

**Exh. JDW-25
Dockets UE-240006/UG-240007
Witness: John D. Wilson**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

AVISTA CORPORATION,

Respondent.

**DOCKETS UE-240006 & UG-240007
(Consolidated)**

**EXHIBIT TO
CROSS-ANSWERING TESTIMONY OF
JOHN D. WILSON**

**ON BEHALF OF STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Avista's Response to Staff DR No. 227 Supplemental 2

August 16, 2024

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	WASHINGTON	DATE PREPARED:	08/05/2024
CASE NO.:	UE-240006 & UG-240007	WITNESS:	Clint Kalich/Scott Kinney
REQUESTER:	UTC Staff	RESPONDER:	Clint Kalich
TYPE:	Data Request	DEPT:	Energy Supply
REQUEST NO.:	Staff – 227 Supplemental 2	TELEPHONE:	(509) 495-4532
		EMAIL:	clint.kalich@avistacorp.com

SUBJECT: Power Supply and NPE

REQUEST:

Please provide a forecast of net power expenses for 2025 and 2026 reflecting the following positions or corrections to modeling input errors. The 2026 NPE forecast should include a rate-year specific dispatch, as described in Exh. BGM-1T at 40.

In the response, please include all exhibits and workpapers that have been updated, and provide a brief written summary of the update, including a breakout of the impact of each change made (or group of changes, where the changes operate in combination).

- a. Exclude the portfolio error adjustment proposed by Avista.
- b. Include Avista's forecast of carbon allowance prices as an input to all unit dispatch and power purchase decisions, without distinguishing between retail load and wholesale load.
- c. Include a credit for no-cost allowances equivalent to the compliance obligation associated with serving retail load as a post-model adjustment.
- d. The correct rate for BPA's open access transmission tariff. Exh. JDW-14, part (b).
- e. The updated rates for its natural gas transportation contracts. Exh. JDW-15.
- f. Correction to the Aurora error where the start fuel mMBTUs are underreported. Exh. JDW-16.
- g. The financial contract that was inadvertently omitted from Aurora. Exh. JDW-17
- h. Congestion and other WEIM charges omitted from NPE, considering the issues raised in both Wilson workpaper "WEIM calcs AWEC-DR-053 Att B" and Exh. BGM-1T at 54. Avista is requested to consult informally with Staff regarding discrepancies between these two exhibits to determine the appropriate adjustment to NPE to provide in response to this request.
- i. Revising the Aurora model input for the price of coal used for dispatch of Colstrip to reflect the annual marginal price of coal, as described in JDW-1CT at 39-40.
- j. Include a post-model adjustment to include the full contract cost of coal as dispatched by Aurora (i.e., adjusting for the difference between the contract price and the annual marginal price).
- k. Correction of the Lancaster PPA error, as described in JDW-1CT at 40-41.
- l. Correction of the Rattlesnake Flats Wind Project discrepancy between average annual historical generation and the modeled generation, as described in JDW-1CT at 41.
- m. Additional margin available due to utilization of 100 MW transmission linkage owned by Avista for market sales at COB, as described in Exh. BGM-1T at 45-46. Please perform the adjustment either as an appropriate change in Aurora model inputs or using Avista's best effort to provide a reasonable post-model input.

SUPPLEMENTAL RESPONSE 2 (subpart h): 08.05.2024

Avista used an emissions price for CCA allowances based in this case based on our Aurora model used in a 2023 Idaho rate proceeding. That value was calculated using an average of 2024 and 2025 allowances prices from Table 91 on page 194 of that report (\$70.58/tonne). An excerpt of that table from the report is below. In Avista’s last Idaho case Avista modeled allowance costs equal to our Idaho jurisdiction P/T ratio multiplied against this 2-year average emissions price. For our Washington filing this value was scaled back up and resulted in a slightly different value of \$71.15/tonne due to differences between the Idaho and WA-derived PT ratios.

Avista believes this price level is reasonable given that Ecology has substantially exhausted its APCR allowances by releasing them ahead of schedule to moderate the markets and linkage with California is unlikely through 2025 or longer. Recent market prices are lower but based on limited volumes. Recent auctions have lower prices, as well, but are biased lower in the Company’s view due to the pending citizen’s initiative to repeal the law and due to higher APCR releases by Ecology to moderate prices.

H.3 Central scenario (no frontloading of APCR allowances)

Table 91: Central scenario prices by year

Year	Allowance price (\$)	APCR1 trigger price (\$)	APCR2 trigger price (\$)	Price floor (\$)	Price ceiling (\$)
2023	67.93	45.37	58.31	19.41	71.23
2024	67.68	47.65	61.21	20.39	74.79
2025	73.47	50.03	64.28	21.40	78.54

See Staff-DR-227 Supplement 2 Attachment A for a copy of the Ecology report.

SUPPLEMENTAL RESPONSE (subpart h): 07.31.2024

After consultation with Staff witness Wilson, the Company is supplementing its response to subpart h. In reviewing the charge groups identified in JDW WP-1 revised, the Company finds that the use of charge groups is not detailed enough for classifying the various charge codes they summarize into categories of costs and revenues potentially incremental to costs and revenues modeled in Aurora. Furthermore, after reviewing all charge codes, we find that the net impact of including those charge codes not explicitly modeled in Aurora would equate to an increase in NPE of \$302,855 rather than a decrease in NPE of \$1.4 million shown in JDW WP-1 revised. After reviewing the Company’s itemized charge code list Mr. Wilson asked for further detail on five specific charge codes the Company addressed in its review, as follows:

2	Name	Additive to Aurora	Row La	20	20	20	Grand Total	In Aurora	Add	Notes
4	BA_YRLY_EP_PENALTY_ALLOC_BIL	0	1592				(2,854)	No	No	late fee, don't charge customers
19	BA_DAY_EIM_UIE_BIL	0	64750	(6,193,898)	(5,629,588)	(1,468,750)	(13,292,235)	No	No	uninstructed energy charge
25	BA_DAY_RTM_BCR_EIM_STLMT_BIL	0	66200	(1,104,873)	(481,301)	(9,830)	(1,596,004)	No	No	Bid Cost Recovery
27	BA_DAY_RTM_BCR_EIM_ALLOC_BIL	0	66780	1,211,005	651,387	61,122	1,923,514	No	No	Bid Cost Recovery Offset
30	BA_MTH_FORECAST_SERVICE_FEE_BIL	0	701	3,192	3,713	646	7,552	No	No	GMC type fee for EIM

See Staff-DR-227 Supplemental Attachment A

BA_YRLY_EP_PENALTY_ALLOC_BIL — Not In Aurora, Not Included in NPE

This item is a late fee charge and not expected to occur with any frequency. In fact, the Company has only incurred this penalty once, in April 2024. Given this charge is a penalty that was and should be avoided in the future, the Company does not believe this charge should be added to NPE.

BA_DAY_EIM_UIE_BIL — Already Modeled In Aurora

This charge code bills the Company for uninstructed energy. In other words, where we deviate from the EIM market instruction, we are charged the equivalent value for the energy we did not deliver or credited

for energy we oversupply. While a large credit in this instance, this charge should not be included in NPE. Just like with many complexities in our actual operations, the Aurora simplifies our system. In this case, Aurora has perfect foresight between markets, load, and resource operations. Therefore, the software does not emulate the concept of uninstructed energy.

This is best illustrated by an example of uninstructed energy and how Aurora represents it but in a simplified manner. In a specific 5-minute period EIM instructs the Company's Rathdrum CT to generate 75 MW and based on our bid curve showing our cost at 75 MW is \$50/MWh, our costs for variable O&M and fuel. Due to circumstances at the plant, it generates 50 MW for that period. EIM bills us for the 25 MW we did not manage to generate at the then-current market clearing price of \$51/MWh, or \$106.25 total (25 MW / 12 5-min periods per hour * \$51/MWh). While Avista incurs this cost, we also saved O&M and fuel expense of \$104.17 (25 MW / 12 5-min periods per hour * \$50/MWh) by generating 1/3 less energy. The net cost of this imbalance energy was \$2.08, not the \$106.25 billed by CAISO. Yet the CAISO charge code only considered the imbalance energy not delivered, not the offsetting cost reduction from not having to fuel and operate the plant at the higher level of cost.

In Aurora this example is simplified. Aurora "instructs" Rathdrum to generate 75 MW and it does not deviate from that schedule. No uninstructed energy is created or charged. No fuel or variable O&M costs are avoided. The model prices out the full fuel and variable O&M costs for 75 MW in its emulation. With this explanation, the company finds uninstructed imbalance energy is reflected in Aurora.

BA_DAY_RTM_BCR_EIM_STLMT_BIL

This "Bid Cost Recovery" charge is paired and offset by BA_DAY_RTM_BCR_EIM_ALLOC_BIL. Both charge codes reflect adjustments for circumstances where the market clearing price ultimately did not compensate the Company for all costs and benefits of plant operations. Together the two items, over the time we have participated in EIM participation, were a net cost to the Company and would increase NPE. Like imbalance energy, Aurora simplifies dispatch due to having perfect foresight and so resources are not "incorrectly" dispatched relative to market energy prices. While the Company might in the future consider this net cost in NPE, as it averaged about \$13,000 per month, we do not propose adding it to NPE in this case.

BA_DAY_RTM_BCR_EIM_ALLOC_BIL

See response to charge code BA_DAY_RTM_BCR_EIM_STLMT_BIL

BA_MTH_FORECAST_SERVICE_FEE_BIL

As an EIM fee to compensate CAISO for our share of their system forecasting costs (i.e., load, variable energy resources), it is not modeled in Aurora and would be an additive expense to increase NPE.

A spreadsheet modifying Mr. Wilson's JDW WP-1 revised is attached as Staff-DR-227 Supplemental Attachment A.

RESPONSE:

Please see Avista's **CONFIDENTIAL** response to data request Staff-DR-227C. Please note that Avista's response to Staff-DR-227C is **Confidential per WAC 480-07-160**.

While the Company does not support each requested item, the Company is providing the requested information where possible. Where the company supports a particular requested power supply change, it has so noted and will reflect within its proposed power supply adjustment on rebuttal. Generally, please refer to the file "DR-227 Comparison to Filed.xlsx" for comparisons of cost expressed in a format

equivalent to CGK-3. For consistency, **all values expressed below are system** and not adjusted downward by the P/T ratio. The impact of the totality of these changes is an increase in power supply expense of \$9.1 million system, or \$5.8 million system with full adoption only of Mr. Mullins' EIM recommendations.

- a) Please refer to Staff-DR-227C Confidential Attachment A - Exh. CGK 2-6 DR-227, specifically line 62 of sheet 'CGK-3'.
- b) Please refer to Staff-DR-227C Confidential Attachment A - Exh. CGK 2-6 DR-227, specifically sheet 'CGK-2' where you can see the decreased dispatch of the thermal units in lines 31, 35, 36, 39, 40, 41 and 42 of sheet 'CGK-3'. The delta for the CCA dispatch adder is \$73.3 million system *increase in NPE*. This increase *does not include* any allowance costs, only the cost to customers from reduced dispatch at our plants due to the economic hurdle created by including CCA in dispatch decisions. Avista receives no-cost allowances from Ecology to cover actual emissions.
- c) Ecology says they will reduce allowances grants commensurate with emission reductions to reflect forecast operations. If Avista's forecast includes a credit for these allowances, Avista would get fewer allowances and thereby have no offsets to sell to credit customers.
- d) Please refer to Staff-DR-227C Confidential Attachment A - Exh. CGK 2-6 DR-227, specifically lines 47 of workbook 'DR-227 Comparison to Filed.xlsx'. The impact is \$215,000 system *increase in NPE*. The Company supports this change.
- e) Please refer to Staff-DR-227C Confidential Attachment A - Exh. CGK 2-6 DR-227, specifically line 37 of workbook "DR-227 Comparison to Filed.xlsx". When Avista responded to Staff DR No. 183 Supplemental, we were under a temporary settlement with GTN that had much higher rates. Since then, the parties to the case have agreed to a settlement in principle awaiting approval by FERC. The updated natural gas transportation rates reflect the settlement value and equals a \$935,000 system *increase in NPE*. The Company supports this change.
- f) Please refer to Staff-DR-227C Confidential Attachment A - Exh. CGK 2-6 DR-227, specifically lines 35-36, 39, 41-42 of workbook "DR-227 Comparison to Filed.xlsx." This value is embedded in the other changes made. However, its incremental value was provided in response to Staff DR-175: \$365,000 system *increase in NPE*. The Company supports this change.
- g) Please refer to Staff-DR-227C Confidential Attachment A - Exh. CGK 2-6 DR-227 specifically line 61 of sheet 'CGK-3' as well as lines rows 278-289 of sheet 'Conf Aurora Portfolio Output' contained in the file "Staff-DR-227C Confidential Attachment A - Exh. CGK 2-6 DR-227.xlsx." As shown, the total value of this contract is \$450,000 system *decrease in NPE*. The Company supports this change.
- h) Staff did not, until late in the day on 7/19/2024, follow up with further details on the analysis it wished to be performed. On the 19th Avista was instructed by Staff witness Wilson to review certain data and include the component costs the Company would agree are not reflected in Aurora modeling at present. Given the complexity of reviewing the cost code data, this analysis still is being performed. In the interim, please refer to Staff-DR-227C Confidential Attachment A - Exh. CGK 2-6 DR-227, specifically cell E91 of "DR-227 Comparison to Filed.xlsx". It is the adjustment requested by AWEC witness Mullins. The value is \$3.0 million system *decrease in NPE*. We did not model this impact explicitly, and so it is additive to the total in line 76.
- i) Please refer to Staff-DR-227C Confidential Attachment A - Exh. CGK 2-6 DR-227, specifically line 31 of sheet 'CGK-3' and sheet 'Conf Colstrip Fuel Model'. Unfortunately, including CCA allowance costs in dispatch greatly overwhelms the impact of this scenario. To help illustrate the impact of this specific change, an earlier internal model run not retained by the Company showed the incremental value of this change alone to be an *increase in system power supply expense* of \$57,000. The Company supports this change.
- j) See i.
- k) The fired hour charge isn't applicable until a new contract starts in November 2026. Avista did not include this change, as it has no effect on the 2025 pro forma. This said, the fired hour charge under the new contract is \$0.84/MWh. Applied to the entire 2025 calendar year, this charge would *increase* power

supply expense by \$1.2 million [REDACTED]. The cost would be a \$1.5 million *increase* system to our filed case [REDACTED], as generation in that filing didn't include reductions in thermal dispatch due to CCA allowance costs.

- l) Please refer to Staff-DR-227C Confidential Attachment A - Exh. CGK 2-6 DR-227, specifically line 56 of 'CGK-2' and line 14 of 'DR-227 Comparison to Filed.xlsx'. Power supply expense doesn't directly change in line 14, but is reflected in higher generation which impacts market purchases and sales. Because of other changes to modeling we do not have an estimate of the individual impact of this change. The Company supports this change.
- m) Please refer to Staff-DR-227C Confidential Attachment A - Exh. CGK 2-6 DR-227, specifically cell E92 of workbook 'DR-227 Comparison to Filed.xlsx'. The value is the same as filed by Mr. Mullins, at \$260,000 and is a system *decrease in NPE*. We did not model this impact explicitly, and so it is additive to the total in line 76.

Please note, the summary of items individually identified, quantifiable and supported by the Company as noted above (items: d., e., f., g. and i.), net \$1.1 million incremental increase in NPE system expense, or Washington share of \$723,000. The Washington portion of the net increases in expense will be included in the Company's overall power supply update provided within its proposed power supply adjustment on rebuttal by Mr. Kalich.