

**STATE OF WASHINGTON**

UTILITIES AND TRANSPORTATION COMMISSION

***1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 ● Olympia, Washington 98504-7250***

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February 10, 2017

Scott L. Morris

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   
2016 Natural Gas Integrated Resource Plan (Docket UG-151751)**

Dear Mr. Morris:

The Washington Utilities and Transportation Commission (Commission) has reviewed the 2016 Natural Gas Integrated Resource Plan (IRP) filed by Avista Corporation dba Avista Utilities (Avista or Company) on August 31, 2016, and finds that it meets the requirements of Washington Administrative Code (WAC) 480-90-238.

By acknowledging compliance with WAC 480-90-238, the Commission does not signal pre-approval for ratemaking purposes of any course of action identified in the IRP. The Commission will review the prudence of the Company’s actions at the time of any future request to recover costs of resources in customer rates. The Commission will reach a prudence determination after giving due weight to the information, analyses, and strategies contained in the Company’s IRP along with other relevant evidence.

Because an IRP cannot pinpoint precisely the future actions that will minimize a utility’s costs and risks, we expect that the Company will regularly update the assumptions that underlie the analysis within the IRP and adjust its investment strategies accordingly.

In the attached document the Commission elaborates on the following expectations regarding the Company’s Technical Advisory Committee (TAC) process and 2018 IRP:

1. Include a section that discusses impacts of the Clean Air Rule (CAR) (WAC 173-442 and WAC 173-441). In its 2018 IRP expected case, Avista should model specific CAR impacts as well as consider the costs and risk of additional environmental regulations, including a possible carbon tax ($/ton).
2. Provide more detail on the Company’s natural gas hedging strategy, including information on upper and lower pricing points, transactions with counterparties, and how diversification of the portfolio is achieved.
3. Ensure that the entity performing the Conservation Potential Assessment (CPA) evaluates and includes the following information:
   1. All conservation measures excluded from the CPA, including those excluded prior to technical potential determination.
   2. The rationale for excluding any measure.
   3. A description of Unit Energy Savings (UES) for each measure included in the CPA, specifying how it was derived and the source of the data.
   4. The rationale for any difference in economic and achievable potential savings, including how the Company is working towards an achievable target of 85 percent of economic potential savings.
   5. A description of all efforts to create a fully-balanced cost effectiveness metric within the planning horizon based on the Total Resource Cost (TRC) Test.

Discuss with the TAC:

* 1. The results of Northwest Energy Efficiency Alliance (NEEA) coordination, including non-energy benefits to include in the CPA.
  2. The appropriateness of listing and mapping all prospective distribution system enhancement projects planned on the 20 year horizon, and comparing actual projects completed to prospective projects listed in previous IRPs.

At Commission Staff’s request, Avista filed a revised 2017-2018 Action Plan on November  15, 2016, in Docket UG-151751, which documents specific comments from the Commision made throughout the IRP development process. Commission Staff will continue to provide additional input as Avista develops its next IRP.

Consistent with previous IRPs, the Commission expects that any regulatory deliberations or decisions on the economic viability of any specific course of action described within Avista’s next IRP will not be made within the context of the IRP. Avista should file its next Natural Gas IRP work plan on or before August 31, 2017, and its final 2018 Natural Gas IRP on or before August 31, 2018.

Sincerely,

STEVEN V. KING

Executive Director and Secretary

Attachment