NW Energy Coalition

September 8, 2021

Mark Johnson
Washington Utilities & Transportation Commission
Executive Director / Secretary
621 Woodland Square Loop SE
Lacey, WA 98503

Re: NW Energy Coalition's Comments on Avista's Draft Clean Energy Implementation Plan (Docket UE-210628)

Mr. Johnson:

The NW Energy Coalition ("NWEC" or "Coalition") appreciates the opportunity to comment on the draft Clean Energy Implementation Plan ("CEIP") submitted by Avista Utilities on August 16th, 2021. While the Commission did not issue a Notice of Opportunity to File Written Comments in this docket, we submit these comments hoping that they will help inform the development of the Final CEIP, to be filed with the Commission on October 1, 2021.

The Coalition is an alliance of more than 100 organizations united around energy efficiency, renewable energy, fish and wildlife preservation and restoration in the Columbia basin, low-income and consumer protections, and informed public involvement in building a clean and affordable energy future. In addition to these comments, we have filed multiple comments on Avista Utilities' 2021 Integrated Resource Plan (Dockets UE-200301/UG-190724), and NWEC staff participates as members of Avista's IRP Advisory Group, Energy Efficiency Advisory Group, and Low-income ("Energy Assistance") Advisory Group. We also joined with the Public Counsel Unit of the Attorney General's Office, The Energy Project, and Front and Centered, in submitting a Joint Proposal on Customer Benefit Indicators. That proposal was originally filed on July 30th, 2021 in Docket UE-210295, and refiled in this docket on August 20th, 2021. These comments are in addition to comments we have already submitted, and feedback provided by NWEC staff at advisory group meetings.

We appreciate the work of Avista staff and the members of Avista's Equity Advisory Group, who have committed a significant amount of time and effort into developing the CEIP this summer, under a tight timeline and with significant uncertainty about the path forward. We also appreciate that Avista filed this draft on time. Since this is the first Draft CEIP filed with the

Commission, we expect there to be opportunities for clarification and improvement. We offer these comments on the Draft CEIP in the spirit of improving the final product, and in a good faith effort to help Avista fulfill the intent and purpose of CETA – to achieve an equitable transition to a 100-percent clean electricity grid.

Summary of Recommendations:

In general, we are disappointed to see that Avista's Draft CEIP falls short in some important respects of both the minimal requirements and our overall expectations for this first round of CEIPs. We recommend that significant changes be made to the document to ensure that the information is clearly presented and supported by analysis, and that the Final CEIP meets the requirements of WAC 480-100-640 and RCW 19.405.060.

Part 1 of our comments addresses our general concerns about clarity and readability.

Part 2 of our comments addresses specific areas where the Draft CEIP does not meet the minimum requirements.

Part 3 of our comments provides specific recommendations for improving the Draft CEIP to better align with the CETA standards, the principles of lowest reasonable cost planning, and the intent and purpose of the customer benefit indicators:

- Recommendation #1: Revise the proposed targets and actions to clearly convey how Avista intends to comply with RCW 19.405.040(1)(a), including supplying its Washington customers with electricity from renewable and nonemitting generation.
- Recommendation #2: Adopt an aggressive target for demand response, and a specific action to deploy grid-enabled hot water heaters.
- Recommendation #3: Consider lower cost clean energy alternatives to the Post Falls upgrade.
- Recommendation #4: Consider alternative capacity options to the Kettle Falls upgrade.
- Recommendation #5: Update the load forecast and associated proposed targets and actions to account for the impacts of climate change.
- Recommendation #6: Include approved transportation electrification investments as planned energy transformation projects.
- Recommendation #7: Adopt an additional specific target for reducing fossil fuel generation used to serve Avista's retail load, and specific action to investigate the availability of clean firm capacity.
- Recommendation #8: Add a specific action to conduct distribution system planning, supported by CBIs for energy resiliency, security, and community development.

1. **Changes to the draft are needed in order to ensure the information is clearly presented and supported by analysis.**

One overarching issue with Avista's Draft CEIP is that it lacks important details necessary for the public to understand how the company plans to implement CETA. At a minimum, the CEIP must clearly communicate the following information:

- What are Avista's interim targets for energy efficiency, demand response, and renewable energy? How were these targets determined, and what specific actions will Avista take to meet the interim targets?
- How close do these targets bring Avista to meeting the 2030 and 2045 standards?
- How were the CBIs used to inform both the interim targets and the specific actions?

The reader should not have to jump between the CEIP, the Biennial Conservation Plan (BCP) and the Integrated Resource Plan (IRP) to get a full picture of Avista's CETA compliance plan. All relevant information should be distilled and contained in the CEIP, with the other plans serving as supporting documentation in appendices.

There are a number of places where Avista's Draft CEIP references appendices that contain redacted information, or refers the reader to lengthy technical descriptions in other plans. This approach does not meet the intent and purpose of the CEIP, which should stand alone as a public-facing integrated system plan that is easy to understand, and supported by the work done in these other planning processes.

We encourage Avista to allocate time for a complete review of the Final CEIP for public communications purposes before it is filed.

2. Significant changes to the draft are needed in order to meet the requirements of CETA, and the CEIP minimum requirements in WAC 480-100-640 and RCW 19.405.060.

First and foremost, Avista's Draft CEIP relies on an interpretation of RCW 19.405.040(a) which is a misinterpretation of the statute. The Final CEIP will need to be consistent with the Commission's interpretation of RCW 19.405.040(a). If the Commission is not able to provide clarity on how utilities should address this requirement in their planning before the Final CEIP is due, Avista should, at a minimum, incorporate an alternative approach that supports an interpretation of RCW 19.405.040(a) which accounts for the amount of renewable and nonemitting electricity used to serve Avista's Washington load. We address this issue in further detail below.

Secondly, Avista's Draft CEIP fails to meet the minimum requirements for CEIPs in the statute and the rules in several other important respects. The rules for creating a Clean Energy Implementation Plan (CEIP) are found in WAC 480-100-640. The CEIP should be a short, concise, standalone document that clearly delineates the exact actions the utility will take over the four-year implementation period. While it is informed by the information in the Clean Energy Action Plan (CEAP), it is not limited to the information in the CEAP. In this case, the CEAP was prepared

long enough in advance of the CEIP that more up-to-date information and data should be incorporated and reflected in the CEIP. In the future, it would be appropriate for Avista (and all utilities) to conduct its CEIP planning concurrently with its Integrated Resource Plan (IRP) and CEAP, to avoid this issue.

This section of our comments focuses on the areas in which Avista's Draft CEIP fails to meet the minimum requirements.

A. *Avista's Draft CEIP does not adequately describe the utility's plan for* ***making progress toward meeting the Clean Energy Transformation Act standards, as required in WAC 480-100-640(1).***

CETA clearly calls for the energy used to serve retail load to be from renewable and non-emitting generation by 2030, with the two CEIPs between now and then showing steady progress towards achieving that standard.[1] A full record of our comments on this issue can be found in Dockets UE-191023 and UE-210183.[2] Avista has selected a strategy based on the separate acquisition and retirement of renewable energy credits (RECs), which is not consistent with the requirement to use electricity from renewable resources and nonemitting generation to serve its customers. Since Avista's Draft CEIP relies on this single interpretation, it is inherently incorrect and incomplete.

Further, given that Avista is in the unique position of already owning and contracting with sufficient renewable resources to meet its projected flat load, we question the benefits of its proposed compliance strategy to customers, compared to other options. This issue is discussed further in Part 3 of our comments.

B. *Avista's Draft CEIP does not establish* ***interim targets*** *showing how Avista* ***will make reasonable progress*** *toward meeting the 2030 and 2045 standards, as required in* ***WAC 480-100-640(2) and (3)****.*

Avista's proposed compliance strategy between 2022 and 2030 is to retain 40% of its available RECs from procured renewable resources for eight years before leaping to 100% REC retention in 2030. This proposed REC sales and retirement schedule does not show how Avista will make reasonable progress toward meeting the 2030 standard, nor is it appropriate to include this proposed business strategy in the CEIP. Before 2030, Avista may decide, for business purposes, that it wants to manage its REC retirements and sales in a specific way. We believe this decision is entirely unrelated to its CEIP.

The Commission may find such a proposal to be acceptable outside of the CEIP approval process, provided that the UTC finds that it must make a determination regarding the

[1] RCW 19.405.040(1)(a)(ii)

[2] *See*: NWEC Comments submitted in both dockets; legal Memorandum filed by NWEC on Aug. 11, 2020 in Docket UE-191023; and Aug. 12, 2021 Presentation by Lauren McCloy and Kelly Hall in Docket UE-210183.

company's REC sales practices, and that such practices are consistent with state and federal law and guidance concerning the treatment of renewable energy claims. However, a separate interim target for REC retirement is neither required nor appropriate to include in the CEIP, nor is it allowed under CETA's 2030 standard, unless it is included as part of an alternate compliance option.[3] Since the CEIP interim targets are tied to the standard, we do not support Avista's inclusion of a separate REC retirement interim target in the CEIP. We recommend removing the proposed REC retirement target from the CEIP.

C. *Avista's Draft CEIP does not provide the percentage of non-emitting and renewable resources that were used to meet its 2020 retail load, as required by* ***WAC 480-100-640(2)(b)****.*

On page 2-1 of the Draft CEIP, Avista provides the percentage of renewable energy *produced* in 2020, but not the percentage of load that was actually served by that renewable energy, as required by WAC 480-100-640(2)(b). According to Avista's 2020 FERC Form 1 filing, the utility engaged in 2,796,393 MWh of surplus sales and 5,465,165 MWh of market purchases in 2020. This information is relevant to WAC 480-100-640(2)(b), since it would have an impact on the percentage of retail sales supplied by renewable resources. However, information regarding Avista's purchases and sales is not included in the Draft CEIP, making it difficult to get a full picture of what a lowest reasonable cost compliance strategy should look like.[4]

D. *Avista's Draft CEIP does not include* ***specific targets*** *for energy efficiency, demand response and renewable energy that are consistent with* ***WAC 480-100-640(3)(a)****.*

RCW 19.405.060(1)(a) directs utilities to propose specific targets in their CEIPs for energy efficiency, demand response, and renewable energy to demonstrate progress toward meeting the 2030 standard. This requirement clearly conveys CETA's intent to transform the electric system by requiring a utility to: (1) eliminate coal fired resources from a utility's allocation of electricity by the end of 2025; (2) achieve cost-effective conservation and efficiency to reduce load; (3) reduce demand as much as possible with demand response actions; and (4) use

[3] RCW 19.405.040(1)(b) allows up to 20% of the 2030 standard to be met with emitting or unspecified electricity, if that energy is compensated for with specific actions. Avista makes a statement on page 1-3 regarding another aspect of REC retirement: "Given Avista's proposal to retire associated RECs equal to 40 percent of its net retail load from Idaho's REC share, Avista does not plan to use any additional unbundled RECs in normal circumstances." This inappropriately conflates compliance with RCW 19.285.040, the Energy Independence Act (EIA) with what Avista proposes as compliance with CETA.

[4] While Table 2.1 Available Renewable Energy (MWh) lists resources by renewable category, such as wind or solar, it also includes transfers from Idaho, which the CEIP describes as RECs that were purchased by Washington customers in 2020 to meet Washington's EIA requirements (page 2-2). RECs are not the same as renewable energy used to serve load. Further, the "percent of target" line in Table 2.4 is left blank; the line Clean Target only refers to procurements, not actual use of renewables or non-emitting generation. There is no information provided about Avista's purchases or sales, and how these translate into electricity used to serve its retail customers.

electricity from renewables and non-emitting generation to serve 80% of the remaining retail load by 2030, and 100% by 2045.[5]

Energy efficiency: Avista's proposed specific target for energy efficiency (EE) is four years of the 10-year levelized cost derived from the pro-rata share identified in its Conservation Potential Assessment, plus an additional five percent required by its decoupling commitment. The message that this conveys is that the only energy efficiency Avista plans to offer as a result of its stakeholder work on the CEIP will be what it already planned to offer. This section references Appendix B, which was not filed with the Draft and is not available for stakeholder review. Finally, the Draft CEIP fails to explain why the specific, levelized conservation target of 53,630 MWh/year differs from the projected total produced by the specific actions of 48,604 MWh/year as presented in Table 4.1. These are also different numbers than what was presented to the EEAG in July 2021. Avista should clarify this with stakeholders before the Final CEIP is filed, and in the Final CEIP.

Since the information in the Draft CEIP about Avista's energy efficiency target is limited, we reserve most of our comments on this topic for the Final CEIP and/or the Biennial Conservation Plan, when the information is available for comment.

Demand response: The lack of a specific target for Demand Response (DR) in Avista's Draft CEIP is a glaring omission, and inconsistent with the statute and CETA rules. Under WAC 480-100-640(3)(a)(ii), the DR target is not optional.[6] While Avista states that its DR target is "0", the Draft CEIP also goes on to describe three pilot DR programs that it suggests may be implemented during the implementation of the first CEIP. The Draft CEIP does not explain whether other pilot programs were considered, nor does it provide any view of whether DR is cost-effective during the first CEIP period, for example, as an alternative to the price risk of market purchases during peak demand periods, or to avoid local outages such as those that occurred on stressed feeders during the late June 2021 heat wave. Therefore, Avista must adopt a non-zero target, and plan for and implement early actions on DR in this CEIP. We appreciate that Avista stated an intent to include a DR target in the Final CEIP at the September 2 Listening Session. However, we are concerned that the DR target will not benefit from any stakeholder review or discussion with the Advisory Groups prior to being filed in the Final CEIP.

[5] RCW 19.405.040(1)(a): For the four-year compliance period beginning January 1, 2030, and for each multiyear compliance period thereafter through December 31, 2044, an electric utility must demonstrate its compliance with this standard using a combination of non-emitting electric generation and electricity from renewable resources, or alternative compliance options, as provided in this section. **To achieve compliance with this standard, an electric utility must: (i) Pursue all cost-effective, reliable, and feasible conservation and efficiency resources to reduce or manage retail electric load, using the methodology established in RCW 19.285.040, if applicable; and (ii) use electricity from renewable resources and non-emitting electric generation in an amount equal to one hundred percent of the utility's retail electric loads over each multiyear compliance period**.

[6] *The utility must provide proposed program details, program budgets, measurement and verification protocols, target calculations, and forecasted distribution of energy and nonenergy costs and benefits for the utility's demand response target.*

See Recommendation #2 in Part 3 of our comments for more details on how this should be addressed.

Renewable energy: As previously stated, we do not think that Avista's strategy to propose two interim targets – one based on renewable acquisitions and one based on REC retirement – is consistent with the statute or rule. We recommend that Avista develop a renewable energy target that is based on the amount of electricity from renewable energy resources supplied to retail customers.

> *E. Avista's Draft CEIP does not adequately describe the **specific actions** it will take to fulfill its specific targets over the four years, with **data required by WAC 480-100-640(5) and narratives, required by WAC 480-100-640(6)**.*

While the preferred resource strategy in Avista's Final IRP includes a more robust demand-side resource selection than we have seen in the recent past, Avista has failed to carry this focus forward into the CEIP, which we find puzzling and disappointing. Avista has often shown that it can be innovative in developing customer-centric programs, and we look forward to new energy efficiency programs in the coming years that will ramp up Avista's energy efficiency and demand response acquisition. However, since the CEIP lacks any description of the programs and technologies in Avista's EE offerings, it is not possible for the reader to understand what is included in the target, and how EE contributes to Avista's CETA compliance strategy. It is also not clear what effect CETA requirements have on Avista's EE programs, targets, and budget. As a participant in Avista's EE Advisory Group, NWEC staff has received more information about Avista's proposed programs than what is provided in the Draft CEIP. However, providing information about proposed specific actions to the EE Advisory Group does not fulfill the requirement to include the information in the CEIP itself.

Further, Avista does not provide the specific efficiency actions it will take, instead providing only brief descriptions of *types* of efficiency it might employ. This fails to meet the requirements in WAC 480-100-640(5)[7] to present a table that provides details on each specific action. Our understanding, based on Avista staff's statements at the September 2 Listening Session, is that the Appendix I is supposed to fulfill this obligation; however, Appendix I contains repetitive and incomplete information for the specific actions. While Table 4.7 of the

[7] **Specific actions.** *Each CEIP must include the specific actions the utility will take over the implementation period. The specific actions must meet and be consistent with the clean energy transformation standards and be based on the utility's clean energy action plan and interim and specific targets. Each CEIP must present the specific actions in a tabular format that provides the following information for each specific action:*
(a) The general location, if applicable, proposed timing, and estimated cost of each specific action or remaining resource need, including whether the resource will be located in highly impacted communities, will be governed by, serve, or otherwise benefit highly impacted communities or vulnerable populations in part or in whole;
(b) Metrics related to resource adequacy including contributions to capacity or energy needs; and
(c) Customer benefit indicator values, or a designation as nonapplicable, for every customer benefit indicator described in subsection (4)(c) of this section

Draft CEIP presents a summary of efficiency costs, this does not comply with the rule's requirement to include the estimated ***cost of each specific action***.

Further, the narratives required for every specific action per WAC 480-100-640(6)[8] are lacking, and the details such as number of actions, number of customers that will be served, etc. are missing. The Draft CEIP references Appendix C, but Appendix C lacks the required narrative as well.

> *F. Avista's Draft CEIP fails to explain how customer benefit indicators are used to* ***ensure that all customers are benefiting from the transition to clean energy****, as required by* ***WAC 480-100-610(1)(c) and WAC 480-100-640(4)***[9]*:*

The Clean Energy Transformation standards require a utility, in making progress toward meeting the 2030 and 2045 standards, to ensure that all customers are benefiting from the transition to clean energy through: (i) The equitable distribution of energy and nonenergy benefits and reduction of burdens to vulnerable populations and highly impacted communities; (ii) Long-term and short-term public health and environmental benefits and reduction of costs and risks; and (iii) Energy security and resiliency. WAC 480-100-640(4) further requires the utility to include in the CEIP at a minimum, one or more customer benefit indicators associated with the following elements:

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[8] ***Narrative description of specific actions.*** *The CEIP must describe how the specific actions:*
(a) Demonstrate progress toward meeting the standards identified in WAC 480-100-610 (2) and (3);
(b) Demonstrate consistency with the standards identified in WAC 480-100-610(4) including, but not limited to:
(i) An assessment of current benefits and burdens on customers, by location and population, and the projected impact of specific actions on the distribution of customer benefits and burdens during the implementation period;
(ii) A description of how the specific actions in the CEIP mitigate risks to highly impacted communities and vulnerable populations and are consistent with the longer-term strategies and actions described in the utilities most recent IRP and CEAP as required by WAC 480-100-620 (11)(g) and (12)(c).
(ii) A description of the utility's methodology for selecting the investments and expenses it plans to make over the next four years that are directly related to the utility's compliance with the clean energy transformation standards, consistent with RCW 19.405.050 (3)(a), and a demonstration that its planned investments represent a portfolio approach to investment plan optimization; and
(iii) Supporting documentation justifying each specific action identified in the CEIP.
(c) Are consistent with the proposed interim and specific targets;
(d) Are consistent with the utility's integrated resource plan;

[9] **Customer benefit data.** Each CEIP must:
(a) Identify highly impacted communities using the cumulative impact analysis pursuant to RCW 19.405.140 combined with census tracts at least partially in Indian country;
(b) Identify vulnerable populations based on adverse socioeconomic factors and sensitivity factors developed through the advisory group process and public participation plan described in WAC 480-100-655, describing and explaining any changes from the utility's most recently approved CEIP; and
(c) Include proposed or updated customer benefit indicators and associated weighting factors related to WAC 480-100-610 (4)(c) including, at a minimum, one or more customer benefit indicators associated with energy benefits, nonenergy benefits, reduction of burdens, public health, environment, reduction in cost, energy security, and resiliency. Customer benefit indicators and weighting factors must be developed consistent with the advisory group process and public participation plan described in WAC 480-100-655. The utility should describe and explain any changes in customer benefit indicators or weighting factors from its most recently approved CEIP.

- Energy benefits
- Non-energy benefits
- Reduction of burdens
- Public health
- Environment
- Reduction in cost
- Energy security
- Resiliency

Once indicators are chosen through the public process for each of those elements, then appropriate metrics can be developed to weigh specific actions. The elements themselves should be weighted equally. However, Table 1.1 in Avista's Draft CEIP implies that the specific actions and resources were selected first, and then the CBIs were defined as attributes of the selected specific actions, and used to justify the actions. While Avista's original pool of potential CBIs was quite robust and creative, the final choice of CBIs seems to be primarily influenced by the availability of baseline metrics, orienting the CBIs towards existing programs.

As previously stated, NWEC supports the Joint Advocates recommendations on CBIs. Since Avista did not respond directly to those recommendations, we are not sure whether the feedback was considered, or whether it influenced the CBIs proposed in the Draft CEIP. Rather than providing supplemental comments on the CBIs proposed in the Draft CEIP at this time, we reiterate our support for the Joint Advocate recommendations, and also support the comments of The Energy Project on Avista's Draft CEIP.

> *G. Avista's Draft CEIP does not accurately reflect the **projected incremental cost,** as described in **WAC 480-100-660(4)**[10] which incorporates the specific methodology described in **WAC 480-100-660(1)**.*

While the basic formula used by Avista appears to align with the methodology in WAC 480-100-660(1), it does not appear to be used correctly. First, the formula pertains to the years in the

[10] **Projected incremental cost.** The utility must file projected incremental cost estimates in each CEIP using the methodology described in subsection (1) of this section and using projected weather-adjusted sales revenue in the calculation in subsection (2) of this section to estimate the average annual threshold amount for the implementation period. The utility must support the projections with workpapers, models, and associated calculations, and must provide the fol-lowing information:
(a) Identification of all investments and expenses that the utility plans to make during the period in order to comply with the requirements of RCW 19.405.040 and 19.405.050;
(b) Demonstration that the investments and expenses identified in (a) of this subsection are directly attributable to actions necessary to comply with, or make progress towards, the requirements of RCW 19.405.040 and 19.405.050; and
(c) The expected cost of the utility's planned activities and the expected cost of the alternative lowest reasonable cost and reasonably available portfolio.

CEIP implementation period, but the CEIP starts with the base year 2021, which is outside of the implementation period. Further, it is not clear why the REC sales line in Table 5.5 does not match the REC sales lines in either Tables 5.1 and 5.3, which are presumably the source for the data in Table 5.5.

Secondly, for the public to understand if the projected costs are accurate, the rules require the utility to identify in the calculation all investments and expenses that will be made to meet or make progress towards the 2030 and 2045 standards, and how those costs are directly attributable to those standards. The data that could support this understanding was submitted in a redacted Appendix, when it should be clearly stated in the CEIP. While there are snippets of information included in the CEIP, much more explanation of the projected incremental cost of Avista's propose compliance strategy is needed, such as:

- The output in MWh and the cost that Avista projects for obtaining the Chelan hydropower PPA;
- A comparison of the cost of upgrading Post Falls, which results in an incremental increase of 3.8 MW for more than $80 million, compared to alternatives; and
- Information about the costs or power increases provided for upgrading the wood biomass facility Kettle Falls, and how those costs are proposed to be allocated.

Given the changes to the Draft that are necessary to meet the minimum requirements, and to propose a reasonable compliance strategy, we anticipate significant changes to this section as well. We plan to comment further on the projected incremental cost section of the Final CEIP.

*H. Avista's Draft CEIP should include a **summary of the input received** so far from all of its advisory groups, as required by **WAC 480-100-640(8)**.*

Public Participation must be detailed in the CEIP, with a summary of advisory group member comments with the utility's responses, including which issues were addressed and incorporated into the CEIP, along with reasons for rejecting public input. While this summary is required for the Final CEIP and not the Draft, it seems that at least the input received so far from all the advisory bodies - not just some of the feedback from the Equity Advisory Group - should be included in the Draft, so that the public and UTC staff can consider that input in their review and comments. Since the public participation process on the CEIP has so far been informal, we assume the only way that UTC staff and the public can have access to that stakeholder feedback is if it is included in the record – ideally in the Draft CEIP itself.

3. Avista's compliance strategy is flawed, and does not represent a lowest reasonable cost approach to complying with CETA. Avista should develop an alternative compliance strategy, including specific targets and actions that meet the requirements of the law.

We acknowledge that the CEIP process is new, and that many lessons learned will be gleaned from this first round of planning - hopefully leading to improvements in the CEIP process and outcomes in future rounds. However, it is critical that Avista's first CEIP demonstrates sufficient progress and commitment toward fulfilling the clean energy transformation envisioned by the Act. Not doing so presents an unacceptable risk to Avista's customers that the standards will not be met, or that a failure to take early action, or in some cases, to change course, will make it more costly to meet the standards later. In short, in order to transform the electricity system and transition to a 100-percent clean grid, the utilities' approach to planning must evolve. We understand that this evolution will take time.

In the meantime, the CEIPs must not be limited by a utility's decisions made in its Integrated Resource Plan. Avista's Draft CEIP refers to language in the statute directing that the CEIP be "informed by" the 10-year CEAP, and that specific actions be "consistent with" the utility's IRP and RA requirements.

However, this language does not suggest that either the specific targets or specific actions in the CEIP must be limited by the preferred portfolio selected by the utility in its IRP, or any other scenario or assumption modelled in its IRP. Avista's misinterpretation of this language limits the CEIP to the outcomes determined by Avista in Avista's plan – this is clearly inconsistent with the Legislature's intent for the CEIP. To date, the entire multi-year planning process has been informal, and the Commission has not acknowledged or otherwise commented on Avista's Final IRP. However, since the Final CEIP must be approved, rejected, or approved with conditions by the Commission, the CEIP must not be preemptively limited by the assumptions, scenarios, or decisions made by Avista (or any other utility) in its IRP.

As previously stated, given that Avista is in the unique position of already owning and contracting with ample renewable resources to meet its projected flat load, we question the benefits of its proposed compliance strategy to customers, compared to other options which have not been adequately evaluated in either the IRP or the CEIP. The primary purpose given by Avista for its flawed compliance strategy is to reduce the rate impacts by increasing revenues from REC sales. However, we note that the total impact of this approach only saves customers 1 percent per year.[11] The same - or greater - savings may be achieved through other means that provide more benefits to customers.

For this reason, we are recommending that Avista develop an alternative compliance strategy and targets for the Commission to consider in its Final CEIP. We believe that the recommendations below will deliver greater benefits to customers than the proposed approach, that they are consistent with lowest reasonable cost planning and Avista's Integrated Resource Plan, and informed by Avista's Clean Energy Action Plan. We offer the following

[11] See Draft CEIP, pages 2-11, 5-1, and 5-7.

recommendations in the spirit of guiding Avista and the Commission toward a more optimal outcome for customers.

Finally, we note that stakeholders like NWEC would be in a better position to offer alternative strategies and specific targets and actions if the informal nature of the utility-driven planning process to date did not prevent stakeholders from running their own models, or accessing information deemed confidential by the utility. In the future, we recommend that the Commission require all aspects of the integrated planning process to allow full access to information by members of advisory groups, so that the Commission can be confident that a robust review and public participation has been conducted, and so that it may be presented with more options to consider when the Final CEIPs are submitted.

Recommendation #1: Revise the proposed targets and actions to clearly convey how Avista intends to comply with RCW 19.405.040(1)(a), including supplying its Washington customers with electricity from renewable and nonemitting generation. As discussed in Part 2 of our comments, Avista's compliance strategy is based on a misinterpretation of the "use" requirement in the statute. In addition to the recommendations below, the Final CEIP must accommodate a compliance strategy to serve Avista's Washington customers with clean electricity.

Some analysis supporting the development of an alternative approach has already been conducted. In its Final IRP, Avista ran a scenario examining the impact of delivering clean energy in each hour. This scenario (Portfolio #18) is identical to the Preferred Resource Strategy through 2035. What this tells us is that Avista's Preferred Resource Strategy likely includes sufficient clean supply-side resources to meet the 2030 standard, but it would be reasonable to invest in additional demand-side resources and energy storage in the near-term in order to prepare for integrating additional clean energy resources in the 2030-2045 time period. While we do not endorse Portfolio #18, we note that, according to Avista's own analysis, there is no difference in system costs between its Preferred Resource Strategy and a resource strategy that is capable of delivering 80 percent renewable and nonemitting electricity to its customers on an hourly basis in 2030.

Recommendation #2: Adopt an aggressive target for demand response, and a specific action to deploy grid-enabled hot water heaters. Since Avista's Final IRP shows the acquisition of new demand response resources beginning in 2025, we would have expected the CEIP to include specific actions to launch a broad and coordinated set of DR programs earlier, so that Avista can scale up rapidly to meet anticipated capacity needs and avoid or reduce the need for new natural gas peaking resources in 2027. During the first CEIP period, DR can also reduce exposure to market price spikes during peak demand periods and support reliability on stressed feeders. Launching a set of coordinated pilots in the next few years would allow these resources to be fully available when their capacity is most needed. Not including early, specific actions on DR in the first CEIP would be a mistake, since it is evident that these programs are expected to deliver benefits to customers during the implementation period.

While the Draft CEIP lacks sufficient information to adequately assess Avista's proposed demand-side specific actions, we recommend that the Final CEIP rely on what Avista has identified in its Conservation and Demand Response Potential Assessment to be its technically achievable potential for demand response. A reasonable level of technical potential can be achieved faster, when considered in concert with our other recommendations.

Further, Avista should not ignore obvious opportunities for early action on demand response. Washington now requires all new electric water heaters to have a CTA-2045 communications interface, providing a common access standard for demand response water heater programs. We estimate that about 7 MW per year (or about 35 MW between now and 2027) of technically achievable potential is available from this single resource, through both stock turnover and programmatic conversion. By adopting a specific action focused on maximizing the use of this important new resource, we believe Avista can increase and accelerate its assumed saturation and savings potential. This specific action would be supported by several of Avista's proposed CBIs, including those related to energy resiliency, proximity of clean energy resources, and increased participation among "named communities" in Avista's programs.

Recommendation #3: Remove the Post Falls upgrade from the CEIP, and consider lower cost clean energy alternatives. Avista's Draft CEIP proposes to upgrade Post Falls dam at a cumulative cost of $80 million over the four-year implementation period. Post Falls is a 14.75 MW hydro project in Post Falls, Idaho constructed in 1906. The Post Falls modernization project proposes to replace turbines and generators that have reached their end of life and are experiencing operational issues. According to Avista's 2021 IRP, the project will deliver an additional 3.8 MW of incremental winter capacity and 4 aMW of incremental clean energy. The project, which has been under consideration for a number of years, is expected to be completed in 2026 with project planning and design starting in 2022.

While this project undoubtedly plays an important role in managing water levels on Coeur d'Alene Lake,[12] and we generally support investments to improve hydropower efficiency when it is prudent to do so and consistent with salmon recovery plans, we question the inclusion of this project in the CEIP because of the high cost of the incremental clean energy produced, when compared to other options. To be clear - we do not advocate that the project should not go forward. However, with a price tag of over $2,000/MWh, the cost of this project vastly exceeds the avoided cost Avista uses to determine its energy efficiency target ($105.83/MWh), indicating that a CEIP portfolio that substitutes the Post Falls upgrade with a higher EE target would result in lower incremental costs for CETA compliance, and deliver greater energy and non-energy benefits to Washington customers. The Post Falls upgrade simply doesn't pass muster compared to other options that could be included in a lowest reasonable cost portfolio for meeting the CETA standards. For example, we would encourage Avista to consider increasing its residential EE target, which represents only 15 percent of its overall EE target.

[12] https://www.myavista.com/connect/articles/2018/05/true-or-false

Recommendation #4: Consider alternative capacity options to the Kettle Falls upgrade. The Kettle Falls plant began operation in 1983. In 2025, the generator and turbine will be 42 years old and at the end of its expected life. While the Draft CEIP includes very little information about the proposed Kettle Falls modernization project and no cost estimate at all, Avista's Final IRP envisions the construction of a new facility that operates as a wood-fired peaker. According to the IRP, the capital cost for this type of facility would be $2,500 per kW plus O&M amounts of $26 per kW-year for fixed costs and $3.30 per MWh of variable costs (2020 dollars). The levelized cost per MWh is $115 per MWh for a 2022 project.

Avista's IRP did not provide an adequate comparison between this project and other renewable capacity options, so we question its inclusion in the CEIP at this stage. In general, Avista's proposed strategy to upgrade old facilities that have reached the end of their useful life instead of pursuing more modern options warrants further exploration and justification than currently provided in the CEIP. We also question its designation as a "Named Community Investment," based solely on the fact that it is located in a named community. A more robust discussion of the benefits to the named community associated with the investment (I.e. reductions in air pollution, increase in local employment, etc.) is needed. For example, we are not confident that the specifics of this project have been discussed with any of the advisory groups involved in the CEIP process.

Recommendation #5: Update the load forecast and associated proposed targets and actions to account for the impacts of climate change. As we have advocated for all utilities, Avista's CEIP must incorporate reasonable consideration of the costs and risks of climate change (an environmental effect of carbon dioxide and other greenhouse gas emissions) consistent with the definition of "lowest reasonable cost" in RCW 19.280.020.[13]

Given the rolling blackouts that Avista customers experienced during the heat wave this summer, it is simply unreasonable for Avista to ignore the impacts of climate change on customer load and system needs in its CEIP. In its Final IRP, Avista ran a sensitivity optimized for climate impacts, using the climate impacts methodology modelled by the NW Power and Conservation Council. Avista's climate impacts scenario results in a lower peak capacity need (43 MW less), more summer peaking EE programs, and *lower average system costs (1.1% lower over 24 years) than the preferred portfolio* (emphasis added).

While we acknowledge that more work is necessary in order to fully understand the potential impacts of climate change, and the optimal strategies to address the risks to the energy system;

[13] "Lowest reasonable cost" means the lowest cost mix of generating resources and conservation and efficiency resources determined through a detailed and consistent analysis of a wide range of commercially available resources. At a minimum, this analysis must consider resource cost, market-volatility risks, demand-side resource uncertainties, resource dispatchability, resource effect on system operation, *the risks imposed on the utility and its ratepayers*, public policies regarding resource preference adopted by Washington state or the federal government, *and the cost of risks associated with environmental effects including emissions of carbon dioxide*. (emphasis added)

we recommend that the CEIP not ignore climate impacts entirely. At a minimum, we recommend that Avista increase its EE target in the CEIP to account for the increase in summer peaking EE in this scenario, and reevaluate its summer demand response potential.

Recommendation #6: Expand transportation electrification investments in the CEIP as planned energy transformation projects. Avista does not include energy transformation projects in its Draft CEIP due to "the uncertainty regarding their application to the clean energy requirements." While Avista specifically mentions its existing transportation electrification programs, and suggests that they may be included in future plans, it does not include additional programs in this CEIP. We think they should be included.

The Commission has acknowledged Avista's transportation electrification (TE) plan in docket UE-200607, and allowed Avista's TE programs in docket UE-210182 to take effect. Avista's TE plan estimates $51.5 million in capital investments from 2021-2030, and their TE programs commit to an overall capital and expense budget of $2 million to $6 million per year over the next five years.[14] Since an expansion of these projects are likely to be eligible energy transformation projects, we recommend that Avista include them in its compliance strategy as alternative compliance options. We acknowledge that this may require an estimate of their compliance value, and we would expect that estimate to be updated over time as more information becomes available.

Recommendation #7: Adopt an additional specific target for reducing fossil fuel generation used to serve Avista's retail load, supported by a CBI for greenhouse gas emissions, and specific action to investigate the availability of clean firm capacity or other resources to meet infrequent long-duration events. As previously discussed, Avista is in a unique position among Washington IOUs in that it already owns and/or contracts with ample renewable energy resources. However, the challenge for Avista will be managing its system in such a way that more clean energy is actually used to serve its Washington load as fossil fuel generation retires. One way Avista could demonstrate progress toward meeting the 2030 standard could be to adopt a specific target for reducing the amount of its Washington load served with fossil fuel emitting generation. The purpose of this additional specific target would be to allow more MWh to be served with clean energy resources that Avista already owns, or that are available in the market. Such a target would also create more transparency and accountability for Avista to reduce emissions ahead of its need for new capacity resources in 2027. For example, the Draft CEIP currently includes no information about the operations of Coyote Springs in Oregon, Avista's largest resource. Given Avista customers' interest in reducing greenhouse gas emissions, and the fact that Coyote Springs will have to reduce emissions under the Climate Commitment Act and Oregon's Climate Protection Program, this seems like an important factor in Avista's overall CETA compliance strategy.

In addition to adopting an additional specific target focused on reducing greenhouse gas emissions, we also recommend that Avista remove the 84 MW natural gas peaker from the CEIP, since it is not a renewable resource or nonemitting generation.[14] Avista should instead adopt a related specific action to explore a staged approach to meeting its capacity need with a balanced 2027 resource portfolio that is better aligned with CETA resource preferences, while meeting reliability needs cost-effectively.[15]

While CETA does not require an interim target focused on reducing emitting generation, we believe that the Commission has the discretion to adopt such a target, if it finds that doing so is reasonable and supported by the record in the CEIP. Such a target would be consistent with the proposed CBI concerning reducing greenhouse gas emissions, and with the Legislature's direction to the stakeholder workgroup created in RCW 19.405.130 to examine: (a) Efficient and consistent integration of CETA with carbon and electricity markets; and (b) compatibility of CETA requirements with a linked cap-and-trade program. Further, since it will be necessary for Washington utilities to reduce emissions from electricity generation and imports under the Climate Commitment Act, including such a target in the CEIP would be aligned with Washington carbon emissions reduction policy, and would allow for more transparency in the planning process for customers who want to know how the utility is making progress to reduce emissions.

Recommendation #8: Add a specific action to conduct distribution system planning, supported by CBIs for energy resiliency, security, and community development. Avista customers, like others across the Northwest, experienced an unprecedented heat wave this summer, which put significant strain on the grid. Thousands of Avista customers were subject to "temporary unplanned outages" during the hottest days ever recorded, presenting significant risks to human health and security. While the specific circumstances of the rolling blackouts in Avista's service territory in June are still under investigation, we note that the press coverage of the events highlighted the impacts of the extreme heat on Avista's distribution system, as Spokane-area residents increased air conditioning and other cooling loads.[16]

Fortunately for Avista customers, Avista has a history of leadership among Washington utilities when it comes to innovation and smart grid investments, and we are hopeful that this experience will translate into action. As distribution system investments will need to play a larger role in supporting flexibility, reliability, and resilience of Avista's system going forward, we encourage the company to adopt a specific focus on these types of investments in its CEIP. This approach is supported by the CBI elements related to energy resiliency, energy security, and community development. As a first step, Avista could commit to develop a distribution system plan with the participation of its CEIP advisory groups as a specific action in its CEIP.

[14] This resource appears in the Draft CEIP in Table 4.11 – Washington share of 2021 IRP Identified New Resources
[15] Further discussion of this concept can be found in NWEC's Comments on Avista's IRP in Dockets UE-200301/UG-190724
[16] https://www.spokesman.com/stories/2021/jun/28/avista-asks-customers-to-conserve-energy-as-heat-s/

Conclusion

We believe the purpose of the CEIP is to provide certainty, accountability, and transparency to the implementation of CETA. Unlike the IRP, the CEIP is not merely the "utility's plan," but should be a collaborative work product, supported by the participation of customers, and approved by the Commission. As Avista maps a path to achieving an equitable transition to a 100-percent clean electricity grid, the CEIP will be an important document for communicating to customers how Avista plans to supply them with 100-percent clean electricity, and meet the requirements of the law. We offer these comments on the Draft CEIP in the spirit of improving the final product, and in a good faith effort to help Avista fulfill the intent and purpose of CETA – to achieve an equitable transition to a 100-percent clean electricity grid.

Thank you for the opportunity to comment, and we look forward to continuing to work with Avista, the UTC, and stakeholders to develop a robust Clean Energy Implementation Plan that the Commission can approve.

Sincerely,

/s/ Lauren McCloy, Policy Director

/s/ Joni Bosh, Senior Policy Associate