



STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION
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January 23, 2015

Scott L. Morris
Chairman of the Board, President, and Chief Executive Officer
Avista Utilities
1411 East Mission
Post Office Box 3727
Spokane, WA 99220

**Re: Avista Corporation dba Avista Utilities
2014 Natural Gas Integrated Resource Plan (Docket UG-131621)**

Dear Mr. Morris:

The Washington Utilities and Transportation Commission (Commission) has reviewed the 2014 Natural Gas Integrated Resource Plan (IRP) filed by Avista Corporation dba Avista Utilities (Avista or Company) on August 29, 2014, 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 2016 IRP:

1. In the 2016 IRP:

- a. Include a section that discusses the ongoing management of Avista's surplus capacity;
 - b. Provide more detail on the distribution model results and analysis that identify specific distribution system needs;
 - c. Provide the resource portfolio solution that fills any demand not served for each scenario; and
 - d. Ensure that the entity performing the Conservation Potential Assessment (CPA) evaluates the effect of the temporary operation under a Utility Cost Test (UCT) cost-effectiveness metric on near-term, achievable conservation potential, while maintaining the longer-term assumption that Avista will eventually be reverting back to a TRC test cost-effectiveness metric.
2. Discuss with the TAC:
- a. Evaluation of state-specific resource needs when a resource deficiency is identified;
 - b. The appropriateness of using a one-in-572 event for peak day planning; and
 - c. The need for stress-testing the Company's storage resources during a peak event in a high-demand year.

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.

At the advisement of Commission Staff, Avista filed a revised 2015-2016 Action Plan on December 3, 2014, in Docket UG-131621. That revised Action Plan formally incorporates each of the Commission recommendations discussed herein into the Company's analysis, final reporting, and TAC process for the 2016 IRP.

Commission Staff will continue to provide additional input as Avista develops its next IRP. Avista should file its next Natural Gas IRP work plan on or before August 31, 2015, and its final 2016 Natural Gas IRP on or before August 31, 2016.

Sincerely,

STEVEN V. KING
Executive Director and Secretary

Attachment