



Avista Corp.

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September 8, 2021

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

Dear Mr. Johnson,

Attached for filing with the Commission is Avista Corporation's dba Avista Utilities (Avista or the Company) proposed new Tariff Schedule 195 "Optional Renewable Natural Gas." The proposed schedule is included in the following tariff sheets, WN U-29:

Original Sheet No. 195
Original Sheet No. 195A

I. INTRODUCTION

Avista hereby proposes to implement a voluntary Renewable Natural Gas (RNG) program (Program) in compliance with RCW 80.28.390 and pursuant to the Commission's Report and Policy Statement on Investigation of Renewable Natural Gas Programmatic Designs and Pipeline Safety Standards issued in Docket UG-190818 on December 16, 2020. This Program will provide natural gas customers within Avista's Washington natural gas service territory an opportunity to purchase RNG as part of their monthly billing. Avista intends to begin offering the Program to customers in January 2022, if the Commission allows the tariff to go into effect by operation of

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law.¹

II. BACKGROUND

In May 2019, RCW 80.28.390 was enacted into law, whereby utilities “must offer by tariff a voluntary renewable natural gas service available to all customers to replace any portion of the natural gas that would otherwise be provided by the gas company”. In response to the new law, in September 2019 the Commission opened an investigation...to examine the programmatic design and pipeline safety standards for utilities to purchase RNG...”² Per the Policy Statement³ the Commission directed the following for voluntary RNG Programs:

The Commission must approve proposed rate structures for the voluntary RNG programs required by RCW 80.28.390.

By and large, commenters recommended providing companies with flexibility to design the voluntary programs and purchase options that must be made available to customers. The Commission agrees that providing flexibility is appropriate at this early stage of implementation, and thus will evaluate each program proposal on a case-by-case basis.

Additionally, although we recognize that the statute allows utilities to place reasonable limits on program participation based on RNG availability, we expect utilities to communicate the rationale for any limits they choose to impose. Utilities must also include a separate, clearly identifiable charge on bills for customers who choose to participate in a voluntary RNG program.

Consistent with existing Commission and ratemaking policy related to cost causation, cross-subsidization and voluntary alternative energy offerings, all costs related to voluntary RNG programs must be borne by customers selecting such voluntary service. For example, RNG purchased for voluntary programs implemented pursuant to RCW 80.28.390 may not be included in the cost of providing or purchasing RNG for all customers through programs implemented to comply with RCW 80.28.385.

As a result of the passage of RCW 80.28.390 and the Policy Statement, the Company was prompted to develop the Program that will be made available to all of its natural gas customers.

¹ If allowed to go into effect on the proposed October 15, 2021 effective date, the Company would begin development of the technology requirements needed to offer the Program to its customers. The Company anticipates the technology requirements to be completed by the end of December 2021.

² Docket UG-190818 at ¶3.

³ Docket UG-190818 at page 8-9, ¶26-29.

Also, in 2019 the Company conducted customer research across a subset of small, medium, and large commercial customers in order to assess customer interest and desire for a variety of potential products and services. This outreach included a set of questions about RNG. The responses to these questions, along with a subsequent survey to residential customers, were used by the Company to gain a better understanding of customer sentiment towards RNG offerings and to better inform RNG program design.⁴ Within the commercial research, customers were presented with educational information pertaining to RNG options and asked if they are likely to participate in an RNG program, which 24% of commercial customers stated they were likely to participate before being presented with pricing information. When pricing information was included, respondents interest declined as price point increased, indicating that a premium-priced option would present a barrier to adoption for many. A similar decline in interest was found with increased price points for the residential customer set as well. The residential survey also indicated that consumer awareness and understanding of renewable natural gas is low and the market is nascent at this time. The Company kept these survey results top of mind while deciding on project design and product procurement. That said, Avista continues to believe that it is important to have a voluntary RNG program offering for its customers, and therefore designed a new tariff offering as described below.

III. PROGRAM DESIGN

Avista proposes to offer customers the ability to purchase blocks of RNG where each block includes the environmental attributes represented by the equivalent to 1.5 therms of RNG at a price

⁴ The Company conducted a commercial customer research project in 2019 using the Shelton Group, a leading research firm focused exclusively on energy and the environment. Avista also conducted internal research geared at residential customers specifically regarding renewable natural gas programs in 2020.

of \$5.00 per block.⁵ All charges related to the program are in addition to the customer's regular natural gas charges. The Company will utilize the types of qualifying RNG and renewable hydrogen or other qualifying resources as defined in RCW 54.04.190 for the Program.

In terms of the RNG acquired for the Program, the Company signed an agreement with Puget Sound Energy (PSE) to acquire the necessary volumes to support the Program. As noted in PSE's tariff filing for their voluntary RNG program⁶ and further detailed in a press release issued by PSE in May 2020⁷, PSE signed an RNG contract with Klickitat Public Utility District to acquire an estimated 550,000 dekatherms per year for the first three years with significantly more RNG in the years following.

The Company has structured the price to confine Program costs and benefits strictly to Program participants, including the supply of RNG attributes and Program administration costs. The breakdown of program costs is included as Attachment A to this filing.

Program enrollment will remain simple for customers and may be initiated online or over the phone with a Customer Service Representative (CSR). Customers will have the opportunity to participate with no contract required and will have the option to enroll and/or cancel participation at any time in a given month. The ease of enrollment and no contractual obligations have been validated as a customer satisfier in recent surveys and customer feedback sessions.

Natural gas customers will receive notification of the Program availability once the Program is available, along with periodic information and solicitation to participate in the Program. Avista will conduct additional customer outreach and awareness as the program budget allows. These communications are intended to increase program participation and deepen current program participants' engagement and satisfaction by providing increased visibility into the benefits of the

⁵ Charges will appear on the customers' regular monthly bill as a separate line item and include appropriate taxes.

⁶ Docket UG-210194.

⁷ <https://www.pse.com/en/press-release/details/pse-signs-deal-with-klickitat-pud-to-buy-renewable-natural-gas>

program.

The Company has identified key performance indications and will establish baseline metrics that will continue to track Program performance in an effort to meet its primary objectives of customer satisfaction, customer awareness, and customer participation. Customer satisfaction will be measured by an annual Net Promoter Score (NPS) survey on an annual basis, measures customer experience and customers' overall satisfaction with a company's products or services. The Company will monitor customer awareness through external web traffic to the Program page. Finally, customer participation will be measured by the number of customers enrolling in the Program and staying enrolled. All three of these metrics will be important as the Program strives for higher levels of customer satisfaction and improved sentiment, ultimately driving broader awareness and interest in support of renewable energy.

Lastly, the Company will utilize the Midwest Renewable Energy Tracking System (M-RETS) for purposes of the Program and retiring environmental attributes on behalf of participating customers.

IV. CONCLUSION

In conclusion, Avista is pleased to have designed a Program that gives an additional option for natural gas customers seeking to reduce their carbon footprint through the purchase of RNG, while at the same time meets with the requirements of RCW 80.28.390. The Company requests the proposed tariff become effective on October 15, 2021, by operation of law.

Please note that certain sections of the attachments, Attachment A, has CONFIDENTIAL information. This document should be treated as CONFIDENTIAL per WAC 480-07-160.

Please also note that they are only being provided electronically.

Please direct any questions regarding this filing to Amanda Ghering at amanda.ghering@avistacorp.com or 509-495-7950 or to me at shawn.bonfield@avistacorp.com or at 509-495-2782.

Sincerely,

Shawn Bonfield

Sr. Manager of Regulatory Policy & Strategy
Regulatory Affairs