

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE FILING BY)
AVISTA CORPORATION DBA AVISTA) **CASE NO. AVU-E-07-08**
UTILITIES OF ITS 2007 INTEGRATED)
RESOURCE PLAN (IRP)) **ACCEPTANCE OF FILING**
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On August 30, 2007, Avista Corporation dba Avista Utilities (“Avista”) filed its 2007 Integrated Resource Plan (IRP) with the Commission pursuant to the biennial filing requirement mandated in Order No. 22299, as modified in Order No. 30262.

On November 21, 2007, the Commission issued a Notice of Filing, Notice of Modified Procedure and Notice of Comment Deadline and solicited comments on the IRP. Subsequently, the Commission Staff was the only party to file comments within the established comment period.

AVISTA’S 2007 INTEGRATED RESOURCE PLAN

Avista’s IRP contains the Company’s 2007 Action Plan and its assessment of its progress toward implementing its 2005 Action Plan. The 2007 Action Plan contains activities and studies to be developed and studied in the Company’s 2009 IRP. It is divided into four main areas: Renewable energy and emissions, modeling enhancements, transmission modeling and research and conservation.

The Company’s 2007 IRP includes the following highlights:

- The Company has elected to forego future “coal-fired generation due to changing economics and recent legislation effectively barring its use” in the State of Washington. IRP, *Executive Summary*, at i. Fixed-price natural gas resources will replace coal-based resources.
- The Company included carbon emissions in its “Base Case” cost estimates for the first time in its 2007 IRP. *Id.* at viii. The Company claims that it has one of the “smallest carbon footprints” out of the nation’s “top 100 producers of energy resources.” *Id.*
- The Company estimates system-wide annual energy deficits beginning in 2011, “with loads exceeding resource capabilities by 83 aMW” and rising to 272 aMW in 2017 and to 513 aMW in 2027.” *Id.*

- The energy resource deficits are attributable to an estimated 2.3 percent energy and capacity load growth through 2017 and the expiration of “certain long-term [supply] contracts.” *Id.*
- “Conservation acquisition is forecast to rise approximately 25 percent” over the Company’s 2005 IRP “and by more than 85 percent from the 2003 IRP.” *Id.* at v.
- “A Western Interconnect-wide study was performed to understand the impact of regional markets” on Avista. *Id.* at ii. The Company submitted the data compiled from the various regional markets to a “monte-carlo style analysis” and “the results were used to estimate the Mid-Columbia electricity market.” *Id.*
- The Company’s Preferred Resource Strategy (PRS) includes the addition of 350 MW of CCCT (Combined Cycle Combustion Turbine); 300 MW of wind; 35 MW of other renewable resources; and 87 MW of conservation between 2007 and 2017. *Id.*, Table 2, at vi. Beginning in 2010, Avista plans to secure the output from the Lancaster Generation Facility, a 245 MW gas-fired, combined-cycle combustion turbine with an additional 30 MW of duct firing capability.

COMMENTS

Staff Comments:

Staff acknowledged the relatively constrained resource-planning environment in which Avista and other electric utilities currently find themselves. Carbon emission and renewable portfolio statutes in the surrounding States of Washington, Oregon and California have served to limit Avista’s resource planning options. While the State of Idaho has yet to enact carbon emission or renewable portfolio standards, multi-jurisdictional utilities like Avista find it impracticable to implement new resource generation projects exclusively to serve Idaho resource loads.

Staff also notes that each of the traditional options available for new resource generation poses unique problems. Gas-fired generation exposes the Company and its customers to the risk of fuel price volatility. As mentioned earlier, coal-fired generation is being phased out as a resource option due to evolving carbon emission standards. Integrated Gasification Combined-Cycle (IGCC) offers some promise, but it is evident that the technology must be further developed before it can be considered a serious near-term alternative.

As a result, Staff strongly urged Avista to develop new and innovative methods to counteract the price volatility normally associated with gas-fired generation, particularly as it becomes a more dominant resource in its portfolio. Staff believes that it is imperative that the Company take full advantage of any opportunity to minimize its anticipated load growth by maximizing the use of cost-effective demand-side management (DSM) programs, fully exploiting renewable generation options and closely monitoring future advances in fossil-fuel generation technology. Additionally, Staff opines that electric utilities should dutifully consider the potential for integrating nuclear energy into their long-term resource planning. Staff expressed confidence in the Company's ability to forestall its anticipated resource deficit from 2011 to approximately 2014 through the addition of the Lancaster gas-fired, combined-cycle plant to its portfolio, acquiring additional renewable resources and by increasing the output of its DSM programs.

In summary, Staff believes that Avista has met the Commission's requirements with regard to its 2007 IRP filing and feels that the 2007 Action Plan will allow the Company to meet its future load obligations in a cost-effective manner. Staff also noted that Avista has "done a good job in assessing its load-resource conditions, incorporating demand-side management, evaluating new resource alternatives, analyzing risk and in selecting a reasonable portfolio of new resources." Staff therefore recommended that the Commission accept and acknowledge Avista's 2007 Integrated Resource Plan.

COMMISSION FINDINGS

The Commission has reviewed the filings of record in Case No. AVU-E-07-08, including the Company's 2007 Integrated Resource Plan and Staff's comments. We find that the Company's IRP contains the required information and is in the appropriate format as directed by the Commission in Order No. 22299. The IRP, as we have noted in the past, is a utility planning document that incorporates many assumptions and projections at a specific point in time. It is the ongoing planning process that we acknowledge, not the conclusions or results. We commend the Company for its efforts in developing a plan with an opportunity for meaningful input from a variety of sources, including the public at large.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Avista Corporation dba Avista Utilities, an electric utility, pursuant to Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

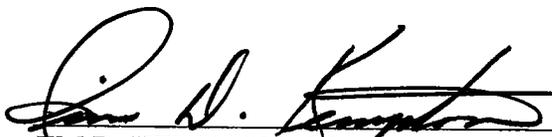
ACCEPTANCE OF FILING

Based upon our review, we find it reasonable to accept and acknowledge Avista's filed 2007 Electric Integrated Resource Plan. Our acceptance of the 2007 IRP should not be interpreted as an endorsement of any particular element of the plan, nor does it constitute approval of any resource acquisition contained in the plan.

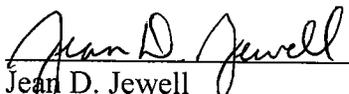
DATED at Boise, Idaho this 21st day of March 2008.


MACK A. REDFORD, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


JIM D. KEMPTON, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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