

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 44

In the Matter of)	
)	ORDER
AVISTA CORPORATION, dba AVISTA)	
UTILITIES)	
)	
2007 Integrated Resource Plan.)	

**DISPOSITION: PLAN ACKNOWLEDGED WITH REQUIREMENTS
FOR THE NEXT PLANNING CYCLE**

Introduction

Avista Corporation, dba Avista Utilities (Avista or Company) provides natural gas service to the public in Oregon, making it a public utility under ORS 757.005. In 1989, pursuant to its authority under ORS 756.515, the Public Utility Commission of Oregon (Commission) issued Order No. 89-507 adopting least-cost planning for all energy utilities in Oregon. In 2007, the Commission refined its planning guidelines in Order Nos. 07-002 and 07-047. On December 28, 2007, Avista filed its 2007 Integrated Resource Plan (IRP or Plan) in accordance with these most current requirements. In this docket, Avista seeks acknowledgment of its Plan as submitted.

We acknowledge the Plan, subject to the Commission Staff’s modification identifying certain substantive requirements for Avista’s next planning cycle.

Requirements for Integrated Resource Planning

The Commission requires regulated energy utilities to prepare integrated resource plans within two years of acknowledgment of the last Plan. Utilities must involve the Commission and the public in their planning process and prior to resource decision-making. Substantively, the Commission requires that energy utilities: (1) evaluate resources on a consistent and comparable basis; (2) consider risk and uncertainty; (3) make the primary goal of the process selecting a portfolio of resources with the best combination of expected costs and associated risks and uncertainties for the utility and its customers; and (4) create a plan that is consistent with the long-run public interest as expressed in Oregon and federal energy policies. See Order No. 07-002.

The Commission “acknowledges” resource plans that satisfy the procedural and substantive requirements and that seem reasonable at the time acknowledgment is given.

Overview of Avista's 2007 IRP

Avista's 2007 IRP describes the components of the Company's planning process. The Plan includes forecasts of future customer demand and identification of resource needs over the 20-year planning period; assessments of demand-side and supply-side resource options and distribution system enhancements; consideration of planning risks and uncertainties; analysis and selection of resource options for meeting future needs; and identification of actions to be accomplished over 2008 and 2009 to carry out Avista's resource strategy and to complete additional planning activities. A summary of the Plan is provided below:

- Demand Forecast. Avista's demand forecasts were produced using the Company's SENDOUT[®] resource optimization model. Daily demand forecasts were developed for residential, commercial, and firm industrial customers (core market) in five demand areas in Avista's South Operating Division (Oregon) and North Operating Division (Washington and Idaho). The Company evaluated three scenarios that combined low, medium, and high customer growth with low, medium, and high natural gas prices to represent a wide range of future end-states: Expected Case, Low Demand Case, and High Demand Case. Avista chose the base demand/mid-price Expected Case as the most likely for its planning activities. For the Expected Case, Avista projects average core market demand will grow at an annual average rate of 2.0 percent over the 20-year planning horizon. Peak day core market demand for the Expected Case is projected to grow at an annual rate of 2.1 percent over the period.
- Demand-Side Resources. Avista updated its 2006 comprehensive assessment of demand-side resource potential in its North and South Operating Divisions for the 2007 IRP. A total of 43 residential and 47 non-residential energy efficiency measures were evaluated in the Plan. The assessment included such gas efficiency measures as insulation, high efficiency furnaces, water heaters, clothes washers and dryers, and commercial cooking equipment. Avista separately forecasted potential savings from non-residential custom measures acquired through the Company's site-specific program.
- Supply-Side Resources. Supply-side options available to gas utilities include flowing gas supplies through interstate pipelines, storage, and recallable supply arrangements. Avista's flowing gas supplies originate in the Canadian provinces of British Columbia and Alberta and in the U.S. Rocky Mountain area. The Company's supplies include annual contracts, firm winter peaking contracts, and spot gas. Avista contracts with Northwest Pipeline Corporation (NWP) and Gas Transmission Northwest (GTN) for interstate pipeline transportation into the Company's service areas in Washington, Idaho, and Oregon.

The Company is one-third owner in the underground Jackson Prairie storage project for the benefit of its core customers in all three states. Avista has also recently contracted for service in the Mist underground storage project for its Oregon customers. The Company releases excess pipeline and storage capacity into the secondary market when the capacity is not fully utilized. Avista has a peaking agreement with an industrial facility for 20 days of deliveries in the Medford area. The IRP evaluated a variety of resource alternatives to meet additional capacity needs over the planning horizon including purchase and operation of the NWP Klamath Falls lateral as a high-pressure distribution system; construction of a high-pressure distribution reinforcement from the GTN system off of the Medford lateral; reinforcement of the La Grande system with high-pressure distribution looping; backhaul of supply purchases in Malin, OR on the GTN system to Medford and Klamath Falls; recall of existing storage releases; acquisition of additional Jackson Prairie storage; acquisition of Northern California storage; construction of satellite liquefied natural gas (LNG) storage; acquisition of existing and development of new pipeline capacity; and acquisition of LNG from a potential large-scale facility such as the Coos Bay and Bradwood Landing LNG projects.

- Integration Strategies. Avista's IRP projects the need to acquire additional capacity resources in Oregon beginning in 2011-2012 and in Washington and Idaho beginning in 2013-2014 based on expected load growth. The deficits were determined after reducing forecasted demand by the cost-effective demand-side resources identified in the Plan over the 20-year planning period. The Plan anticipates acquiring Oregon demand-side management (DSM) program savings of 350,000 therms in 2008, reduced to 300,000 therms in 2009 after completion of one of Avista's commercial programs in 2008. Avista's SENDOUT[®] model selected an optimal supply portfolio for Oregon that includes purchase of the Klamath Falls lateral in 2011; recall of released capacity in 2012; distribution enhancements in the Medford/Roseburg and La Grande areas in 2013; and GTN expansions of the Medford lateral in 2013 and 2026.
- Two-Year Action Plan. Avista's 2008-2009 Action Plan describes the near-term actions the Company will take to implement its optimal resource strategy and to support and improve IRP planning. On the supply side, Avista will monitor demand trends and reassess the necessary operational steps and timing to acquire the Klamath Falls Lateral; commission a pipeline expansion study from GTN related to the Medford lateral; refine analysis of satellite LNG, company-owned LNG, pipeline expansions, distribution system enhancements, and storage facility diversification; continue to assess methods for

capturing additional value from existing storage assets; and monitor issues identified in the IRP such as tight production/productive capacity, diminishing Canadian gas exports, large scale LNG activity, pipeline constraints, expansions and cost escalations. On the demand side, the Company commits to acquire all natural gas efficiency resources available through cost-effective utility programs. Avista will target DSM program savings in Oregon of 350,000 therms in 2008 and 300,000 therms in 2009. Avista will also investigate potential applicability of electric demand-response technology that may be expanded to incorporate natural gas demand-response. In the forecasting and modeling areas, Avista will reevaluate the Company's current peak day weather standard; study additional refinements to modeling demand by region; and further integrate the VectorGas™ module in SENDOUT® optimization modeling to strengthen the analysis of demand impacts under varying weather and price scenarios. The Company will also continue to meet regularly with Commission staff to provide information on market activities, significant revisions to risk management programs, and status of IRP and gas procurement activities.

Comments of the Parties

Avista solicited initial comments from parties through its Technical Advisory Committee meetings prior to distributing a draft 2007 IRP for external review on September 6, 2007. Oregon Commission staff (staff) provided comments on Avista's draft Plan on November 6, 2007. On December 28, 2007, the Commission received the final IRP. Staff distributed its draft recommendation and a draft proposed order on the Plan to the Company and interested parties on April 1, 2008. Avista submitted reply comments to staff's draft recommendation/order in a letter dated April 16, 2008. No other comments or recommendations on the Plan or on staff's recommendation were received from Oregon parties or customers.

Staff Comments. Based on its review of Avista's 2007 IRP and participation in the planning process, staff determined that the Plan meets the Commission's guidelines in Orders No. 07-002 and 07-047. Procedural requirements were met as described above. Substantive IRP requirements were addressed throughout the Plan and summarized in Appendix A to the Plan. Staff agrees that Avista's IRP meets the Commission's substantive IRP requirements. Staff also concluded the demand-side and supply-side resources identified to fill the deficiencies expected in Avista's Oregon service territory beginning in 2011/2012 (Klamath Falls) and 2013/2014 (Medford and La Grande) are appropriate. Staff recommends the Commission acknowledge the 2007 IRP and action Plan, subject to the addition of the

following action item intended to better address the Commission's requirements under Guideline 4g¹ in Avista's next planning cycle:

For its next IRP, Avista will analyze (using SENDOUT[®] and VectorGas[™]) realistic alternative world situations in which the company may have to operate during the next 20 years, particularly in light of current, new and proposed state, federal and Canadian energy policies and the ongoing evolution of North American and world natural gas, oil and coal markets.

Avista Reply Comments. By letter dated April 16, 2008, Avista accepted the modification to the IRP action Plan recommended by staff.

Commission Disposition

Avista is a public utility subject to the jurisdiction of the Commission. Commission staff recommends that its 2007 IRP, as modified in this order, be acknowledged. After review of Avista's IRP and consideration of staff's comments, understanding that no other party provided comments on the Plan, we agree with staff's recommendations. Avista's 2007 IRP reasonably adheres to the principles of integrated resource planning set forth in Order Nos. 07-002 and 07-047. Consequently, we acknowledge Avista's 2007 IRP, as modified by staff's language requiring Avista to include additional analysis of alternative planning futures in future IRPs.

Effect of the IRP on Future Rate-making Actions

Order No. 89-507 sets forth the Commission's role in reviewing and acknowledging a utility's least-cost plan as follows:

The establishment of least-cost planning in Oregon is not intended to alter the basic roles of the Commission and the utility in the regulatory process. The Commission does not intend to usurp the role of utility decision-maker. Utility management will retain full responsibility for making decisions and for accepting the consequences of the decisions. Thus, the utilities will retain their autonomy while having the benefit of the information and opinion contributed by the public and the Commission[.] Acknowledgment of a plan means only that the plan seems reasonable to the Commission at the time the acknowledgment is given. As is noted elsewhere in this order, favorable rate-making treatment is not guaranteed by acknowledgment of a plan.

¹ From Order No. 07-002, Guideline 4g: "Identification of key assumptions about the future (e.g., fuel prices and environmental compliance costs) and alternative scenarios considered."

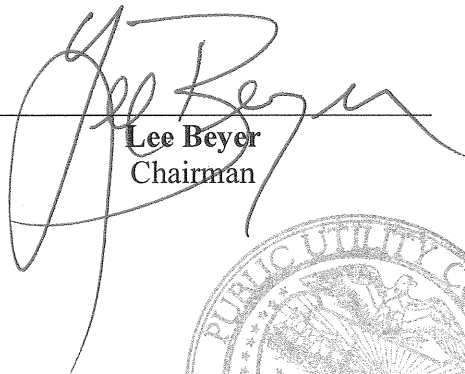
See Order No. 89-507 at 6 and 11. The Commission affirmed these principles in docket UM 1056.²

This order does not constitute a determination on the rate-making treatment of any resource acquisitions or other expenditures undertaken pursuant to Avista's 2007 IRP. As a legal matter, the Commission must reserve judgment on all rate-making issues. Notwithstanding these legal requirements, we consider the integrated resource planning process to complement the rate-making process. In rate-making proceedings in which the reasonableness of resource acquisitions is considered, the Commission will give considerable weight to utility actions which are consistent with acknowledged IRPs. Utilities will also be expected to explain actions they take that may be inconsistent with Commission-acknowledged plans.

ORDER

IT IS ORDERED that the 2007 Natural Gas Integrated Resource Plan filed by Avista Corporation, dba Avista Utilities, on December 28, 2007, is acknowledged in accordance with the terms of this order and Order No. 07-002 as corrected by Order No. 07-047.

Made, entered, and effective JUN 02 2008.



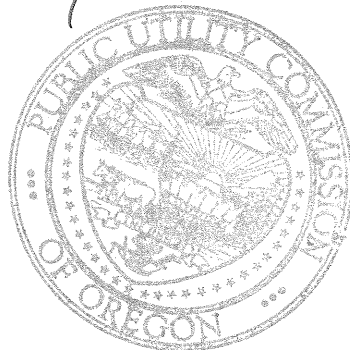
Lee Beyer
Chairman



John Savage
Commissioner



Ray Baum
Commissioner



A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

² See Order No. 07-002 at 24.

LC 44 Recommendation
May 1, 2008
Page 2

the Commission requires energy utilities to evaluate all resources on a consistent and comparable basis; consider risk and uncertainty; make the primary goal of the process selecting a portfolio of resources with the best combination of expected costs and associated risks and uncertainties for the utility and its customers; and create a plan that is consistent with the long-run public interest as expressed in Oregon and federal energy policies. The Commission “acknowledges” resource plans that satisfy the procedural and substantive requirements and that seem reasonable at the time acknowledgment is given.

Avista’s plan was developed during a public process that included four Technical Advisory Committee (TAC) meetings with Commission staff and other stakeholders. The company distributed a draft 2007 IRP for review and comment on September 6, 2007. Staff provided its comments to Avista on the draft plan on November 6, 2007. Staff distributed its draft recommendation and a draft proposed order on the final plan to the company and interested parties on April 1, 2008. Avista filed reply comments to staff’s draft recommendation/order in a letter dated April 16, 2008.

A summary of the components of Avista’s 2007 IRP is included in the attached proposed order. Appendix 6.11 of the plan provides an eight-page summary of how Avista’s IRP meets each of the applicable provisions of the Commission’s updated IRP guidelines.

Staff Review and Recommendation

Staff believes Avista’s 2007 IRP meets the Commission’s substantive and procedural guidelines in Order Nos. 07-002 and 07-047. We also believe the demand-side and supply-side resources identified to fill the deficiencies expected in Avista’s Oregon service territory beginning in 2011/2012 (Klamath Falls) and 2013/2014 (Medford and La Grande) are appropriate. The company shared its observations regarding future loads and resource needs, supply-side and demand-side resource options, SENDOUT[®] optimization model assumptions and results, and Avista’s conclusions about those results with staff and other members of its TAC during the well-attended and collaborative public process. The IRP provides ample detail of the analysis the company undertook in reaching its conclusions. Staff agrees with the company’s proposal to monitor timelines and milestones, provide status and progress reporting, assess risk on an ongoing basis, and continue consideration of alternative actions with regard to the selection of resources. As the company notes in its IRP, it “has sufficient time to carefully plan and take action on resource additions.” However, although the current actions identified in this plan address the projected shortfalls reasonably, staff believes additional analysis of alternative options is needed in its next plan to respond to the question of “what if the world as Avista has described it is different?” For

LC 44 Recommendation
May 1, 2008
Page 3

example, what if new Oregon and federal energy policies either restrict or improve the availability and pricing of natural gas from foreign or domestic sources? Although SENDOUT[®] and its companion VectorGas[™] were both employed in this IRP and the company carefully modeled price sensitivities, only one portfolio emerged that Avista indicates represents the best combination of cost and risk for the utility and its customers. Staff believes that SENDOUT[®] and VectorGas[™] should be used to provide results for more “what if” questions and that providing these additional results is an important action item for the next planning cycle. This analysis will enable Avista’s future resource planning to better meet the Commission’s Guideline 4g: “Identification of key assumptions about the future (e.g., fuel prices and environmental compliance costs) and alternative scenarios considered.” Staff recommends the Commission acknowledge the 2007 IRP and action plan with this added action item:

“For its next IRP, Avista will analyze (using SENDOUT[®] and VectorGas[™]) realistic alternative world situations in which the company may have to operate during the next 20 years, particularly in light of current, new and proposed state, federal and Canadian energy policies and the ongoing evolution of North American and world natural gas, oil and coal markets.”

Avista’s Response to Staff’s Recommendation

By letter dated April 16, 2008, Avista stated, “The Company, in its 2007 IRP, agrees to include in the 2008-2009 Action Plan the analysis (including SENDOUT[®] and VectorGas[™]) of realistic alternative world situations in which Avista may have to operate during the next 20 years with the stated issues and policies in mind.”

PROPOSED COMMISSION MOTION:

Avista’s 2007 Integrated Resource Plan be acknowledged, subject to staff’s recommended modification.

Attachment

LC 44 Recommendations.doc

ORDER NO.

ENTERED

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 44

In the Matter of)	
)	PROPOSED ORDER
AVISTA UTILITIES)	
)	
2007 Integrated Resource Plan.		

DISPOSITION: PLAN ACKNOWLEDGED WITH MODIFICATION

INTRODUCTION

On December 28, 2007, Avista Utilities (Avista or the company) filed its 2007 Natural Gas Integrated Resource Plan (IRP or plan).

Jurisdiction

On April 20, 1989, pursuant to its authority under ORS 756.515, the Public Utility Commission of Oregon (Commission) issued Order No. 89-507 in Docket UM 180 adopting least-cost planning for all energy utilities in Oregon. On January 8, 2007, the Commission updated its resource planning guidelines in Order No. 07-002 (Docket UM 1056). This order was corrected in Order No. 07-047, entered February 9, 2007. Avista is a public utility in Oregon, as defined by ORS 757.005, providing natural gas service to or for the public. Avista filed its 2007 IRP in accordance with the Commission's integrated resource planning requirements adopted in Order Nos. 07-002 and 07-047.

Requirements for Integrated Resource Planning

The Commission requires regulated energy utilities to prepare integrated resource plans within two years of acknowledgment of the last plan. Utilities must involve the Commission and the public in their planning process and prior to resource decision-making. Substantively, the Commission requires that energy utilities: (1) evaluate resources on a consistent and comparable basis; (2) consider risk and uncertainty; (3) make the primary goal of the process selecting a portfolio of resources with the best

combination of expected costs and associated risks and uncertainties for the utility and its customers; and (4) create a plan that is consistent with the long-run public interest as expressed in Oregon and federal energy policies. *See* Order No. 07-002.

The Commission “acknowledges” resource plans that satisfy the procedural and substantive requirements and that seem reasonable at the time acknowledgment is given.

OVERVIEW OF AVISTA’S INTEGRATED RESOURCE PLAN

Avista’s 2007 IRP describes the components of the company’s planning process. The plan includes forecasts of future customer demand and identification of resource needs over the 20-year planning period; assessments of demand-side and supply-side resource options and distribution system enhancements; consideration of planning risks and uncertainties; analysis and selection of resource options for meeting future needs; and identification of actions to be accomplished over 2008 and 2009 to carry out Avista’s resource strategy and to complete additional planning activities. A summary of the plan is provided below:

- Demand Forecast. Avista’s demand forecasts were produced using the company’s SENDOUT[®] resource optimization model. Daily demand forecasts were developed for residential, commercial, and firm industrial customers (core market) in five demand areas in Avista’s South Operating Division (Oregon) and North Operating Division (Washington and Idaho). The company evaluated three scenarios that combined low, medium, and high customer growth with low, medium, and high natural gas prices to represent a wide range of future end-states: Expected Case, Low Demand Case, and High Demand Case. Avista chose the base demand/mid-price Expected Case as the most likely for its planning activities. For the Expected Case, Avista projects average core market demand will grow at an annual average rate of 2.0 percent over the 20-year planning horizon. Peak day core market demand for the Expected Case is projected to grow at an annual rate of 2.1 percent over the period.
- Demand-Side Resources. Avista updated its 2006 comprehensive assessment of demand-side resource potential in its North and South Operating Divisions for the 2007 IRP. A total of 43 residential and 47 non-residential energy efficiency measures were evaluated in the plan. The assessment included such gas efficiency measures as insulation, high efficiency furnaces, water heaters, clothes washers and dryers, and commercial cooking equipment. Avista separately forecasted potential savings from non-residential custom measures acquired through the company’s site-specific program.
- Supply-Side Resources. Supply-side options available to gas utilities include flowing gas supplies through interstate pipelines, storage, and recallable supply arrangements. Avista’s flowing gas supplies originate in the Canadian provinces of British Columbia and Alberta and in the U.S. Rocky Mountain area. The company’s supplies include annual contracts, firm winter peaking contracts, and

spot gas. Avista contracts with Northwest Pipeline Corporation (NWP) and Gas Transmission Northwest (GTN) for interstate pipeline transportation into the company's service areas in Washington, Idaho, and Oregon. The company is one-third owner in the underground Jackson Prairie storage project for the benefit of its core customers in all three states. Avista has also recently contracted for service in the Mist underground storage project for its Oregon customers. The company releases excess pipeline and storage capacity into the secondary market when the capacity is not fully utilized. Avista has a peaking agreement with an industrial facility for 20 days of deliveries in the Medford area. The IRP evaluated a variety of resource alternatives to meet additional capacity needs over the planning horizon including purchase and operation of the NWP Klamath Falls lateral as a high-pressure distribution system; construction of a high-pressure distribution reinforcement from the GTN system off of the Medford lateral; reinforcement of the La Grande system with high-pressure distribution looping; backhaul of supply purchases in Malin, OR on the GTN system to Medford and Klamath Falls; recall of existing storage releases; acquisition of additional Jackson Prairie storage; acquisition of Northern California storage; construction of satellite liquefied natural gas (LNG) storage; acquisition of existing and development of new pipeline capacity; and acquisition of LNG from a potential large-scale facility such as the Coos Bay and Bradwood Landing LNG projects.

- Integration Strategies. Avista's IRP projects the need to acquire additional capacity resources in Oregon beginning in 2011-2012 and in Washington and Idaho beginning in 2013-2014 based on expected load growth. The deficits were determined after reducing forecasted demand by the cost-effective demand-side resources identified in the plan over the 20-year planning period. The plan anticipates acquiring Oregon DSM program savings of 350,000 therms in 2008, reduced to 300,000 therms in 2009 after completion of one of Avista's commercial programs in 2008. Avista's SENDOUT[®] model selected an optimal supply portfolio for Oregon that includes purchase of the Klamath Falls lateral in 2011; recall of released capacity in 2012; distribution enhancements in the Medford/Roseburg and La Grande areas in 2013; and GTN expansions of the Medford lateral in 2013 and 2026.
- Two-Year Action Plan. Avista's 2008-2009 Action Plan describes the near-term actions the company will take to implement its optimal resource strategy and to support and improve IRP planning. On the supply side, Avista will monitor demand trends and reassess the necessary operational steps and timing to acquire the Klamath Falls Lateral; commission a pipeline expansion study from GTN related to the Medford lateral; refine analysis of satellite LNG, company-owned LNG, pipeline expansions, distribution system enhancements, and storage facility diversification; continue to assess methods for capturing additional value from existing storage assets; and monitor issues identified in the IRP such as tight production/productive capacity, diminishing Canadian gas exports, large scale LNG activity, pipeline constraints, expansions and cost escalations. On the demand side, the company commits to acquire all natural gas efficiency resources

available through cost-effective utility programs. Avista will target program savings in Oregon of 350,000 therms in 2008 and 300,000 therms in 2009. Avista will also investigate potential applicability of electric demand-response technology that may be expanded to incorporate natural gas demand-response. In the forecasting and modeling areas, Avista will reevaluate the company's current peak day weather standard; study additional refinements to modeling demand by region; and further integrate the VectorGas™ module in SENDOUT® optimization modeling to strengthen the analysis of demand impacts under varying weather and price scenarios. The company will also continue to meet regularly with Commission staff to provide information on market activities, significant revisions to risk management programs, and status of IRP and gas procurement activities.

Comments of the Parties

Avista solicited initial comments from parties through its Technical Advisory Committee (TAC) meetings prior to distributing a draft 2007 IRP for external review on September 6, 2007. Oregon Commission staff (staff) provided comments on Avista's draft plan on November 6, 2007. On December 28, 2007, the Commission received the final IRP. Staff distributed its draft recommendation and a draft proposed order on the plan to the company and interested parties on April 1, 2008. Avista filed reply comments to staff's draft recommendation/order in a letter dated April 16, 2008. No other comments or recommendations on the plan or on staff's recommendation were received from Oregon parties or customers.

Staff Comments. Based on its review of Avista's 2007 IRP and participation in the planning process, staff determined that the plan meets the Commission's guidelines in Order Nos. 07-002 and 07-047. Procedural requirements were met as described above. Substantive IRP requirements were addressed throughout the plan and summarized in an appendix to the plan. Staff agrees that Avista's IRP meets the Commission's substantive IRP requirements. Staff also concluded the demand-side and supply-side resources identified to fill the deficiencies expected in Avista's Oregon service territory beginning in 2011/2012 (Klamath Falls) and 2013/2014 (Medford and La Grande) are appropriate. Staff recommends the Commission acknowledge the 2007 IRP and action plan, subject to the addition of the following action item intended to better address the Commission's Guideline 4g¹ in Avista's next planning cycle:

For its next IRP, Avista will analyze (using SENDOUT® and VectorGas™) realistic alternative world situations in which the company may have to operate during the next 20 years, particularly in light of current, new and proposed state, federal and Canadian energy policies and the ongoing evolution of North American and world natural gas, oil and coal markets.

¹ Guideline 4g: "Identification of key assumptions about the future (e.g., fuel prices and environmental compliance costs) and alternative scenarios considered."

Avista Reply Comments. By letter dated April 16, 2008, Avista accepted the modification to the IRP action plan recommended by staff.

OPINION

After review of Avista's IRP and consideration of staff's comments, understanding that no other party provided comments on the plan, we agree with staff's recommendations. Consequently, we acknowledge Avista's 2007 IRP, as modified by staff's language requiring Avista to include additional analysis of alternative planning futures in its next IRP.

EFFECT OF THE PLAN ON FUTURE RATE-MAKING ACTIONS

Order No. 89-507 sets forth the Commission's role in reviewing and acknowledging a utility's least-cost plan as follows:

Consistency of resource investments with least-cost planning principles will be an additional factor that the Commission will consider in judging prudence. When a plan is acknowledged by the Commission, it will become a working document for use by the utility, the Commission, and any other interested party in a rate case or other proceeding before the Commission[.] Consistency with the plan may be evidence in support of favorable rate-making treatment of the action, although it is not a guarantee of favorable treatment. Similarly, inconsistency with the plan will not necessarily lead to unfavorable rate-making treatment, although the utility will need to explain and justify why it took an action inconsistent with the plan.

Order No. 89-507 at 7.

The Commission affirmed this principle in Docket UM 1056. *See* Order No. 07-002 at 24.

This order does not constitute a determination on the rate-making treatment of any resource acquisitions or other expenditures undertaken pursuant to Avista's 2007 IRP. As a legal matter, the Commission must reserve judgment on all rate-making issues. Notwithstanding these legal requirements, we consider the integrated resource planning process to complement the rate-making process. In rate-making proceedings in which the reasonableness of resource acquisitions is considered, the Commission will give considerable weight to utility actions which are consistent with acknowledged integrated resource plans. Utilities will also be expected to explain actions they take that may be inconsistent with Commission-acknowledged plans.

CONCLUSIONS

- 1. Avista is a public utility subject to the jurisdiction of the Commission.
- 2. Avista's 2007 Integrated Resource Plan, as modified in this order, reasonably adheres to the principles of integrated resource planning set forth in Order Nos. 07-002 and 07-047 and should be acknowledged.

ORDER

IT IS ORDERED that the 2007 Natural Gas Integrated Resource Plan filed by Avista Utilities on December 28, 2007, as modified herein, is acknowledged in accordance with the terms of this order and Order No. 07-002 as corrected by Order No. 07-047.

Made, entered, and effective _____.

Lee Beyer
Chairman

John Savage
Commissioner

Ray Baum
Commissioner