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August 31, 2102

David Danner, Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

Dear Mr. Danner:

RE: Docket No. UG-111588 - Avista Utilities 2012 Natural Gas Integrated Resource Plan

Per the Washington Utilities and Transportation Commission's Integrated Resource Plan (IRP) Requirements outlined in WAC 480-100-251, Avista Corporation d/b/a/ Avista Utilities, hereby submits for filing an original, an electronic copy, and 12 copies of its 2012 Natural Gas Integrated Resource Plan.

The Company submits the IRP to Public Utility Commissions in Washington, Idaho, and Oregon every two years as required by state regulation. The Company has a statutory obligation to provide reliable natural gas service to customers at rates, terms and conditions that are fair, just, reasonable and sufficient. The IRP, by identifying and evaluating various resource options and establishing a plan of action for resource decisions, is a significant component in meeting this obligation.

The 2012 Plan highlights the following:

- Our philosophy is to reliably provide natural gas to our customer with an appropriate balance of price stability and prudent cost using our portfolio of purchase contracts, storage and firm pipeline capacity rights;
- The Company forecasts sufficient natural gas resources well into the future with resource needs not occurring until 2028 in Oregon and 2030 in Washington and Idaho;

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- The major change from the 2009 IRP is that customer growth has slowed and it is not anticipated to rebound in the near term and also use per customer has declined;
- The price of natural gas has dropped significantly since our last IRP. Robust North American supplies lead by shale gas developments coupled with lackluster demand due to the economy has pushed prices down to levels not seen in the last decade. These low prices, while good for our customers, challenge the cost-effectiveness of DSM at the program level. Since the drafting of this document, Avista has filed in Washington and Idaho to suspend natural gas DSM programs and will soon be making a similar filing in Oregon.
- As forecasted demand is relatively flat, we will monitor actual demand for signs of increased growth which could accelerate resource needs.

Please direct any questions regarding this report to Kelly Irvine at (509) 495-4335.

Sincerely,



Linda Gervais
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State and Federal Regulation
Avista Utilities
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cc: Ms. Deborah Reynolds
Mr. Steve Johnson
Ms. Vonda Novak