



STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

621 Woodland Square Loop S.E. • Lacey, Washington 98503

P.O. Box 47250 • Olympia, Washington 98504-7250

(360) 664-1160 • TTY (360) 586-8203

July 8, 2019

Dennis Vermillion
Chairman of the Board, President, and Chief Executive Officer
Avista Utilities
1411 East Mission
Post Office Box 3727
Spokane, Washington 99220

**Re: Avista Corporation dba Avista Utilities
2017 Electric Integrated Resource Plan, Docket UE-161036, and
2019 Electric Integrated Resource Plan, Docket UE-180738**

Dear Mr. Vermillion:

In the Attachment to its 2016 Avista IRP Acknowledgment Letter, the Commission posed questions regarding Colstrip to be addressed in Avista Utilities' (Avista or Company) 2019 IRP. Avista now faces a short time schedule to complete its 2019 IRP, after pausing its work to await resolution of the Washington state legislature's consideration of energy legislation. In light of the subsequent passage of the Engrossed Second Substitute Senate Bill 5116 (E2SSSB 5116) and other energy related legislation, and the limited timeline for completing the 2019 IRP, we provide direction below on which of our questions should be prioritized in the 2019 IRP.

The direction from the Commission to prioritize certain questions does not relieve the Company from addressing the questions in future IRPs, as directed by the Commission or as otherwise required under WAC 480-100-285. We also caution that the direction provided does not relieve the Company of its duty to seek all information that is reasonably available as it makes ongoing decisions about its operations and resources.

DOCKETS UE-161036 and UE-180738

In the 2019 IRP, the Commission expects Avista to answer the following questions pertaining to the Colstrip facilities¹:

1. Regarding fuel source cost and risk:
 - a. What is the cost and physical supply risk of coal from the Rosebud mine due to the Westmoreland bankruptcy?
 - b. As the need for fuel for Colstrip declines, how does the increased cost per unit of coal effect the economic dispatch of Colstrip? This should be explicitly modeled in Avista's IRP portfolio dispatch model.
 - c. How does fuel supply risk from Colstrip compare to that of natural gas?
 - d. How are the economics of Colstrip Units 3 & 4 affected if natural gas prices continue to remain relatively flat?
2. Has Avista quantified capacity replacement costs for Colstrip Units 3 & 4 that it could use as a basis of seeking replacement capacity as an alternative to any large capital investments it faces at Colstrip? This question should be answered in the context of the provisions of E2SSB 5116.

If Avista has any additional questions or needs clarification regarding these issues during its IRP work, please contact Jennifer Snyder, jennifer.snyder@utc.wa.gov or Brad Cebulko at brad.cebulko@utc.wa.gov.

Sincerely,

MARK L. JOHNSON
Executive Director and Secretary

¹ The questions are sourced and then modified from page 5 of the Attachment to the 2017 Avista IRP Acknowledgment Letter, issued May 7, 2018.