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October 21, 2022

Via Electronic Filing

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

Attn: Filing Center


Re: Washington Utilities and Transportation Commission v. Avista Corporation d/b/a Avista
Utilities Docket Nos. UE-220053, UG-220054, UE-210854 (Consolidated)

Dear Ms. Maxwell:

Enclosed for filing in the above-captioned docket, please find the Post-Hearing Brief of
NW Energy Coalition.

Thank you for your assistance. Please do not hesitate to contact me with any questions.

Sincerely,


Irion A. Sanger

Enclosure

cc. ALJ Andrew O'Connell via email
Master Service List via email

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COMMISSION

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant, v.

AVISTA CORPORATION d/b/a AVISTA
UTILITIES,

Respondent.

DOCKET NOS. UE-220053, UG-
220054, AND UE-210854
(*Consolidated*)

**POST-HEARING BRIEF OF
NW ENERGY COALITION**

October 21, 2022

I. INTRODUCTION

1. The NW Energy Coalition (“NWECC”) hereby respectfully submits this Post-Hearing Brief to the Washington Utilities and Transportation Commission (“UTC” or “Commission”) in support of the Settlement Stipulation in this case. The settlement reaches the appropriate balance that will result in rates and services that are fair to both Avista Corporation (“Avista” or the “Company”) and its ratepayers and is in the public interest.

2. NWECC recommends the Commission adopt the Settlement Stipulation. NWECC recommends the Commission adopt the Settlement Stipulation because:

- Colstrip: Excludes all costs related to the Dry Ash Disposal System from the revenue requirement, creates a Schedule 99 Colstrip tracker for all other Colstrip costs in order to remove Colstrip costs from rate bases for separate ratemaking, and allows a later determination of prudence and recovery in the separate Schedule 99;
- Natural gas customer growth: Revises the tariff so that by no later than January 1, 2025 natural gas line extension allowances will be reduced to zero and requires Avista to integrate the consideration of “non-pipe alternatives” in its gas distribution planning process;
- Climate Commitment Act: Requires Avista to develop a decarbonization plan in its 2023 Natural Gas Integrated Resource Plan and requires Avista to consult with its applicable advisory groups concerning its plans for complying with the Climate Commitment Act for electric and gas service;
- Transportation electrification (“TE”): Revises the Rate of Return on TE investments, adopts two performance metrics, and commits Avista to ensure that all of its publicly-accessible charging stations must meet minimum payment method requirements pursuant to RCW 19.94.565;
- Performance metrics: Includes a reasonable set of performance metrics that represent a compromise between the parties, increase transparency and data collection, and are in the public’s best interest especially related to natural gas system benefits, electric grid benefits, and affordable service; and
- Rate design: Ensures that rate setting principles are appropriately balanced in order to achieve overall fairness, rate stability, incremental change, and rate parity.

II. DISCUSSION

A. The Settlement Stipulation Represents a Reasonable Balancing of Interests and Is in the Public Interest

3. Under WAC 480-07-700, the Commission “supports parties’ informal efforts to resolve disputes without the need for contested hearings when doing so is lawful and consistent with the public interest.”¹ The Settlement Stipulation represents compromises from parties and is reasonable. Additionally, the Settlement Stipulation addresses many of NWECE’s concerns related to Colstrip investments, natural gas customer growth, the Climate Commitment Act, TE, performance measures, and rate design. The Settlement Stipulation represents an example of a successful solution developed from diverse interests coming together to forge a collective agreement that is in the best interest of the public. Thus, the Commission should adopt the Settlement Stipulation in full.

1. The Settlement Stipulation Resolves Some Issues Regarding Colstrip Investments and Defers Other Colstrip Issues to a Future Proceeding

4. The Settlement Stipulation resolves NWECE’s certain issues regarding Colstrip investments and defers other Colstrip related issues to a future proceeding, if Avista seeks cost recovery for them. While NWECE had planned to recommend that Colstrip costs be removed from rates at this time, the Settlement Stipulation is a reasonable compromise because it removes significant previously incurred Colstrip costs from the revenue requirement and ensures that NWECE and other stakeholders will have an opportunity to review and challenge the future costs invested in the plant. This review will include, but is

¹ See also WAC 480-07-740 (“The commission will review all settlement agreements to determine whether they comply with applicable legal requirements and whether approval of the agreements is consistent with the public interest.”).

not limited to, an examination of prudence. NWEC hopes that Avista will not incur any additional discretionary costs or life-extending capital additions at Colstrip, and, if Avista incurs such costs and seeks cost recovery from Washington ratepayers, then NWEC intends to challenge their reasonableness and prudence.

5. First, the Settlement Stipulation specifically excludes all costs related to the Dry Ash Disposal System from the revenue requirement.² This is reasonable especially in light of Washington’s Clean Energy Transformation Act (“CETA”) in which each electric utility “must eliminate coal-fired resources from its allocation of electricity” by December 31, 2025.³ Despite significant investment, dry ash storage will only be available for use by Avista for slightly over two years.

6. Second, the Settlement Stipulation creates a Schedule 99 Colstrip tracker for all other Colstrip costs (exclusive of transmission investment and costs included in the Energy Recovery Mechanism), removing Colstrip costs from the rate base, allowing for a separate cost recovery mechanism after review, including but not limited to a prudence determination.⁴ The Settlement Stipulation explains that “[i]nclusion of any incremental pro forma costs in the Tracker does not demonstrate their prudence and is subject to review through the annual true-up process.”⁵ NWEC believes it would have been reasonable for the Commission to preemptively disallow the preliminary budget amounts for a number of life-extending capital additions at Colstrip during the Multi-Year Rate Plan in light of CETA’s

² Full Multiparty Settlement Stipulation at ¶ 14.a.

³ S.B. 5116, 66th Leg., Reg. Sess. §3 (Wash. 2019), 2019 Wash. Sess. Laws 1608, 1614.

⁴ Full Multiparty Settlement Stipulation at ¶ 14.b.

⁵ Full Multiparty Settlement Stipulation at ¶ 14.b.

mandates. However, this issue represented a reasonable compromise in order to reach the Settlement Stipulation.

2. The Settlement Stipulation Represents a Reasonable Compromise on Natural Gas Customer Growth

7. The resolution of natural gas customer growth represents a reasonable compromise among parties. The Settlement Stipulation revises the tariff revision for natural gas line extension allowances so that by no later than January 1, 2025 line extension allowances will be reduced to zero.⁶ NWECC would have proposed a shorter timeline if the case had not been settled, but this is a reasonable compromise. NWECC also supports the commitment from Avista to integrate the consideration of “non-pipe alternatives” in its gas distribution planning process, including building envelope, efficiency measures, electrification, and gas demand response programs.⁷

3. The Settlement Stipulation Is a Good First Step Towards Compliance with the Climate Commitment Act

8. The Settlement Stipulation addresses most of NWECC’s concerns regarding Avista’s compliance with the Climate Commitment Act. Under the Settlement Stipulation, Avista is required to develop a decarbonization plan in its 2023 Natural Gas Integrated Resource Plan that must consider a comprehensive set of strategies, programs, incentives, and other measures to decarbonize its natural gas system.⁸ It also requires Avista to consult with its applicable advisory groups concerning its plans for complying with the Climate Commitment

⁶ Full Multiparty Settlement Stipulation at ¶ 21.a.

⁷ Full Multiparty Settlement Stipulation at ¶ 21.b.

⁸ Full Multiparty Settlement Stipulation at ¶ 21.d.

Act for electric and gas service.⁹ This consultation must include the terms of any future tariff filing, as well as reporting requirements, accounting treatment of any proceeds from the sale of allowances, and the investment of any proceeds from the sale of allowances pursuant to RCW 70A.65.130.¹⁰ While the UTC does not have a role in allocating allowances or overseeing the auctions, customers and the public have an interest in ensuring that the utilities are achieving the requirement to consign allowances for the benefit of ratepayers. Thus, the Settlement Stipulation is reasonable and in the public interest because it demonstrates Avista's commitment to future work on reporting requirements, accounting treatment, and reinvestment options.

9. More work will need to be completed in future dockets related to the Climate Commitment Act such as adoption of a forecast to be used for allocation of no-cost allowances. For example, the Settlement Stipulation does not include a provision to ensure that the forecast used for allowance allocation will be based on a model that is well-vetted, robust, and as closely representative of utility system operations as possible. The model will need to incorporate the impacts of CETA and the effects of a carbon price on resource dispatch. However, the Settlement Stipulation is reasonable, in the public interest, and represents good first steps towards compliance with the Climate Commitment Act.

4. The Settlement Stipulation Represents a Reasonable Compromise on Transportation Electrification Issues

10. The Settlement Stipulation represents a reasonable compromise on TE issues. Avista's request for an incentive Rate of Return on TE investments has been revised, two

⁹ Full Multiparty Settlement Stipulation at ¶ 25.a.

¹⁰ Full Multiparty Settlement Stipulation at ¶ 25.a.

performance metrics were adopted, and Avista committed to ensure that all of its publicly-accessible charging stations must meet minimum payment method requirements pursuant to RCW 19.94.565.¹¹

11. Regarding performance metrics, Avista has committed to tracking the following:
 - a. Percent of utility-owned and supported [Electric Vehicle Supply Equipment] by use case located within and/or providing direct benefits and services to named communities.
 - b. Percent of load shifted to off-peak periods attributable to TE tariff offerings by use case, including [Electric Vehicle] load subject to managed charging.¹²

These metrics capture two of the most important policy goals of Avista’s TE programs – the need to provide direct benefits and services to named communities, and the need to avoid TE adding to peak load through managed charging. Compliance with minimum payment method requirements in RCW 19.94.565 is essential because rules adopted by the Washington Department of Agriculture require a minimum of three payment methods, which are necessary to facilitate charging sessions for unbanked, underbanked, or low-moderate income drivers.¹³

5. The Settlement Stipulation Includes a Reasonable Set of Performance Metrics

12. The Settlement Stipulation includes a reasonable set of performance metrics that represent a compromise between the parties, increase transparency and data collection, and are in the public’s best interest. NWECC especially supports the performance metrics related

¹¹ Full Multiparty Settlement Stipulation at ¶ 22.

¹² Full Multiparty Settlement Stipulation at ¶ 22.

¹³ WSR 22-18-093.

to natural gas system benefits, electric grid benefits, and affordable service.¹⁴ These performance metrics will provide a good baseline set of data and information for future performance-based ratemaking metrics established in Docket No. U-210590. The Commission should adopt the Settlement Stipulation and these performance metrics.

6. Rate Design Under the Settlement Stipulation Is Reasonable

13. Under the Settlement Stipulation, rate design comes closer to balancing rate parity, rate stability, incremental change, overall fairness, and other rate setting principles than did Avista's initial proposal, which focused solely on rate parity. Specifically, customer charges should reflect only the cost of adding a new customer to the grid such as billing and metering but should not include any additional fixed cost categories.¹⁵ Residential and small commercial customers are not financially equipped to handle large augmentations to rates for the sole purpose of rate parity.¹⁶ Customers need to be protected from rate shock and a subsequent inability to pay bills.¹⁷ This is especially true for low-income customers. The Settlement Stipulation comes closer to achieving this delicate balancing act, though it is important to note that residential customers still face larger rate increases than other customer classes.¹⁸ For this proceeding, the Settlement Stipulation is reasonable and strikes a better balance of rate setting principles for rate design.

¹⁴ See Exh. JT-2, Attachment B at 40-45.

¹⁵ Exh. JT-1T at 47-48 (Statement of NWECA in the Joint Testimony).

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ See Exh. JT-1T at 15-16.

III. CONCLUSION

14. As articulated herein, the Commission should approve the Settlement Stipulation in full.

Dated this 21st day of October 2022.

Respectfully submitted,

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