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AVISTA Corp.

May 16, 2003

Carole Washburn, Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
1300 S. Evergreen Park Drive S.W.
Olympia, WA 98504-7250

Re: Docket No. UE-030311 -- Least Cost Planning Rulemaking, WAC 480-100-238
Docket No. UG-030312 -- Least Cost Planning Rulemaking, WAC 480-90-238

Dear Ms. Washburn:

Thank you for the opportunity to review the electric and natural gas least cost planning rules. Unless specified otherwise, these comments are applicable to both the electric and natural gas rules. The Company believes that the flexibility inherent in these rules allows for appropriate utility-specific planning and implementation.

General Comments

Avista appreciates the goal-oriented approach of the existing least cost planning rules. The least cost planning rules appropriately outline required key components and allow companies the opportunity to satisfy them in a manner that best fits that company.

Washington's planning rules are relatively consistent with Avista's requirements under Oregon and Idaho policies. This allows for similar planning and reporting within Avista's three Northwest states. The Company respectfully requests that any major proposed modifications to these rules consider impacts on multi-jurisdictional utilities.

The electric and gas rules currently require separate filings of electric and gas plans. Avista supports separate filings for several reasons, and requests that this methodology remain unchanged. Avista's electric and gas plans are developed by independent work groups within the Company. Likewise, different stakeholders participate in the electric and gas Technical Advisory Committees. For example, the Oregon gas stakeholders have little interest in Avista's Washington and Idaho electric operations. There is sufficient flexibility in the current rules to allow a combination utility to have joint least cost plans at that utility's option. The only significant overlap in the gas and electric plans is the gas price forecast (i.e., the gas forecast is used in the electric plan as it relates to gas-fueled resources). Avista's electric plan adopts the natural gas IRP forecast to reflect this overlap. If the Commission concludes that further overlap is appropriate, Avista suggests that it be addressed through specific IRP requirements rather than combining the gas and electric IRPs into one document.

Proposed Modifications

480-90/100-238(1) The focus of this rule should be <u>integrated</u> resource planning. Integrated resource planning better reflects the balancing of costs and risks. A balanced plan will handle the Company's needs in a more cost effective, reliable, and diverse manner. For example, a true least cost plan for natural gas may rely on daily spot market prices to achieve "least cost;" however this would lead to volatile rates with a greater risk of price run-ups.

480-90/100-238 (1) Avista suggests removal of the sentence: "Each planning cycle will begin with a letter to the company from the commission secretary." This letter has not always been provided and is not necessary for companies to begin the planning cycle.

480-90/100-238 (1) The Technical Advisory Committee (TAC) process has worked well for Avista and appears to be an appropriate way to involve interested stakeholders. Avista suggests that the last sentence in the first paragraph regarding public involvement be modified to focus on establishment and involvement of a TAC as follows. "The content, ~~and~~ timing of, and ~~reporting for the least cost plan and the public involvement strategy~~ <u>establishment of a technical advisory committee</u> shall be outlined in a work plan developed by the company after consulting with commission staff."

480-90/100-238 (2) The term "Least cost plan" should be changed to "Integrated resource plan" to reflect the balancing of costs and risk that is inherent in the planning process. Avista recommends the following change to the definition: "...that will meet current and future needs ~~at the lowest cost to~~ <u>by optimizing price and non-price characteristics for</u> the utility and its ratepayers..." Avista believes that there is general concurrence that a resource portfolio should be evaluated based on low costs over time, as well as a reasonable range of variation around the expected cost. This reduction in risk is beneficial to customers in the event that the incremental cost of doing so remains relatively low.

480-90-238(3)(a) [Gas only] A range of forecasts for future gas demand for firm and interruptible markets by customer class should include one, five, and ten years rather than one, five, and twenty years. The twenty-year forecast has little meaning for natural gas resource acquisition in that contracts of such length are not industry standards.

480-90-238(3)(a) [Gas only] Avista proposes that (3)(c)(i) and 3(c)(iii) be removed and replaced with "a range of projections for future prices." Purchases of natural gas are now generally based on Nymex future prices taking into account basis differentials. This is used not only for long-term purchases but also for pricing monthly purchases, be it physical or financial deals.

480-90-238(3)(a) [Gas only] Paragraphs 3(b) and 3(d) seem duplicative. Avista suggests that these paragraphs be merged.

480-90/100-238(3)(e) Avista suggests that a long-range plan be defined as a ten-year time horizon rather than twenty years. As a practical matter, a ten-year planning horizon will be as accurate as a twenty-year forecast, which is little more than a shorter forecast factored with a linear modifier. This is particularly applicable for gas planning, in which no decisions are made or based on data that is over ten years into the future.

480-90/100-238(3)(e) As described above, Avista suggests that the term "least cost" be replaced with "integrated resource."

Please direct any questions on this matter to Bruce Folsom at (509) 495-8706, Clint Kalich at (509) 495-4532, or Dick Winters at (509) 495-4175.

Sincerely,

Kelly Norwood

Kelly Norwood
Vice-President, Rates and Regulation