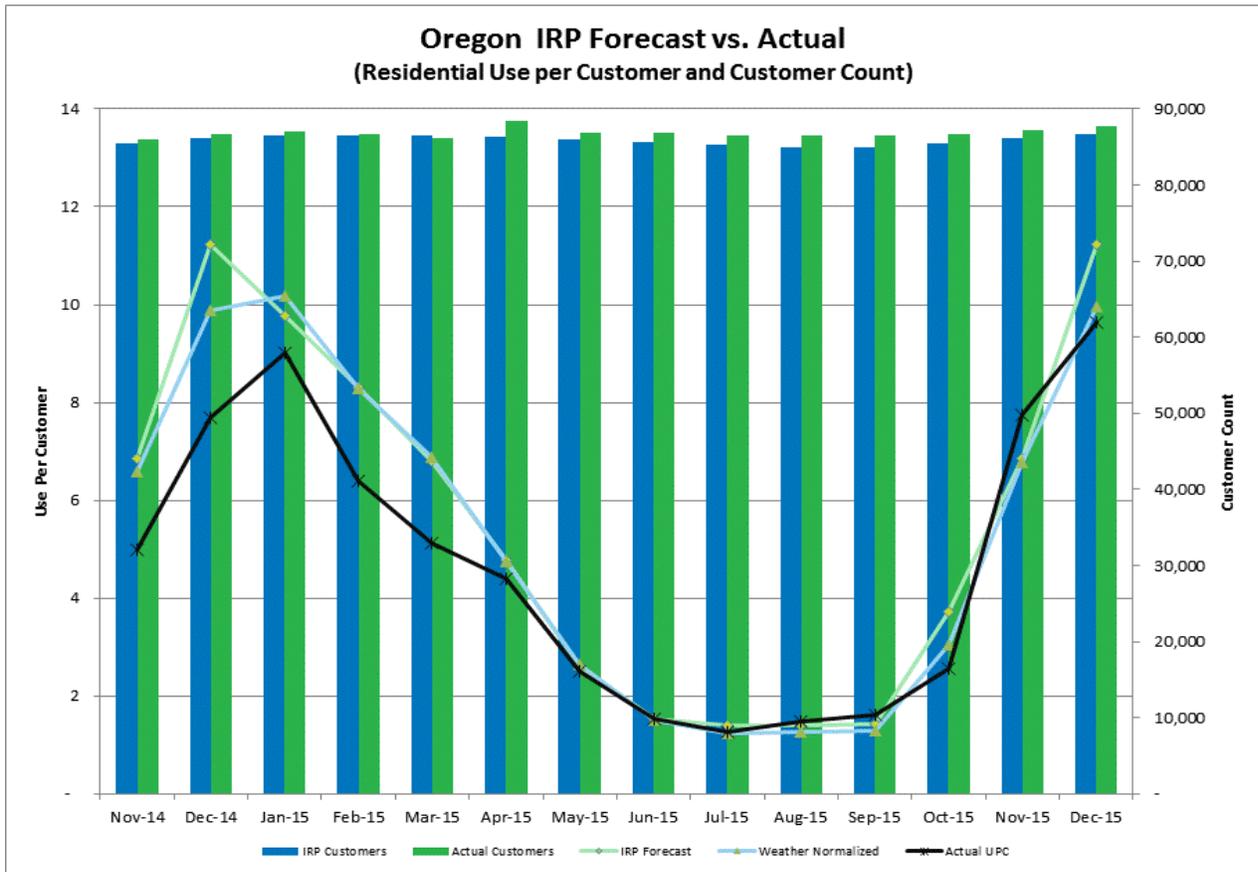
Filing Center:

Avista Corporation, dba Avista Utilities or (“Avista” and/or the “Company”), hereby submits its annual update to its 2014 Natural Gas Integrated Resource Plan (IRP) per OAR 860-027-0400. OAR 860-027-0400 requires the following:

- (8) Each energy utility must submit an annual update on its most recently acknowledged IRP. The update is due on or before the acknowledgment order anniversary date. The energy utility must summarize the annual update at a Commission public meeting. The energy utility may request acknowledgment of changes, identified in its update, to the IRP action plan. The annual update is an informational filing that:
 - (a) Describes what actions the energy utility has taken to implement the action plan to select best portfolio of resources contained in its acknowledged IRP;
 - (b) Provides an assessment of what has changed since the acknowledgment order that affects the action plan to select best portfolio of resources, including changes in such factors as load, expiration of resource contracts, supply-side and demand-side resource acquisitions, resource costs, and transmission availability; and
 - (c) Justifies any deviations from the action plan contained in its acknowledged IRP.

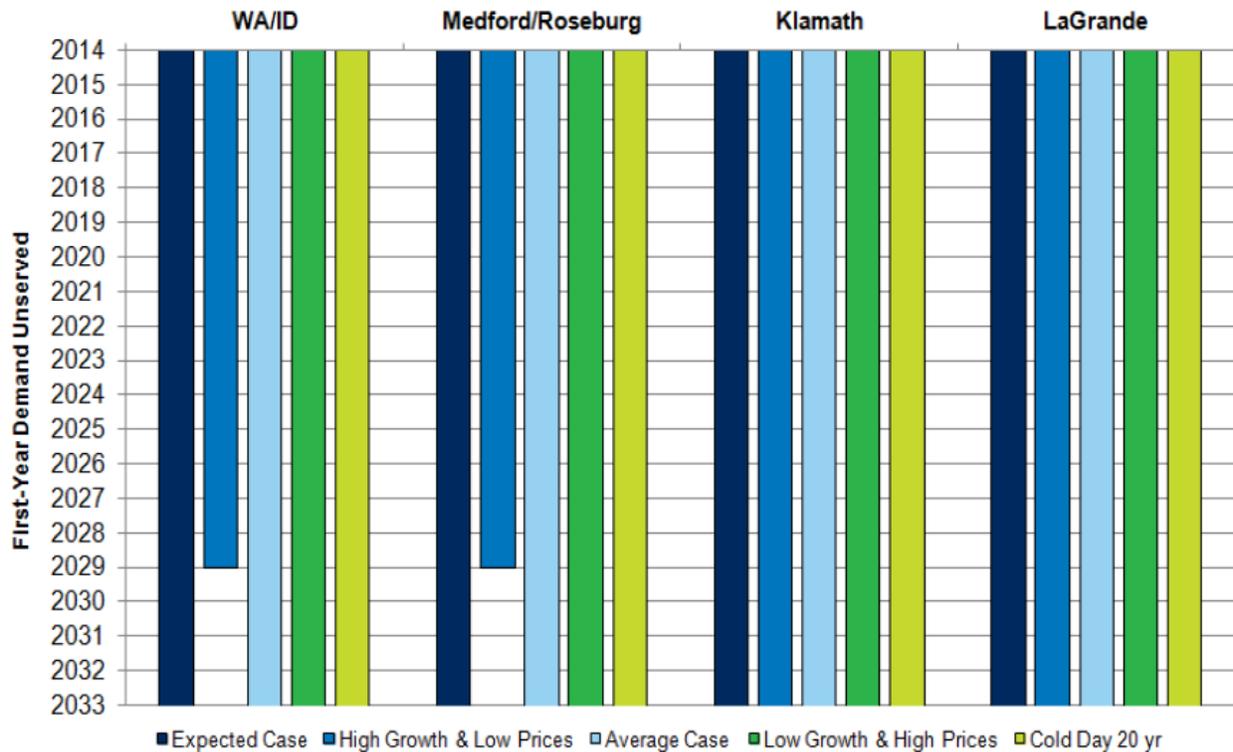
On August 29, 2014, Avista filed its 2014 IRP. On March 2, 2015 the Commission issued an Order acknowledging the Company’s IRP with certain revisions and additional requirements as outlined in Order No. 15-0563.

Due to the Company’s demand forecast at the time of developing its 2014 IRP, it did not show a need to acquire additional supply side resources over the 20-year planning horizon. As a result the Company did not include any supply side actions in its 2014 IRP Action Plan. The following table shows the 2014 Oregon IRP demand forecast vs. actual results.



The actual number of customers was slightly above the IRP forecast and the actual use per customer was slightly lower than forecast. The actual result did not impact the Company’s position for needing to acquire additional resources as showed in the following table.





Regarding the Demand Side Actions included in the 2014 IRP Action Plan, the Company was required to perform the following actions.

- a. By May 1, 2015, in addition to those items specified in Order No. 13-159, Avista shall file for Commission approval specific DSM targets for the next two to four years. As part of the filing, Avista should:
 - i. Provide Total Resource Cost (TRC) benefit/cost ratios (BCR) and utility cost test (UCT) BCRs for each measure and program that has a TRC or UCT BCR of less than one;
 - ii. Provide projected achievable savings for each measure and program identified in item a. above; and
 - iii. Recommend which, if any, measures it is requesting an exception for under docket UM 551, Order No. 94-590.
- b. Participate in NEEA's new gas market transformation initiative, and in the next, IRP include and note specific gas market transformation savings potential that are part of the achievable resource potential.

As required in subpart (a) above the Company filed its annual DSM report on May 1, 2015. In the report the Company reported savings and the cost effectiveness of its DSM programs for 2014, in addition to noting steps the Company took to make its DSM programs as cost effective as possible. As a result of the Company's report, requirements of the Action Plan,



and Staff Analysis, the Company is required to make adjustments to its DSM program by April 1, 2016 as outlined in Order No. 15-288 in Docket LC 61. The Company plans on making a tariff filing, Advice No. 16-04-G, on March 1, 2016 in order to seek approval of the required changes outlined in Order No. 15-288.

Subsequent to the issuance of Order No. 15-288, as part of a partial settlement reached in the Company's 2015 General Rate Case filing, Docket UG 288, Avista agreed to transition its DSM program to the Energy Trust of Oregon (ETO). The settlement was approved on February 29, 2016 via Order No. 16-076. The Company will begin to transition management of its DSM programs to the ETO over the remainder of 2016, with a final transition date of January 1, 2017. With the transition of the DSM programs to the ETO the Company has requested changes within its tariff filing to make the transition of its DSM program as seamless as possible for its customers.

In regards to the requirement in subpart (b) above, the Company is participating in NEEA's new gas market transformation initiative.

In addition to the action items described above, the Commission also directed the Company in Order No. 15-063 to perform several tasks in the development of its next IRP, which is currently underway and will be filed on or before August 31, 2016. The Company has held two Technical Advisory Committee (TAC) meetings thus far in the 2016 IRP Process and has two remaining. On January 21, 2016 the first TAC meeting covered the economic drivers of load and customer growth, the Company's demand forecast, and Demand Side Management. The second TAC meeting held on February 18, 2016 covered the Company's existing infrastructure, pipeline updates, Avista's supply side resources and its modeling within Sendout, storage and transportation optimization, and carbon legislation. The third and fourth TAC meetings are scheduled for March and April.

Specifically, in Order No. 15-063, the Company was required to do the following in developing its next IRP:

- 1. As part of its next IRP process, Avista must convene workshops with Staff and stakeholders to explore how best to model major resource acquisitions and major capital investments.**

Avista reviewed current resources in the second TAC meeting and will review distribution projects in the third TAC meeting.

- If there are any specific major acquisitions or capital investments due to a shortage, Avista will review its assumptions with the TAC members via open dialogue as to how to best model potential resources.

Within the distribution overview scheduled for the third TAC meeting, Avista intends on providing a modeling overview combined with any potential major



capital investments to better enhance its distribution system and its best estimate as to when the enhancement will be required.

- 2. For the next IRP, Avista must work with Staff and stakeholders to resolve forecasting methodology concerns, and seek to identify the most reliable methodology so that future resource needs may be clearly identified.**

Avista will provide a Sendout overview prior to the third TAC meeting for any interested TAC members. In each TAC meeting The Company will build upon its assumptions as to how forecasts are put together in the following order:

TAC#1 – Demand Side including coefficients and weather

TAC#2 – Supply Side Resources including transport and storage assets

TAC#3 – Preliminary Results combined with pricing and modeling assumptions

TAC#4 – Portfolio results and forecasting

- 3. In its next IRP, Avista must include a clear presentation of how Avista decides which distribution system projects to include in the IRP, and a clear description of the included projects, along with a justification for recommending or proceeding with the projects.**

Avista intends to provide a description of distribution system projects and the most current knowledge and analysis supporting the timeframe for completing those projects. This will occur in the third TAC meeting with an update prior to the final IRP submittal on or before August 31, 2016.

- 4. As part of its next IRP process, Avista must convene discussions with Staff and stakeholders to discuss potential impacts associated with: (1) new regulations to reduce methane emissions; and (2) potential increases in natural gas prices stemming from increased demand for natural gas for generation under Section 111 (d) of the Clean Air Act.**

During the second TAC meeting the Company reviewed regulations affecting the natural gas industry at a state or federal level and provide an overview to each rule. During the third TAC meeting the Company will review carbon pricing and assumptions within the Sendout model.

Little has changed from a planning standpoint since the time the Company filed its 2014 IRP. The Company is not requesting Commission acknowledgement of any changes and provides this filing for informational purposes only.

If you have any questions regarding this report please contact Tom Pardee at (509) 495-2159.



Sincerely,

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