Avista Corp.
1411 East Mission P.O. Box 3727
Spokane. Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

AVISTA Corp.

September 9, 2005

Oregon Public Utilities Commission
Attn: Filing Center
550 Capital St N.E. Suite 215
Salem, Oregon 97308-2148

Re: Integrated Resource Planning Requirements
(Docket UM 1056)

Dear Filing Center:

Enclosed for filing is Avista Corporation's comments to the above captioned docket. This document is being filed by electronic mail with the Filing Center. Please direct any questions regarding this filing to Dick Winter at (509) 495-4175, or myself at (509) 495-8706.

Sincerely,

/s/Bruce Folsom

Bruce Folsom
Manager, Regulatory Compliance
(509) 495-8706
bruce.folsom@avistacorp.com

Avista appreciates the opportunity to provide comments regarding the Staff's Initial Responses to the Integrated Resource Planning Requirements.

Issue 16: *Should IRPs incorporate competitive bidding results, or should the Commission acknowledge the IRP before the utility conducts RFPs for resources identified in the action plan?*

Avista Response: Avista suggests that the extent of the "formalilty" of RFPs for natural gas companies be clarified. Natural gas utilities, by the nature of the natural gas market, seek several bids prior to executing commodity purchases. Avista believes that adequate explanation of the process and documentation of the results could be provided to the Commission as appropriate. However, a natural gas IRP filing should be structured differently than that contemplated for the electric industry. A formal RFP process for electric utilities is the subject of a separate proceeding in Docket UM 1182. The Staff proposed guideline below appears to be linked closely to this electric docket. The following edits are intended to provide appropriate clarification.

> *Related guideline*: The utility should identify in the action plan its acquisition strategy for each resource. Gas utilities should either describe in the IRP their ~~proposed~~ bidding ~~process~~ practices for gas supply and transportation~~, whether formal or informal~~ or provide to the Commission a description of its bidding processes following IRP acknowledgment. Electric utilities should identify those resources that will be acquired through competitive bidding and indicate if they plan to have a utility resource considered in that process, whether utility-built or built by a third party and transferred to utility ownership. ~~For all utilities, the~~ This competitive bidding process should follow IRP acknowledgment. The cost and risk decision criteria for selecting electric resources in the bidding process should be consistent with the decision criteria for selecting resources in the acknowledged electric IRP.

Issue 5: *Should the Commission modify, delete or add substantive requirements for integrated resource plans, e.g., should the Commission consider whether a resource plan is in the long-term public interest and whether the plan is consistent with the energy policy of the state or Oregon as expressed in ORS 469.010, as currently required in Order No. 89-507? How should the utility assess whether its integrated resource plan is in the long-term public interest and is consistent with the state's energy policy?*

- To address risk, the utility should at a minimum:
  - Analyze the effect of potential compliance costs related to global warming on costs and risks for the resource portfolios under consideration, as well as risk mitigation strategies.

Avista Response: Avista seeks clarification of what global warming analysis means to a natural gas utility's IRP process. The Staff has proposed elsewhere in its guidelines that "Utilities should identify in the plan any additional sources of uncertainty" and "Utilities also must consider all costs with a reasonable likelihood of being included in rates over the long term." These two guidelines suggest that global warming would be addressed, by natural gas utilities, in those areas. A separate culling out of global warming for natural gas utilities as specified by staff's proposed guidelines suggests a much greater analysis of global warming. Avista is not clear what is contemplated by the Staff suggestions for "costs and risks for the resource portfolios…as well as risk mitigation strategies" as they relate to natural gas utilities.

Issue 2(c) *How often should utilities update action plans?*

Avista Response: The effect of the Staff proposal for annual updates essentially creates a yearly IRP filing, which the Company opposes for cost and redundancy reasons. It was the Company's understanding, perhaps erroneously, that the concept for an out-of-cycle (or annual) update was totally linked to a proposal in the technical workshop to change the filing cycle of IRPs from two years to three years or more. The *quid pro quo* for a longer filing cycle was to have annual updates. If the Commission keeps the current two-year cycle, as proposed by Staff's guidelines, there would be no need for a required annual update. Under current Commission rules, utilities have the authority to voluntarily provide an out-of-cycle update. Avista provided such an update to the Washington Commission on its electric IRP in 2000 to reflect an updated load and resource situation.

Further complicating the proposed annual update is timing. The update would occur in the midst of the next planning cycle and would detract from planning efforts. Staff, being engaged in the next planning process, would have access to the information requested in its related guideline.

Further, a utility request for an action that is not part of its most-recently acknowledged IRP bears the burden for supporting its request. To require this as part of an annual update moves the IRP closer to a ratemaking document rather than a planning document.

Avista believes that the proposed annual update should be rejected unless the length of the IRP planning cycle is increased from the current two-year process.

(d) *What is the appropriate time period for completing the integrated resource planning process?*

Avista Response: Avista is concerned that the proposed six-month period for Commission staff and parties comments disadvantages the next IRP planning cycle. The practical effect of this suggestion is that an IRP acknowledgment letter would not be available for, likely, eight months after submission of the IRP. This presumes that no further work is required on the filed IRP; further work could add several months more to the process.

In recognition that Staff and parties are active participants in the IRP process, Avista proposes that comments be due within three months of IRP submittal. Alternatively, the guidelines could specify that such a deadline be a negotiated time period that would take into account the unique characteristics of a given utility's planning process. Yet another alternative would have a draft IRP filed for comments two months prior to the scheduled due date. This would allow time for parties to either provide suggestions or allow for an "advance look" at the final document, thereby increasing parties' "processing time" for comments. Edits to this effect follow.

> *Related guidelines*:
> Commission staff and parties should complete their comments and recommendations within ~~six~~ three months of IRP filing.

Issue 8: *For multi-states utilities: Should integrated resource planning be conducted to optimize Oregon or system costs? How should integrated resource planning reconcile different planning rules or standards in different jurisdictions? How should integrated resource plans address different state or regional resource preferences?*

Avista Response: The Staff's proposed guideline for multi-state utilities is reasonable as written. However, the accompanying Staff explanation is problematic. The two paragraphs following this guideline reaches into analysis of other states' IRP processing which is beyond the scope of the Oregon Commission. For example, the Staff states: "Multi-state utilities should identify in their integrated resource plans any analyses or proposed resource activities that respond to unique state or regional requirements and preferences and describe how they lead to results that are consistent or inconsistent with Oregon's direction."

If the requirements of another state differ from Oregon, and if those requirements would not impose any difference in cost to Oregon customers, then Oregon should be indifferent to how another state examines an issue. By way of illustration, if another jurisdiction shows a need for additional capacity (with such capacity involving no cost to Oregon customers) during the planning horizon, and if that jurisdiction does not require that a means of satisfying the capacity shortfall be included, then the IRP should not be required by Oregon to satisfy the shortfall. The following edit is intended to recognize this principle.

> *Related guideline:* Multi-state utilities should plan their generation and transmission systems, or gas supply and delivery, on an integrated system basis for common costs that achieves a least-cost/least-risk resource portfolio for all their retail customers.

Issue 17: *How should customers eligible to choose an alternative electricity or natural gas supplier be accounted for in integrated resource planning?*

Avista Response: Gas utilities do not plan for industrial customers to return to firm sales customers. If a transport customer wishes to return to sales, they are treated as a new customer and would pay for any and all incremental charges, these primarily being the ability to serve this customer on a firm basis. The Company notes this distinction because this issue appears to be more relevant to the electric industry and excluding the natural gas industry would have no consequences.

> *Related guideline:* The utility's load-resource balance should reflect customer loads to be served by an alternative electricity or natural gas supplier over the planning horizon.
>
> Gas utilities should continue to plan for full service for all residential and commercial loads, along with sales service for industrial load. For industrial customers that have bypassed the gas utility or are only receiving transportation service from the gas utility, planning should focus on the resources needed if all or a portion of these customers returned to sales service.

Other Issues

(b) *Given the changes in the utility industry, what are the purposes and objectives of integrated resource planning?*

The purposes and objectives of integrated resource planning remain largely the same as in 1989 when the Commission first established its least-cost planning (LCP) guidelines:

> The goal of utility planning is to assure an adequate and reliable supply of energy at the least cost to the utility and its customers consistent with the long-run public interest….

Avista Response: Avista suggests that the Commission recognize that "least cost" should be balanced with "appropriate risk" as the Staff notes in other portions of its guidelines. This would necessitate a change in the above language.

Issue 11b: *Should incremental gas transportation and electric transmission capacity needs be modeled at both rolled-in embedded cost and incremental cost, allowing for the comparison of both cost options in the IRP?*

Avista Response: The Staff states, "Neither rolled-in nor incremental cost should be the focus for modeling gas transportation and electric transmission capacity needs. Rather, modeling should focus on marginal cost – the cost of providing the next unit of service (megawatt or Dekatherm, for example). This helps ensure that all resources, current and proposed, are treated comparably." Avista suggests that "incremental cost" and "marginal cost" be defined. By some standards, these terms are used interchangeably with the same meaning. Further, when additional gas transportation is required from an interstate pipeline, the cost of the transportation is incrementally priced under FERC quidelines. This incremental cost should be assigned to the jurisdiction that has the requirement for the additional transportation.