U-230161

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Ms. Kathy Hunter
Acting Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

RE: Docket U-230161 - Avista's Comments Regarding the Commission's Rulemaking Regarding Investor-Owned Utility Obligations Under the Climate Commitment Act

Dear Ms. Hunter:

Avista Corporation, dba Avista Utilities (Avista or the Company), submits the following comments in accordance with the Washington Utilities and Transportation Commission's (WUTC or the Commission) Notice of Opportunity to File Written Comments (Notice) issued in Docket U-230161 on October 23, 2023, regarding the Commission's rulemaking regarding investor-owned utility obligations under the Climate Commitment Act (CCA). Avista appreciates the Commission's continued focus on looking to provide guidance to utilities on the implementation of the CCA and its effects on utility customers and utilities.

CCA Risk Sharing Mechanism

It remains Avista's position that a risk-sharing mechanism is not necessary or warranted. Risk sharing is not required, nor called for in statute. Compliance with the CCA is mandated by state law as the Commission noted in Order 01 in Docket UG-230470, "CCA costs are imposed on the utility and are mandatory." Risk to the utilities is already built into the CCA through compliance risk and prudency risk. If a utility fails to meet their CCA compliance obligation, they will face a penalty paid for by their shareholders. If a utility does not pursue the lowest reasonable cost of compliance, there may be a prudency issue such that the Commission does not allow the utility to fully recover all CCA compliance costs. Those two risks "check" the risk sharing box in the Company's view.

If the Commission deems a risk-sharing mechanism necessary, and such a mechanism is allowable under its authority, it should offer more time before enacting such a mechanism to ensure the Commission, utility customers, and other stakeholders fully or at least significantly understand the impacts of this new law and can weigh in through a public process. Currently, there is no common understanding of what "compliance risk" means, what it entails, nor the extent to which it can even be managed when it involves many factors beyond a utility's control. Until a better understanding of what contributes to "compliance risk" is achieved, it is premature to discuss the elements of any risk-sharing mechanism. It is not fair to hold utilities accountable for compliance risks outside of their control when, as noted above, compliance with the CCA has been imposed on the utility and is mandatory, including penalties already prescribed in law for non-compliance.

1) **For a potential CCA risk sharing mechanism, what risks associated with the CCA are under utility control? Examples may include market risk, energy procurement, conservation levels, etc.**

Response: As noted above, Avista does not believe a CCA risk sharing mechanism for natural gas utilities is warranted. Notwithstanding that position, Avista provides the following for what is and what is not within the utility's control:

Within Utility's Control:

- CCA compliance strategy – how a utility determines it will comply with the CCA within an Integrated Resource Plan or CCA compliance plan.
- Allowance bid strategy – how a utility plans for and acquires allowances.
- Alternative compliance mechanisms – how a utility acquires conservation, alternative fuels, or other decarbonization measures to comply with CCA.

Beyond Utility's Control:

- Weather – variability in weather leads to swings in customer loads and resulting emissions.
- Allowance availability – depending on when the State of Washington links with other carbon markets, allowance availability may be an issue in the future.
- Market risk – utilities do not control what happens within the allowance auctions or secondary allowance markets. Prices so far have been very volatile, both at the auction and in the secondary markets. Further, Avista sees grave risk given Ecology's decision to move forward large allowance tranches in the Allowance Price Containment Reserve auction, attempting to lessen the compliance costs of CCA.
- Conservation – utilities must pursue all cost-effective conservation, which helps to lower emissions; however, the pursuit of conservation does not mean utilities will hit conservation targets as it is customers who ultimately decide to conserve or install energy efficiency measures.
- Regulatory Risk – presently many issues affecting the ultimate cost of CCA compliance are not known. For example, potential linkage with California and the associated regulatory changes necessary to enable such linkage.

2) **How should a potential CCA risk sharing mechanism be structured?**

Response: As noted above, Avista does not believe a CCA risk sharing mechanism is warranted given existing potential non-compliance penalties and prudency review risk, and therefore does not have suggestion at this time for how such a third mechanism should be structured.

3) **What should the Commission consider when assessing utility actions for prudency as they relate to the CCA?**

Response: Regarding prudency of CCA compliance, the Commission should first and foremost consider if the utility met its compliance obligation under the law. Once it is determined that a utility met its lawful compliance obligation, the Commission should consider if the utility followed its preferred resource strategy for complying with the CCA. If a utility took a different path to compliance than its preferred resource strategy, then the Commission should review the rationale for why the utility chose an alternative path. If compliance mechanisms were used beyond procuring allowances, such as alternative fuels, the Commission should review the utility's justification for the alternative fuels which it seeks cost recovery of, including if the alternative fuels procured were at the lowest reasonable cost.

4) **When should the risk sharing mechanism allow for prudency determination? Every auction, yearly, every four-year compliance period, or another frequency?**

Response: As noted above, Avista does not believe a further CCA risk sharing mechanism is warranted. Prudency reviews should be completed when a utility seeks to recover costs of CCA compliance and at the end of the four-year compliance period.

CCA Dispatch Cost Modeling

5) **Should the Commission require utilities to include GHG costs in their dispatch modeling?**

Response: No, for at least 2 reasons. First, it is important to remember that the driver of electric utility decarbonization is through the Clean Energy Transformation Act (CETA). Adding Greenhouse Gas (GHG) costs to dispatch will greatly lower surplus sales revenues and artificially accelerate the decommissioning of assets that would otherwise have significantly longer economic lives. As a result, Avista's customers in Washington would pay hundreds of millions more for their electricity if an interpretation that GHG costs should be included in dispatch modeling.

Second, Avista has resources with shared ownership by customers in Idaho. Adding GHG costs in dispatch where the only viable wholesale marketplace for liquidating surplus power is located in Washington at the Mid-C, greatly disadvantages those Idaho customers. As stated above, a GHG adder would lower surplus sales revenues and compromise the economic lives of our thermal fleet.

6) **What information is needed/readily available to effectively model GHG costs in dispatch, and what assumptions can be made to navigate any potential data limitations?**

Response: If required, Avista already has the information to account for GHG costs in dispatch. However, it is unclear how the Company would allocate the incremental costs to Washington customers due to the decision's impact to Idaho customers.

7) **What effect would the inclusion of GHG costs in dispatch modeling have on customers?**

Response: Avista Washington customer rates would be much higher, as much as $100 million dollars per year, due to reduced dispatch and market sales at these plants.

If you have any questions regarding these comments, please contact me at 509-495-2782 or shawn.bonfield@avistacorp.com.

Sincerely,

/s/ *Shawn Bonfield*

Shawn Bonfield
Sr. Manager of Regulatory Policy & Strategy