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January 19, 2023

Amanda Maxwell  
Executive Director and Secretary  
Washington Utilities & Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

**Re: Docket No. UE-210804 – Comments of Avista Utilities**

Dear Ms. Maxwell,

Avista Corporation, dba Avista Utilities (Avista or the Company), submits the following comments in accordance with the Notice of Opportunity to File Written Comments (Notice) issued by the Washington Utilities and Transportation Commission (Commission) in Docket UE-210804 on November 28, 2022, regarding developing a Commission jurisdictional specific cost-effectiveness test for distributed energy resources (DERs) incorporating the Clean Energy Transformation Act (CETA).

The following are Avista's responses to the questions posed in the Notice:

1. Are changes to the current cost-effectiveness methods used by Washington investor-owned utilities and Commission standard practice necessary to ensure consistent evaluation of DERs? If yes, is a jurisdictional specific test necessary or is there another standard test that could be adopted that would appropriately evaluate DERs applying the Commission's policy goals?

**Response:** Changes to the current cost-effectiveness methods are not necessary to ensure consistent evaluation of DERs. The missing piece for comparing DERs to all other resources is the application of Non-Energy Impact (NEI) values for both utility scale resources and DERs. If there were NEI values available for all resource types, then the current method for determining cost-effectiveness would be sufficient.

This process of evaluating the need to a jurisdictional specific cost-effectiveness test for DERs appears to favor DERs, essentially giving them preferential treatment over other resources. Specifically, Principle 1 from page 2 the straw proposal states "DERs should therefore be

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compared with other energy resources, including other DERs, using consistent methods and assumptions to avoid bias across resource investment decisions.” Until all resources include the same metrics for NEIs discussed herein, the proposed methodology violates this principle.

Avista has concerns with how the straw proposal will be used, such that, if a site hosted DER is cost-effective, such as electric vehicles (EVs), how will the utility be required to respond? Previous guidance provided to the Company was very clear regarding energy efficiency and demand response requirements, but it is now unclear how this analysis will be treated for Distributed Generation (DG), Distributed Storage (DS), and EVs. Currently Washington state already offers incentives for these resources, thus why then should utility customers need to fund additional incentives? Additionally, if favorable by policy makers, why are incentives not increased beyond the legislatively determined amount?

### **Utility System Impacts** – Table 3 and 4 in the straw proposal

#### 2. General feedback on electric utility system impacts and gas utility system impacts.

**Response:** The tables generally outline the major categories of impacts but do not provide the reader with the level of importance for each. To date, utilities have analyzed the high value items to determine cost-effectiveness for resources. If utilities had indication of high values for other areas that are not previously quantified, these would have been added to the evaluation process either from technical advisory groups or on their own.

The information displayed in Table 4 pertaining to natural gas does not include storage requirements. While storage can be a substitution for transport capacity and help with market pricing risks, the level of storage could be impacted with extreme DER additions and should be accounted for in this table.

- #### 3. The definition of the Environmental Compliance utility system impact used in the straw proposal is “compliance costs associated with environmental regulations; net of those already embedded in Energy Generation.”
- a. How should the environmental compliance impact be defined for Washington state?
  - b. Are there particular impacts under this category that need to be discussed in more detail?
  - c. For each utility, what Environmental Compliance impacts are embedded within other impact values and where are they accounted for?

**Response:** Generally there are three types of Environmental Compliance costs: (1) costs required during the construction of an asset, either in the form of fees or additional investment in equipment or processes; (2) direct costs associated with operating the facility, which could be an emission allowance either independent from or embedded into the cost of generation; and, (3) indirect emissions costs or extraneities/social, which are theoretical costs in terms of payments to either local or national groups associated with the resource.

Avista recommends not including any environmental social cost beyond those which law or state policy have deemed as quantified. For example, the Washington Climate Commitment Act (CCA) establishes a cost for natural gas utilities from the need to acquire allowances, but not for electric utilities due to allowances being provided based on a forecast and then trued up based on actual emissions. Further, the legislature required social costs to be used for Greenhouse Gas (GHG) emissions in the utility's Integrated Resource Plan (IRP) and Clean Energy Implementation Plan (CEIP), but that it be reduced in cases of a resulting financial cost.

4. The definition of the Renewable Portfolio or Clean Energy Compliance utility system impact used in the straw proposal is "Compliance costs associated with meeting Washington state's clean energy standards."
  - a. How should the environmental compliance impact be defined for Washington state?
  - b. Are there particular impacts under this category that need to be discussed in more detail?
  - c. For each utility, what Renewable Portfolio or Clean Energy Compliance impacts are embedded within other impact values and where are they accounted for?

**Response:** Avista includes the indirect benefit of avoiding or meeting its requirements for CETA by reducing the need for alternative resources. Avista's requirements for the Energy Independence Act (EIA) are met and have no margin benefits of "extra or reduced" compliance, so this would not be included. Generally, utilities capture this benefit in their portfolio optimization models.

### **Non-utility System Impacts**

**Other Fuels** – Table 5 in the straw proposal

5. General feedback on other fuel impacts.

**Response:** Energy efficiency analysis through the Total Resource Cost (TRC) method has generally accounted for these savings. For other fuels such as transport and building electrification, the utility should only provide information to customers on the economics of the decision and incentives for DERs at or below their societal benefit, if cost effective.

6. What are the implications of including, or not including, other fuel impacts in a primary cost-effectiveness test?

**Response:** The biggest risk of quantifying other fuel savings is accuracy, as no one can reliably predict the future savings of fluctuating natural gas or gasoline prices, especially over longer time horizons. While utilities are well versed in creating forecasts, creating incentives adds an additional risk that customers will pay for. Moreover, the accuracy around tracking costs related to other fuels may not result in consistency among customer types as cost impacts may be expected to vary across sectors.

## Host Customer Impacts – Table 6 in the straw proposal

### 7. General feedback on host customer impacts.

**Response:** It is clear that customers may benefit from additional investment in their property, but it is difficult to quantify those benefits and the degree to which other customers should pay for those benefits. For example, a customer may benefit in their home asset value from the installation of rooftop solar or additional insulation in their attic, but should other customers pay for the specific benefit, other than any resulting avoided costs? Host benefits should be limited to only those benefits that accrue to customers who will eventually pay the cost of the DER.

### 8. Are there particular impacts under this category that need to be discussed in more detail?

**Response:** It is unclear how satisfaction and price are considered. Does this mean if a residential customer feels some satisfaction with solar, that this reduces the amount other customers should subsidize it? Given this question, it would be helpful to see a formula for how the host impacts would be accounted for with a specific numeric example. Further, most of these benefits and impacts are situational and subjective. It creates a dangerous precedent to recognize a positive customer sentiment without also acknowledging a differing view on the same matter. How will these views be recorded and recognized? It would be best if a proxy value were established, which could be accomplished through government incentives or, if required to estimate specific benefits, conducted on a state-wide basis rather than for each utility. Further, nearly one-third of customers in Washington are served by public utilities. These customers would not be represented in identifying the values associated with the promotion of DERs, which therefore should be left to the legislature to determine in the form of financial incentives applicable to all Washingtonians.

### 9. Low-income host customers experience the same categories of impacts, but often at a higher magnitude, as non-low-income host customers. Low-income customers are included as a separate category to allow non-energy impacts (NEIs) to be evaluated differently for these customers. Highly impacted communities and vulnerable populations (named communities) are likely to experience NEIs differently as well. Should named communities be included in this separate category? Or, should named communities be evaluated as a separate, third category?

**Response:** Named communities should get a separate evaluation only if there are clear material benefits in a respective category compared to general customers, and if those customers can be delivered a specific individual benefit.

## Societal Impacts – Table 7 in the straw proposal

### 10. General feedback on societal impacts.

**Response:** Avista has attempted to quantify NEIs or social impacts of resources; however, this process has been found to be costly and subjective. The Company often found that many of the costs or benefits were part of the cost of construction or operations but not all. If the Commission desires to include NEIs in resource costs, a study should be jointly conducted between all the utilities for all resources, not just DERs.

11. The definition of the GHG Emissions societal impact used in the straw proposal is “non-embedded GHG emissions. Should be incremental to values included in utility system impacts.”

- a. How should the GHG Emissions impact be defined for Washington state?
- b. What impacts does the SCGHG include that should not be double counted elsewhere?

**Response:** The legislature requires SCGHG calculations for IRPs and incremental costs for CEIPs, but they are not required elsewhere. For analysis with SCGHG requirements, the amounts of costs and benefits associated with a resource should be reduced by other captured costs related to emissions. For example, if the SCGHG was \$100/metric ton and \$50/metric ton is captured in the alternative resource, only an additional \$50/metric ton should be included.

A larger question related to this issue, which has been debated in multiple forums, is how to quantify avoided greenhouse gases. For example, when Avista invests in energy efficiency, it does not materially reduce emissions of Avista’s resources. While emissions somewhere in the western electric system may be reduced, the issue is the method to quantify the theoretical amount and whether or not it is equitable for Washington customers to pay for indirect emissions savings for other utility customers.

12. The definition of the Other Environmental societal impact used in the straw proposal is “other air emissions, solid waste, land, water, and other environmental impacts.”

- a. How should the Other Environmental impact be defined for Washington state?
- b. How should this be defined to ensure there is no overlap with other impacts, especially the Public Health societal impact or the Environmental Compliance utility system impact?

**Response:** There is overlap in Public Health and Other Environmental. It is best to include any environmental benefits leading to better public health as Public Health and separate out Other Environmental as specific benefits if they actually exist independently. When Avista conducted its NEI study, it found the societal costs of solid waste, land, and water were part of the resource construction cost (unless a higher value is placed than market value) and all Other Environmental attributes were actually public health benefits. Unless there are Other Environmental costs not included in Public Health or construction costs, this impact should be removed.

13. The definition of the Public Health societal impact used in the straw proposal is “health impacts, medical costs, and productivity affected by health.”

- a. How should Public Health impact be defined for Washington state?

- b. How should this be defined to ensure there is no overlap with other impacts, especially with the any host customer impacts or the Other Environmental societal system impact?

**Response:** As discussed in the response to the prior question, Public Health should include as environmental benefits leading to better public health. This may include factors such as, health impacts medical costs, and productivity affected by health, but this specificity is not necessary in the definition.

14. The definition of the Energy Security societal impact used in the straw proposal is “Reduction in imports of various forms of energy to help inform the goals of energy independence and security.”

- a. How should the Energy Security impact be defined for Washington state?
- b. How should this be defined to ensure there is no overlap with other impacts, especially with Reliability and Risk utility system impacts?

**Response:** Avista agrees with the general definition of Energy Security, however, it should not be restricted to imported fossil fuels, rather to any energy that may be imported from out of the region. Imported power is subject to transmission disruption, weather, and various policies of other states. Projects located within the Washington lower these risks, with the exception of transmission crossing state lines. While there are benefits of local generation, there are also benefits of more distant resources such as renewables due to differences in weather, sunlight, and market access across larger geographic areas.

Further, in section 1(4) of CETA, there is a description of the benefits of promoting energy independence. These all point to local generation or at least Northwest generation, and Avista has associated this goal with Energy Security. There is potential for overlapping NEI values for this benefit, such as local economic growth, but this benefit does not cover all the potential benefits of local generation (or costs). It could be best to conduct a full study to determine this value for each resource type or use a proxy value.

It is worth noting that alternative definitions exist for Energy Security, such that Energy Security may refer to access to energy, or even affordable access, and uninterrupted service. While Avista appreciates this view on Energy Security, for the purpose of resource planning and evaluating DERs, it does not believe this perspective on the definition of Energy Security should be included.

**Risk, Reliability, and Resilience** – pages 15 through 16 of the straw proposal

Three impacts that Staff anticipates will require additional workshops to discuss appropriate definitions and applicability are Risk, Reliability, and Resilience. For each impact, please review the multiple definitions provided and answer the following questions:

- 15. What definition captures the appropriate utility system impact? If not identified in the straw proposal, please provide any available references to how this definition has been used by a utility.

**Response:**

Risk: An additional risk for DERs or any resource is the fuel risk associated with the resource production. For example, solar may reduce the risk of natural gas prices but the amount of energy created by the solar resource is at risk since it does not deliver the same amount of energy each day, month, or year. Therefore, more of the resource is required to meet the same load as a fueled resource.

Further, many of the utility system risks identified do not change with the DER. With or without the DER, those risks remain and may not be lowered or increased, and it's likely DERs will create additional risks. The last point is how to quantify these risks – will it be a proxy value or an academic study?

Reliability and Resilience: The utility definitions are accurate. The question really comes down the DER's ability to influence reliability or resiliency and how to value its benefits.

16. What definition captures the appropriate host customer impact? If not identified in the straw proposal, please provide any available references to how this definition has been used by a utility.

**Response:**

Risk: Another risk to include is safety, as customers face additional safety risks for maintenance (i.e., Avista's supply-side NEI study included a risk of falling off a roof while maintaining a rooftop solar installation). Also, safety risks could result from installation issues or user error. Not included is future operation risks and maintenance costs and production variance to the homeowner.

Reliability and Resilience: The utility definitions are accurate. The question really comes down the DER's ability to influence reliability or resiliency and how to value its benefits.

17. What definition captures the appropriate societal impact? If not identified in the straw proposal, please provide any available references to how this definition has been used by a utility.

**Response:** All three definitions have societal impacts. Reliability and resilience have the greatest effect on customers, and risk is generally managed by utilities through fixed rates and service requirements. The ability to improve reliability and resiliency has the most societal impacts; however, if the current reliability and/or resiliency of the utility is unacceptable, how much is improvement worth and how much can customers afford to improve it beyond its current level?

18. Are there any questions or concerns that should be discussed in a workshop?

**Response:** The next step would be to discuss how the category values should be developed and when this test may be used for utility planning and/or acquisition.

### **Application and Adoption of the WA test**

19. General feedback on the straw proposal Section 3: Application of the WA Test and Appendix 3.

**Response:** The examples lack specificity about what would be done with the results of the test. If a DER is cost-effective based on the test, then what? Especially if the test is cost-effective from a societal or host level, why should other customers pay for benefits they will not reap? The concern with the lack of specificity is that at this time, we are unable to determine if the resulting resource selection would result in the desired outcome. The benefit of the standard cost tests is that they have been performed over several decades and their strengths and weaknesses have been well identified. The proposed direction of the newly developed WA tests should also consider how they would be measured according to the traditional cost tests in order to quantify their cost-effectiveness in parallel with new tests. It would also be beneficial to provide more details around how the tables will be used to select a mitigation alternative when solving system needs. Specific details would include actual values rather than just indication of whether a value could be used or not in a benefit-cost analysis. Comparing two alternatives and showing how a selection would be made will allow utilities to better understand the expected use of the cost-effectiveness test.

20. After incorporating these comments and discussion from workshops 4 and 5, Staff anticipates being able to recommend utilities keep the status quo concerning cost-effectiveness of DERs, move to another standard test, or move to a WA Test. If Staff recommends utilities change current practice, should the recommendation be formal or informal? Is there a preferred time frame for a formal recommendation?

**Response:** Avista does not recommend any action regarding DERs. Utilities are actively including material costs and benefits in determining their cost-effectiveness. Utilities should use NEIs for these evaluations, if and only if sound values can be obtained that benefit all customers. This evaluation should be conducted for all resources, not just DERs, in order to keep resource decisions objective. Customers would benefit from a cross-utility study to identify non-energy costs and benefits, due to the large time and costs required to develop independent studies by each utility.

### **Phase 2**

21. Please describe the ideal process for Phase 2. What mix of comments and workshops makes the most sense? Would a standing monthly workshop be preferred or does scheduling workshops as needed make more sense? Should the practice of holding workshops to two-hours be preserved or are there topics that should be given additional time?



**Response:** Phase 2 should involve developing only societal costs and benefits for all resource options on a state-wide basis, as described in the response to question #20.

22. Staff will review previous comments in this docket to identify important topics for workshops. Are there topics that should be addressed that have not been brought up previously? What topics that have been brought up be given the highest priority?

**Response:** One workshop should focus on what level of NEIs compared to an energy value is appropriate for determining cost-effectiveness. The utility is concerned that unbalanced results may occur where the selected measure or resource might benefit non-energy resources without the corresponding energy resources. Future WA tests should be created that include both the values of energy and non-energy resources and are reflected in a passing cost-effectiveness test.

23. On page 21 of the straw proposal, Synapse proposes next steps to begin Phase 2 of this investigation. Please provide feedback on this proposal.

**Response:** There appears to be concerns regarding consistency and whether information should be shared across all utilities. Avista is not concerned with differing values that may be developed, since each utility understands their unique system and therefore may determine whether or not the value is material in the decision. If policy makers desired a very specific strategy for resource planning across all utilities, then the legislature could develop an agency for resource planning decisions and mandate resource choices based on a statewide plan. To date, this has not occurred. Regarding metrics not estimated, there would be value in a joint utility study to determine values if they are deemed material to all customers.

Please direct any questions regarding these comments to me at 509-495-2782 or [shawn.bonfield@avistacorp.com](mailto:shawn.bonfield@avistacorp.com).

Sincerely,

*/s/ Shawn Bonfield*

Shawn Bonfield  
Sr. Manager of Regulatory Policy & Strategy