

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,
v.

AVISTA CORPORATION, d/b/a
AVISTA UTILITIES,

Respondent.

Docket UE-240006 & Docket UG-240007
(Consolidated)

SIERRA CLUB POST-HEARING BRIEF

October 28, 2024

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I. INTRODUCTION

- 1 Decarbonization has become a deeply-engrained priority in Washington’s energy policy. In numerous statutes enacted over several years, the legislature has given “clear direction to reduce greenhouse gas emissions and the use of fossil fuels” in all economic sectors, and especially the state’s energy sector, including its gas distribution systems.¹ That direction is reflected in many decisions of the Utilities and Transportation Commission (“Commission”), as well as the regulations, programs, and publications of sister agencies.
- 2 Washington’s climate policy demands transformative action from gas utilities, with guidance from this Commission, for a successful transition to a decarbonized energy system. So far, Avista has failed to meet this challenge and opportunity. Its business-as-usual plan for complying with the Climate Commitment Act (“CCA”) relies almost exclusively on buying emission allowances, without taking meaningful steps to decarbonize its gas system. And its implementation of the gas system decarbonization provisions in its 2022 general rate case settlement have not fulfilled the settlement’s promise to put Avista on a path to successful decarbonization.
- 3 In this proceeding, the Commission has an opportunity to course-correct by giving Avista clear guidance and directing specific actions to ensure that Avista’s actions and investments are prudent in light of state decarbonization policy and Avista’s CCA obligations. To ensure a successful, affordable, and equitable transition, Avista must (1) stop expanding its gas system, (2) maximize its support for building electrification, and (3) plan for a managed transition away from reliance on fossil gas. Sierra Club has offered recommendations to address all three of these elements by phasing out Avista’s

¹ Wash. UTC, Proceeding No. UG-210729, Order 01, ¶ 27 (Oct. 29, 2021) [hereinafter “Order 01, No. 210729”].

remaining subsidies for new gas connections, aligning its energy efficiency programs with no-regrets decarbonization measures, improving Avista’s analysis of non-pipe alternatives, conducting a Targeted Electrification Pilot, and developing a robust gas system decarbonization plan.

II. THE COMMISSION SHOULD DIRECT AVISTA TO MAKE PRUDENT PLANS AND INVESTMENTS FOR GAS SYSTEM DECARBONIZATION TO MEET STATE REQUIREMENTS

4 In recent years, Washington has enacted several statutes and policies aimed at decarbonizing the state’s economy generally, and its gas utilities specifically.²

Washington’s Climate Commitment Act is a cap-and-invest program that creates direct compliance obligations for Avista. The CCA requires covered entities to purchase allowances to cover their emissions, with the number of available allowances decreasing over time to meet statewide emission caps. The statewide cap decreases to 95% below 1990 emission levels by 2050.³ If a covered entity reduces its emissions, the number of allowances it must purchase decreases, along with its exposure to increases in the scarcity and price of allowances as the statewide emissions cap declines.

5 Washington’s 2021 State Energy Strategy concludes that Washington cannot meet its statutory decarbonization targets without addressing building sector emissions, and that “decarbonizing the building sector requires the state to ... [m]aximize electrification.”⁴

² Dennison, Exh. JAD-1T at 4:7 to 5:15.

³ RCW 70A.45.020(1)(a)(iv).

⁴ Dennison, Exh. JAD-1T at 6:5-8; Wash. State Dep’t of Com., *Washington 2021 State Energy Strategy* at 15, 46, 66-68 (Dec. 2020) [hereinafter “State Energy Strategy”], <https://www.commerce.wa.gov/wp-content/uploads/2020/12/Washington-2021-State-Energy-Strategy-December-2020.pdf>; see also Wash. State Dep’t of Com., *2023 Biennial Energy Report* at 46 (March 2023) [hereinafter “2023 Biennial Energy Report”], <https://deptofcommerce.app.box.com/s/uohdamh5qd1fwal543x78elme2w0pr0h> (affirming that “Decarbonizing the building sector requires the state to: Maximize energy efficiency” and “Maximize electrification,” among other actions).

Thus, Avista and other gas utilities must decrease their emissions in order to meet their CCA compliance obligations prudently and in line with the statewide emission caps.

A. The Commission Must Ensure Avista’s CCA Compliance Strategies Are Prudent

6 Remarkably, Avista and AWEC argue that because the CCA is a market-based policy, it does not specifically require any emission reductions from covered entities.⁵ But the absence of specific statutory directives to take particular actions cannot be taken as a blank check for inaction or over-reliance on allowances. The CCA’s market-based regulatory regime is rooted in state decarbonization targets and a statewide emissions cap that steadily decreases to 95% below 1990 levels and net-zero emissions by 2050.⁶ Avista’s claim that it can completely rely on CCA allowances without ever significantly reducing its emissions is flatly inconsistent with the statewide decarbonization requirements that are at the heart of the CCA’s market-based scheme.

7 A hallmark of public utility regulation is broad legislative direction for regulators to ensure that utility rates, plans, and activities meet high-level goals like being “prudent,”⁷ “just and reasonable,”⁸ in “the public interest,”⁹ and consistent with “the provisions of the law.”¹⁰ The Commission’s duty is to apply these general standards to particular circumstances and utility actions.¹¹ In carrying out that duty, the Commission regularly

⁵ Bonfield, Exh. SJB-5T at 50:13-21 (asserting that gas utilities can comply with the CCA “by solely purchasing carbon allowances,” and that “[t]he CCA does not, in fact, require a reduction of natural gas usage or reduction of actual emissions from natural gas utilities”); Kaufman, Exh. LDK-6T at 5:9-12, 7:5-11 (asserting that “none of the laws or policies cited by Sierra Club dictate specific decarbonization actions for Avista’s natural gas system”).

⁶ RCW 70A.45.020(1)(a)(iv).

⁷ See *Willman v. Wash. UTC*, 93 P.3d 909, 913 (Wash. App. 2004).

⁸ RCW 80.28.010.

⁹ *Id.* 80.28.425.

¹⁰ *Id.* 80.28.020.

¹¹ *ARCO Products Co. v. Wash. UTC*, 888 P.2d 728, 731-32 (Wash. 1995), *en banc* (noting that because the phrase “‘just and reasonable’ is open to a number of different interpretations” and “can vary according to the context,”

directs or approves specific actions, including specific pathways for complying with statutory requirements that can be met in multiple ways. It also regularly conditions its approval of utility rates and plans on the utilities taking specific actions to ensure that the approved investments remain prudent.¹² Here, the Commission has the same duty to ensure Avista’s CCA compliance strategies are prudent as it has to ensure that other aspects of Avista’s planning, investments, and activities are prudent, consistent with the public interest, and consistent with applicable law.

8 Indeed, in approving recent general rate case settlements the Commission has *already* ordered Avista and Puget Sound Energy (“PSE”) to take several specific actions to advance prudent CCA compliance, from phasing out gas line extension allowances to implementing frameworks for non-pipe alternative analysis.¹³ All of Sierra Club’s recommendations in this proceeding are modeled on actions that the Commission has previously ordered to advance gas system decarbonization.

9 The Commission has an especially important role to play when it comes to compliance with market-based policies like the CCA, given its role as an economic regulator. As a regulated monopoly, Avista is not subject to the market pressures that can be expected to lead non-monopoly businesses to address the compliance costs and risks associated with their emissions. For example, a non-monopoly business may recognize that even if

courts “give a great deal of deference” to the Commission’s expertise and determinations of what is just and reasonable in the area of regulated utilities).

¹² See, e.g., Wash. UTC, Proceeding No. UE-220066, UG-220067, UG-210918 (consol.), Order 24/10 ¶ 47 (Dec. 22, 2022) [hereinafter “Order 24/10, No. 220066 *et al.*”] (approving settlements in PSE’s 2022 general rate case subject to various conditions, including PSE’s demonstration of all offsetting benefits under the Inflation Reduction Act and Infrastructure Investment and Jobs Act when seeking review of provisionally-approved capital investments and power costs).

¹³ Wash. UTC, Proceeding Nos. UE-220053, UG-220054, UE-210954 (consol.), Final Order 10/04 ¶¶ 86, 88 (Dec. 12, 2022) [hereinafter “Order 10/04, No. 220053 *et al.*”]; Order 24/10, No. 220066 *et al.* ¶¶ 65, 71, 290.

allowance prices are currently low, the statewide emissions cap and the number of available allowances will decrease over time, increasing the cost and risk of an allowance-based compliance strategy. These risks incentivize the non-monopoly business to begin planning and investing to develop its ability to reduce emissions, allowing it to hedge against the risks of an allowance-based strategy and avoid being at a disadvantage to better-prepared competitors. Regulated utilities are not subject to these market pressures. Because most or all of their CCA allowance costs are passed through to ratepayers, they can be largely indifferent to whether an allowance-based compliance strategy minimizes long-term risk or aligns with state emission reduction targets, as long as the Commission continues to allow cost recovery for CCA allowances and gas system investments.

10 Thus, the Commission cannot passively rely on the CCA’s emission market scheme to meet state decarbonization targets, or to ensure that utilities do so at the lowest long-term cost and risk to ratepayers. Instead, the Commission must give adequate direction to ensure that utilities’ CCA compliance strategies are prudent and aligned with the public interest, which includes consideration of emission reductions.¹⁴

B. Avista’s Past Shortcomings Demonstrate the Need for Commission Direction

11 Avista’s past planning and actions have not aligned with achieving state climate targets or minimizing CCA compliance risk. The Commission must address this misalignment by clearly directing Avista to take steps to decarbonize its gas system.

¹⁴ RCW 80.28.425(1) (“In determining the public interest, the commission may consider ... environmental health and greenhouse gas emissions reductions ...”).

1. Avista's Allowance-Based CCA Strategy

- 12 The Preferred Resource Strategy in Avista's 2023 Natural Gas Integrated Resource Plan ("IRP") relies almost exclusively on allowance purchases, rather than emission reductions, to comply with the CCA.¹⁵ This allowance-based CCA compliance strategy does not align with long-term state decarbonization targets,¹⁶ fails to account for the risks of inaction,¹⁷ and significantly overstates the costs of building electrification as a CCA compliance strategy.¹⁸ Due to these deficiencies, Avista's Preferred Resource Strategy does not meet the Commission's "lowest reasonable cost" standard,¹⁹ and investment decisions made based on this Resource Strategy cannot be presumed to be prudent.
- 13 In testimony opposing Sierra Club's recommendations, Avista appeared to assume that any resource or CCA compliance decision that aligns with its 2023 IRP is prudent.²⁰ But the Commission has not issued an acknowledgement decision on Avista's IRP, so it is not entitled to any presumption of prudence. Indeed, Sierra Club, UTC Staff, and others have identified serious concerns with the CCA compliance strategy in Avista's IRP that show it should not be presumed to be prudent or in the public interest.²¹ UTC Staff expressed similar concerns about Cascade Natural Gas's similarly allowance-based CCA

¹⁵ Dennison, Exh. JAD-1T at 8:4-12.

¹⁶ *Id.* at 8:7-12.

¹⁷ These include the risk that emission allowances will be significantly more scarce or expensive in the future, when the allowance needs projected by Avista and other utilities approach—or even exceed—the statutory statewide emissions cap. *Id.* at 8:7-12, 29:14-19; Gehrke, Exh. WG-8T at 7:6-21.

¹⁸ Dennison, Exh. JAD-1T at 43:5 to 44:5; Dennison, Exh. JAD-4, Oregon PUC, Order No. 24-156, No. LC 81 at Appendix A, p. 36 ("Staff continues to find Avista's method of including the entire conversion price [when modeling building electrification] problematic.").

¹⁹ WAC 480-90-238(2)(b) (requiring an IRP's lowest reasonable cost analysis to address "the risks imposed on 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," among others factors).

²⁰ *See, e.g.*, Bonfield, Exh. SJB-5T at 56:8-11 (opposing Sierra Club's recommendation for a targeted electrification pilot and claiming that "[i]f or when electrification is cost-effective, the Company will pursue it as part of its [Preferred Resource Strategy]").

²¹ Dennison, Exh. JAD-1T at 8:4-18, 43:5 to 44:5.

compliance strategy, and Staff’s comments were attached to the Commission’s letter declining to acknowledge Cascade’s IRP.²² Finally, the Oregon Public Utility Commission (“PUC”) declined to acknowledge the long-term plan in Avista’s 2023 IRP, based in part on PUC Staff’s concerns that were similar to the ones Sierra Club raised before the UTC.²³ Especially important, Oregon PUC Staff repeatedly showed that Avista failed to model building electrification as a compliance strategy and instead only modeled electrification as an indicator of elasticity.²⁴ The significant concerns with Avista’s approach to CCA compliance in its 2023 IRP demonstrate that, rather than presuming that approach to be prudent, the Commission must provide clear direction to ensure that Avista’s future plans and investments align with state climate targets and appropriately account for the costs and risks of inaction.

2. Avista’s Inadequate Implementation of Gas System Decarbonization Provisions from its 2022 General Rate Case Settlement

14 Avista’s business-as-usual implementation of its 2022 general rate case settlement has not fulfilled the settlement’s promise to “promote prudent planning and ... aid Avista’s compliance with the requirements of the CCA.”²⁵ The settlement required Avista to develop a gas system decarbonization plan in its 2023 IRP with several specified elements, including consideration of a comprehensive set of strategies to encourage customer decarbonization measures and targets for the ratio of new gas customers to new

²² *Id.* at 8:14-18.

²³ *Id.* at 9:1-5.

²⁴ *Id.* at 43:8 to 44:2; Dennison, Exh. JAD-4, Or. PUC, Proceeding No. LC 81, Order No. 24-156, Appendix A at 40 (May 31, 2024) (“Under a proactive resource strategy, electrification is not simply an indicator of elasticity, but is modeled as a viable compliance resource for the utility.”). Troublingly, Avista intends to continue “valu[ing] electrification through price elasticity” in its 2025 IRP, in spite of the clear and repeated contrary guidance from PUC Staff and stakeholders. Bonfield, Exh. SJB-5T at 56:15-16. This underscores the need for clear direction from the Commission.

²⁵ Order 10/04, No. 220053 *et al.* ¶ 88.

electric customers.²⁶ It also required Avista to integrate consideration of non-pipe alternatives (“NPAs”) into its IRPs.²⁷

15 Avista’s 2023 IRP does not contain anything that could be recognized as a cohesive decarbonization plan—indeed, its allowance-based CCA strategy can best be described as a plan *not* to decarbonize.²⁸ As described above, the IRP did not appropriately analyze incentivizing customer electrification as a compliance strategy, despite numerous findings that electrification is among the most effective building decarbonization measures. Nor did the IRP include a target for new gas customer additions or any planned steps to meet such a target.²⁹ And as discussed further in Section III.C below, the IRP did not include NPA analyses for any gas infrastructure projects.³⁰

16 Avista and AWEC argue that Avista has satisfied its settlement obligations, characterizing the required decarbonization plan as a bare-bones outline for minimally complying with the CCA.³¹ This interpretation of the settlement strains credulity. If Avista and AWEC were correct (which they are not) that utilities can prudently comply with the CCA by simply continuing to emit and purchasing allowances, there would be no need to develop a compliance plan, let alone one that includes the elements detailed in the settlement.

17 Regardless of whether Avista can be said to have minimally complied with its 2022 rate case settlement, one thing is clear: Avista will need to do significantly more than it has in

²⁶ *Id.*, Appendix A ¶ 21.d; Dennison, Exh. JAD-1T at 40:16 to 41:4.

²⁷ Order 10/04, No. 220053 *et al.* Appendix A ¶ 21.b.

²⁸ Dennison, Exh. JAD-1T at 41:6 to 42:15.

²⁹ *Id.* at 13:3-13.

³⁰ *Id.* at 24:14 to 25:6.

³¹ Bonfield, Exh. SJB-5T at 53:10-16, 55:16-20; Kaufman, Exh. LDK-6T at 10:16-17.

the past if it is to prudently comply with the CCA and contribute to the achievement of Washington’s statutory emission caps. Because the direction Avista has received from the Commission to date has not led it to initiate the planning and transformative changes that will be required for a successful decarbonization transition, the Commission must clearly direct Avista to take several specific actions in this proceeding.

III. SIERRA CLUB HAS RECOMMENDED MULTIPLE ACTIONS TO BEGIN PRUDENTLY DECARBONIZING AVISTA’S GAS SYSTEM, IN LINE WITH STATE POLICY

18 Expert analyses show that the least-cost, least-risk pathways to decarbonizing Washington’s gas systems include three elements: (1) stop expanding the gas system, (2) “maximize energy efficiency and electrification,” and (3) plan for a managed transition from fossil fuels.³² Sierra Club’s recommendations address all three of these elements: First, changes to Avista’s line extension allowances, energy efficiency programs, and non-pipe alternative analysis will reduce the need for risky new gas system investments and pursue alternatives to those investments. Second, a Targeted Electrification Pilot will develop Avista’s capacity to help “maximize building electrification” in Washington. Finally, a gas system decarbonization plan will explore how these and other strategies can be expanded, improved, and incorporated into an overall CCA compliance strategy that aligns with statewide emission caps and avoids the risks of Avista’s current allowance-based compliance strategy.

³² See, e.g., State Energy Strategy at 71, 74, 81-82; 2023 Biennial Energy Report at 46, 55, 57-58.

A. Phase Out Electric Line Extension Allowances for New Mixed-Fuel Construction

- 19 Sierra Club recommends that the Commission Direct Avista to make its electric line extension allowances (“LEAs”) available only to all-electric new construction projects and not mixed-fuel projects that rely on gas or propane.³³
- 20 As the Commission has recognized, LEAs that encourage new connections to the gas system are “contrary to the legislature’s clear direction to reduce greenhouse gas emissions and the use of fossil fuels.”³⁴ Moreover, they raise significant issues such as how to “ensur[e] that utility tariffs do not increase the likelihood of stranded assets in the future” in light of “the likelihood that natural gas lines will not be serving customers in Washington in perpetuity.”³⁵
- 21 Although Avista has taken a significant step forward by agreeing to phase out its gas LEAs by January 1, 2025,³⁶ its electric LEAs for mixed-fuel buildings continue to subsidize and encourage new connections to the gas system.³⁷ The California Public Utilities Commission has eliminated electric LEAs for mixed-fuel buildings statewide, after previously eliminating gas LEAs. The PUC found that this was “the next logical step” toward meeting state climate goals, because it “divert[ed] remaining subsidies away from new mixed-fuel buildings,” encouraged emission-reducing all-electric new construction, and reflected “the cost of creating mixed-fuel gas assets that could be stranded in the coming years.”³⁸ Eliminating Avista’s electric LEAs for mixed-fuel new

³³ Dennison, Exh. JAD-1T at 13:16-18.

³⁴ *Id.* at 11:18-19 (quoting Order 01, No. 210729 ¶ 27).

³⁵ *Id.* at 11:19 to 12:5 (quoting Order 01, No. 210729 ¶ 28).

³⁶ *Id.* at 12:6-7 (citing Order 10/04, No. UE-220053 *et al.*, ¶ 86).

³⁷ *Id.* at 12:13-15.

³⁸ *Id.* at 14:5-8 (quoting Cal. PUC, Decision No. 23-12-037 at 19, Proceeding No. R.19-01-011 (Dec. 21, 2023)).

construction will likewise advance Washington’s decarbonization policy and reduce stranded asset risks for Avista’s customers.

22 Avista and AWEC oppose this recommendation, based on their unfounded claims that limiting LEAs to all-electric construction may constitute rate discrimination under RCW 80.28.100 and create an unreasonable preference for electric-only service under RCW 80.28.090.³⁹ But RCW 80.28.100 only prohibits utilities from charging different amounts for providing the same service “under the same or substantially similar circumstances or conditions.”⁴⁰ For the reasons discussed in Sierra Club Witness Dennison’s testimony, mixed-fuel construction is not a “substantially similar” circumstance to all-electric construction: Mixed-fuel construction contributes less to the electric load growth that electric LEAs are premised on, it does not advance state climate policy, it will make CCA compliance more difficult and more costly for Avista’s customers, and it increases the risk that they will shoulder the costs of stranded assets.⁴¹ For the same reasons, it is not at all “unreasonable” to preferentially grant LEAs to all-electric new construction that advances state policy and reduces risk to customers, so there is no violation of RCW 80.28.100.⁴²

³⁹ Miller, Exh. JDM-8T at 19:4-17; Kaufman, Exh. LDK-6T at 6:19-21.

⁴⁰ See, e.g., *West Terrace Golf LLC v. City of Spokane*, 542 P.3d 1029, 1038 (Wash. App. 2024) (“The unreasonable preferences prohibition, RCW 80.28.090, prohibits only “*undue or unreasonable*” rate preferences. RCW 80.28.090 (emphasis added). Likewise, the prohibition on rate discrimination in RCW 80.28.100 bars a utility from collecting from one person “a greater or less compensation” than it receives “from any other person,” but only “for doing a like or contemporaneous service ... under the same or substantially similar circumstances or conditions.”); see also *Cole v. Wash. UTC*, 485 P.2d 71, 76 (Wash. 1971), *en banc* (“Rate classifications premised on reasonable differences in conditions and costs are an accepted part of utility rate making.”) (internal citation omitted).

⁴¹ Dennison, Exh. JAD-1T at 10:19 to 11:14, 14:15 to 15:9.

⁴² See, e.g., Wash. UTC, Order 06, Proceeding No. UE-161123, ¶ 41 (July 13, 2017) (agreeing with parties that a “Special Contract does not grant Microsoft undue preference or prejudice any other customer by allowing Microsoft to meet its electricity needs under conditions that significantly advance state energy policy goals”); see also *ARCO Products Co. v. Washington UTC*, 888 P.2d at 734 (holding that if an allocation between customers satisfies the “just and reasonable standard,” it also satisfies RCW 80.29.090).

- 23 AWEC also claims that Sierra Club’s proposal “ignores the economic basis for line extension allowances” and is inconsistent with the CCA’s market-based approach.⁴³ But as shown by Witness Dennison, the traditional economic basis is “increasingly inapplicable to LEAs that encourage new connections to the gas system,” because these new connections will increase CCA compliance costs and stranded asset risks, not to mention impede state climate progress.⁴⁴ And for the reasons discussed in Section II.A above, it is entirely consistent with the CCA’s market-based approach for the Commission to ensure that utilities’ LEA policies facilitate prudent CCA compliance.⁴⁵
- 24 Avista and AWEC also voice concerns about rural customers who rely on propane and industrial applications that are not as easily electrified.⁴⁶ Tellingly, they do not point to any evidence that situations like these have created significant issues in California following its elimination of LEAs for mixed-fuel construction, or in Washington following changes to gas LEAs. But if the Commission shares these concerns, it can adapt Sierra Club’s proposal to address them. Continuing to allow LEAs for buildings that use propane, in addition to all-electric buildings, would address Avista’s concern while achieving many (but not all) of the reductions to emissions and stranded asset risks from Sierra Club’s proposal. And as AWEC’s own witness noted, California provides an exemption process that permits LEAs for qualifying mixed-fuel projects that serve non-

⁴³ Kaufman, Exh. LDK-6T at 6:12-16, 7:3-13; *see also* Miller, Exh. JDM-8T at 18:10-13.

⁴⁴ Dennison, Exh. JAD-1T at 10:14 to 11:14, 15:6-9.

⁴⁵ *See* Order 10/04, No. 220053 *et al.*, ¶ 88 (finding that phasing out Avista’s gas LEA, among other settlement provisions, “will aid Avista’s compliance with the requirements of the CCA”); Order 24/10, No. UE-220066 *et al.* ¶ 290 (finding that phasing out Puget Sound Energy’s gas LEA was consistent with the public interest).

⁴⁶ Miller, Exh. JDM-8T at 18:18 to 19:3; Kaufman, Exh. LDK-6T at 8:3-11.

residential customers.⁴⁷ The Commission could address AWEC’s concern by permitting LEAs for certain non-residential customers, as California does.

25 Finally, Avista claims that it does not necessarily know if a customer plans to install gas or propane.⁴⁸ Avista could easily determine whether new customers would be eligible for an electric LEA by asking if they plan to install gas or propane in the application for new service, or at another appropriate point in the process of establishing service.

B. Align Avista’s Gas Energy Efficiency Programs with No-Regrets Decarbonization Measures

26 Sierra Club recommends that the Commission direct Avista to adjust its gas energy efficiency programs to better emphasize “no-regrets” measures that are compatible with a range of decarbonization scenarios.⁴⁹ Specifically, Avista should (1) eliminate its incentives for installing gas equipment in newly-constructed residential buildings, (2) shift 20% of the funds budgeted for residential gas equipment incentives to incentives for residential building envelopes and electrification readiness measures, and (3) include information about available utility and government incentives for efficient electric equipment in any materials and customer communications related to gas equipment incentives.⁵⁰

⁴⁷ Kaufman, Exh. LDK-6T at 8:15-17; *see* Cal. PUC, Decision No. 23-12-037 at 37, Rulemaking No. 19-01-011 (Dec. 21, 2023). Note that California’s exemption process is based on its process for granting exemption to the elimination of gas LEAs. Avista’s phaseout of gas LEAs does not include an exemption process, suggesting that such a process is not necessary to eliminate its electric LEAs for mixed-fuel construction.

⁴⁸ Miller, Exh. JDM-8T at 19:20-26.

⁴⁹ This recommendation is modeled on provisions related to customer incentives and outreach that were approved as part of PSE’s 2022 general rate case settlement. *See* Order 24/10, No. UE-220066 *et al.*, Appendix A ¶¶ 68.f, 68.i (requiring “a proposal to limit or phase out incentives for new gas appliances” in PSE’s Targeted Electrification Strategy and requiring PSE “to phase out promotional advertising specific to connecting new customers to the gas system or encouraging customers to switch to gas utility service away from other forms of energy service”).

⁵⁰ Dennison, Exh. JAD-1T at 17:13 to 18:4.

- 27 Continuing to provide incentives for new gas equipment is in tension with Washington’s climate and energy policy, in much the same way as continuing to offer line extension allowances that encourage new gas connections.⁵¹ Recognizing this tension, utility commissions in states like Colorado and California have required utilities to limit or phase out gas equipment incentives.⁵² Sierra Club’s recommendations are designed to begin gradually shifting emphasis away from gas equipment incentives and toward no-regrets measures like weatherization, which will provide energy savings and emission reductions no matter which fuels a building uses in the future.⁵³
- 28 NWEC supports Sierra Club’s proposals to eliminate gas equipment incentives for new residential construction and to require that Avista provide information about electrification incentives when informing customers about gas equipment incentives.⁵⁴ NWEC supports Sierra Club’s suggestion to fund weatherization or building envelope measures, but prefers to address that adjustment in an upcoming Biennial Conservation Plan process.⁵⁵
- 29 Avista opposes Sierra Club’s recommendations, arguing that they are inconsistent with RCW 80.28.380’s requirement to acquire all available and cost-effective conservation measures.⁵⁶ But where multiple types of measures are available to achieve a conservation target, RCW 80.28.380 does not limit which of these measures a utility may pursue. For example, Avista currently uses a midstream incentive model. But if it determined that a consumer incentive model was more effective for achieving its conservation targets,

⁵¹ *Id.* at 15:17 to 16:7.

⁵² *Id.* at 17:3-11.

⁵³ *Id.* at 18:12-14.

⁵⁴ Gehrke, Exh. WG-8T at 8:21 to 9:11.

⁵⁵ *Id.* at 9:15 to 10:6.

⁵⁶ Bonfield, Exh. SJB-5T at 46:2-16.

RCW 80.28.380 would not prevent it from pursuing that model. Likewise, if Avista can meet its conservation targets by deploying weatherization measures instead of gas equipment incentives, RCW 80.28.380 gives it latitude to pursue that approach. Avista implicitly acknowledges as much when discussing its discretion to adaptively manage its program to support the conservation targets it has identified.⁵⁷

30 If the Commission does decide to address these issues in a future Biennial Conservation Plan proceeding per NWECC's suggestion, Sierra Club recommends that it direct parties in that proceeding to address whether gas equipment incentives (especially for new construction) remain cost-effective in light of the costs and stranded asset risks of new gas connections, as well as "federal appliance standards, state building energy codes, the CCA, and future policy direction to reduce greenhouse gas emissions."⁵⁸

31 Avista's legal concerns do not apply to Sierra Club's recommendation to provide information about electrification incentives with any information about gas equipment incentives, as this would not involve any shift away from Avista's current conservation measures. Avista states it is "open to extensive outreach regarding available utility, local, state, and federal incentives for efficient equipment," but is unwilling to perform this outreach when informing customers about its gas equipment incentives because it "is not always the corresponding electric provider for each natural gas customer."⁵⁹ But Avista need not be a customer's electric provider to help inform them about electrification incentives that could benefit from. As NWECC Witness Gehrke observed, this information enables customers to "make choices aligned with overarching environmental, economic,

⁵⁷ *Id.* at 48:4-7.

⁵⁸ Gehrke, Exh. WG-8T at 9:21 to 10:3; *see also* Dennison, Exh. JAD-1T at 16:8-11, 19:4-8.

⁵⁹ Bonfield, Exh. SJB-5T at 48:21 to 49:2.

and regulatory developments,” and that benefit does not depend on who provides their electric service.⁶⁰ Similarly, Avista’s midstream program with less direct customer contact does not prevent it from providing information about electrification incentives whenever it communicates to customers about gas equipment incentives, however frequently or infrequently that may be.⁶¹

C. Improve Avista’s NPA Framework and Require Analysis of NPAs in Avista’s Next IRP

- 32 Sierra Club recommends that the Commission direct Avista to improve its framework for evaluating non-pipe alternatives to gas infrastructure projects, and to analyze NPAs for at least five infrastructure projects in its next IRP.⁶²
- 33 NPAs can include portfolios of demand-side management and electrification programs, as well as thermal energy networks and other resources that meet utility resource needs without investing in gas infrastructure.⁶³ NPAs can greatly benefit gas utilities and their customers by avoiding the costs of gas infrastructure projects, avoiding stranded asset risks associated with those projects, and reducing gas consumption and the associated costs of fuel and CCA compliance.⁶⁴
- 34 In its 2022 general rate case settlement, Avista agreed to integrate consideration of NPAs into its gas distribution planning process and IRPs.⁶⁵ However, Avista’s 2023 gas IRP did not include any analyses of whether NPAs could meet identified resource needs in Washington.⁶⁶ Avista has given shifting explanations for why it has not performed any

⁶⁰ Gehrke, Exh. WG-8T at 9:6-11.

⁶¹ See Bonfield, Exh. SJB-5T at 49:2-5.

⁶² Dennison, Exh. JAD-1T at 29:10 to 30:19.

⁶³ *Id.* at 19:22 to 20:8.

⁶⁴ *Id.* at 20:10 to 21:2.

⁶⁵ *Id.* at 23:15 to 24:6.

⁶⁶ *Id.* at 24:14 to 25:6.

NPA analyses to date. In direct testimony, Witness DiLuciano stated that NPAs have not allowed Avista to provide adequate capacity for gas customers, but did not explain how the Company reached this conclusion.⁶⁷ In response to a data request about that testimony, Avista stated it “has little experience with NPAs to date” and expressed pessimism about the Company’s ability to influence customer behavior.⁶⁸ In rebuttal testimony, DiLuciano stated that no projects have met Avista’s criteria for consideration of NPAs.⁶⁹

35 In its decision on Avista’s 2023 gas IRP, the Oregon Public Utility Commission required Avista to adopt an NPA analysis framework developed by PUC Staff.⁷⁰ That framework requires Avista to look forward five years to allow ample time for evaluation and implementation of NPAs, explain the timelines and strategies for the NPAs it evaluates, and satisfy other requirements.⁷¹ Avista supports adoption of this NPA framework for certain growth-driven projects with budgets over \$500,000 in Washington, with modifications to incorporate compliance with Washington’s CCA.⁷²

36 Sierra Club appreciates Avista’s willingness to adopt the Oregon PUC’s NPA framework in Washington, but recommends three additional improvements to this framework. First, Avista’s analysis of NPAs should reflect the risks of allowance-based CCA compliance strategies, which are discussed in Section II above. An effective way to reflect this risk is to apply the heuristic assumption that CCA allowances will be purchased at the ceiling price when evaluating NPAs’ avoided CCA compliance costs.⁷³ NWEC recognizes the

⁶⁷ *Id.* at 25:8 to 26:6 (quoting Exh. DiLuciano, JDD-1T at 50:20-22).

⁶⁸ Dennison, Exh. JAD-1T at 26:3-13; Dennison, Exh. JAD-9.

⁶⁹ DiLuciano, Exh. JDD-3T at 26:12-15.

⁷⁰ Dennison, Exh. JAD-1T at 27:16 to 28:4.

⁷¹ *Id.* at 28:5-19.

⁷² DiLuciano, Exh. JDD-3T at 28:7 to 30:20.

⁷³ Dennison, Exh. JAD-1T at 29:14-19.

need to account for this risk, but proposes the alternative approach of using the best estimates of CCA compliance costs, which can be determined in the IRP process.⁷⁴ Sierra Club does not oppose this approach, but cautions against over-reliance on Avista's analysis of CCA compliance in its IRP based on experience with that process to date. Avista argues that because the CCA does not explicitly prohibit an allowance-based compliance strategy, it is inappropriate to assume that allowances will be purchased at the ceiling price.⁷⁵ But as discussed in Section II above, Avista's arguments do not address the risk that a compliance-based strategy will come into conflict with the CCA's declining statewide emission caps, or the Commission's duty to ensure that Avista's CCA strategy is not just minimally compliant in the short term but also prudent and aligned with state policy in the long term.

37 Second, Avista and the Commission should continue to evaluate whether it is appropriate to limit NPA analysis to growth-driven projects exceeding a \$500,000 threshold.⁷⁶ Avista should explore opportunities to tailor the level of NPA analysis based on project characteristics, and take into account research and experience indicating that smaller projects with lower customer density present some of the best NPA opportunities.⁷⁷

38 Finally, the Commission should direct Avista to perform NPA analyses for at least five gas infrastructure projects in its next IRP, even if not all of these projects are growth-driven projects exceeding a \$500,000 threshold. This will give Avista much-needed experience conducting NPA analyses, and help the Commission evaluate the need for

⁷⁴ Gehrke, Exh. WG-8T at 7:3 to 8:2.

⁷⁵ DiLuciano, Exh. JDD-3T at 28:9-13.

⁷⁶ Dennison, Exh. JAD-1T at 30:2-7.

⁷⁷ *Id.* at 22:2 to 23:7.

adjustments to existing criteria for identifying NPA opportunities.⁷⁸ NVEC supports this recommendation.⁷⁹ Avista opposes the recommendation, claiming that it may not have five projects to analyze, that there is insufficient time to complete analyses before filing its 2025 IRP, and that analyzing NPAs for smaller projects is not the best use of time and resources.⁸⁰ Again, Avista's concerns are easily met: The Commission can require NPA analyses for the next five infrastructure projects that are developed through Avista's gas system planning process, even if those analyses don't all appear in the next IRP. It can extend the timeline for the required NPA analyses beyond the 2025 IRP if it determines such a delay is truly necessary. And the Commission should simply discredit Witness DiLuciano's opinion that NPA analyses are not a worthy use of resources, which is not based on *any* experience actually performing these analyses.

D. Direct Avista to Conduct a Targeted Electrification Pilot

39 Sierra Club recommends that the Commission Direct Avista to conduct a Targeted Electrification Pilot with targets for the number of customers engaged, provisions for engaging low-income customers and Named Communities, provisions for reporting pilot results, and provisions to incorporate the pilot into Avista's broader decarbonization and CCA compliance strategies.⁸¹

40 A Targeted Electrification Pilot for Avista can be based on PSE's successful electrification pilot, which was launched following PSE's 2022 general rate case settlement and whose success has led PSE to propose a phase 2 pilot.⁸² A Targeted Electrification Pilot will help Avista develop capacity to run electrification programs—

⁷⁸ *Id.* at 30:10-19.

⁷⁹ Gehrke, Exh. WG-8T at 6:16-18.

⁸⁰ DiLuciano, Exh. JDD-3T at 30:23-28.

⁸¹ Dennison, Exh. JAD-1T at 35:4-13.

⁸² *Id.* at 33:5 to 35:2.

which are projected to form a significant part of any successful decarbonization pathway for Washington’s gas systems—, incorporate electrification into its CCA compliance strategy, and leverage the unprecedented range of complementary funding and resources available through the Inflation Reduction Act (“IRA”) and state electrification programs.⁸³ It will also complement Avista’s NPA analyses, which can identify high-priority areas to focus the pilot’s electrification programs.⁸⁴

41 If the Commission approves a Performance Incentive Mechanism for Avista, Sierra Club recommends conditioning Avista’s proposed incentive on meeting customer engagement targets for the Targeted Electrification Program, in addition to Avista’s proposed performance measures.⁸⁵ Specifically, Sierra Club recommends targets to provide 5,000 home electrification assessments and 1,000 electrification rebates over an 18-month pilot.⁸⁶ Incorporating customer engagement through the Targeted Electrification Pilot as a performance measure would help the Commission evaluate Avista’s performance in advancing state climate policy, consistent with RCW 80.28.425’s direction to consider “environmental health and greenhouse gas emissions reductions” in determining the public interest, and with RCW 80.28.425(7), which identifies “attainment of state energy and emissions reduction policies” as a relevant consideration for developing performance measures and incentive mechanisms.⁸⁷

⁸³ *Id.* at 31:20 to 33:3.

⁸⁴ *Id.* at 31:9 to 31:19.

⁸⁵ *Id.* at 37:5 to 38:4.

⁸⁶ *Id.* at 35:15 to 36:16, 38:1-4.

⁸⁷ Dennison, Exh. JAD-1T at 37:8-16.

- 42 Finally, Sierra Club recommends that Targeted Electrification Pilot costs be treated as CCA compliance costs and recovered primarily from Avista’s gas customers, because the Pilot will address the CCA compliance obligations of Avista’s gas business.⁸⁸
- 43 NWEC supports Sierra Club’s Targeted Electrification Pilot proposal, emphasizing its value for developing Avista’s capabilities in electrification, which will be essential in meeting the emission goals outlined in the CCA, and its role in advancing equity.⁸⁹ NWEC recommends that the program target 40% of its customers from low-income or Named Communities, and offer at least 25 no-cost, high-efficiency, electric-only heat pump installations to low-income and Named Community customers.⁹⁰ In the alternative, NWEC recommends that Avista consult with its Energy Assistance Advisory Group and Conservation Resources Advisory Group concerning low-income and Named Community electrification programming, on a timeline that would enable this programming to launch simultaneously with other aspects of the Pilot.⁹¹ Sierra Club supports moving forward with either of NWEC’s proposals.
- 44 Avista does not support Sierra Club’s Targeted Electrification Pilot recommendation, claiming that “[i]f or when electrification is cost-effective, the Company will pursue it as part of its [IRP Preferred Resource Strategy].”⁹² This reasoning suffers from three critical flaws. First, there are serious concerns with the analysis of electrification in Avista’ IRP, as described in Section II.B.1 above. Second, waiting for future IRP cycles could squander the unprecedented opportunity to coordinate with and leverage electrification

⁸⁸ *Id.* at 39:17 to 40:12.

⁸⁹ Gehrke, Exh. WG-8T at 2:21 to 3:5.

⁹⁰ *Id.* at 4:7-16.

⁹¹ *Id.* at 5:4-13.

⁹² Bonfield, Exh. SJB-5T at 56:8-11.

funding available through the IRA.⁹³ Third, pilot projects and integrated resource planning serve completely different functions, and neither one can claim to play the other's role. Pilot programs allow the Company to explore resource and program types that are new to it. They can improve the Company's understanding of a resource's costs and characteristics, and help reduce those costs by developing the Company's capabilities and jump-starting local markets.⁹⁴ This is especially true for electrification programming, in light of the wide range of available electrification measures, installation situations, and program designs.⁹⁵ A pilot can help identify which of these electrification opportunities may have the greatest success in Avista's service territory. By contrast, IRPs develop resource strategies at the system-wide scale, using estimated costs of generic resource types.⁹⁶ An IRP cannot be expected to identify pilot-scale opportunities, but learnings from pilot projects can inform better modeling of resource types in subsequent IRPs. This dynamic is illustrated by Avista's plans to conduct a hybrid heating pilot with the Energy Trust of Oregon, which is described in Avista's 2023 IRP but which does not appear to be reflected in Avista's Preferred Resource Strategy.⁹⁷

E. Direct Avista to Develop a Robust Gas System Decarbonization Plan

45 Sierra Club recommends that the Commission direct Avista to develop a gas system decarbonization plan, with the elements described in Witness Dennison's testimony, and

⁹³ Dennison, Exh. JAD-1T at 32:5-13.

⁹⁴ See, e.g., *id.* at 31:3 to 32:8; Gehrke, Exh. WG-8T at 2:14-15, 2:21 to 3:3.

⁹⁵ See, e.g., Kinney, Exh. SJK-7 at 67 ("Conversion costs [to convert to electric equipment] can vary widely by study, location, building size, and structure.").

⁹⁶ See, e.g., *id.* at 67 (stating that "Avista considered the generic cost 'total to a remodeler'" for electrification costs in its IRP, and that "Efficiency is considered as a generic value across equipment and does not represent ultra-high efficiency units or old lower-efficiency units").

⁹⁷ *Id.* at 61 ("Additionally, in 2023 Avista will meet with ETO, and other utilities to explore a hybrid heating pilot with planning beginning during the second quarter.").

file it in this docket no later than March 2027.⁹⁸ This will allow Avista to incorporate findings from NPA analysis, a Targeted Electrification Pilot, and other decarbonization strategies into a cohesive plan for prudently meeting Avista’s CCA obligations and advancing state policy.⁹⁹ It will also help Avista prepare to navigate key elements of the gas decarbonization transition that is already underway in Washington, including the need to maintain affordable rates as gas throughput decreases.¹⁰⁰

46 Avista and AWEC oppose Sierra Club’s recommended gas system decarbonization plan, stating that the Preferred Resource Strategy in Avista’s IRP is a decarbonization plan and that all of Sierra Club’s recommendations fall within the current IRP framework.¹⁰¹ This contention is difficult to square with Avista and AWEC’s claims that the CCA compliance strategy in Avista’s IRP can rely on allowances and need not incorporate decarbonization.¹⁰² Equally puzzling is why Avista and AWEC oppose a decarbonization plan if they believe it would not add any new planning requirements.

47 Sierra Club agrees that Avista is already responsible for addressing the issues that would be covered by a decarbonization plan, but believes that ordering a standalone plan with specified elements will help ensure that Avista adequately and explicitly addresses these elements in a cohesive plan. As discussed in Section II.B above, past experience has shown that Avista cannot rely on its IRP process alone to adequately address the critical issues related to gas system decarbonization. Moreover, in the absence of an acknowledgement decision on Avista’s IRP or a gas system analogue to Avista’s Clean

⁹⁸ Dennison, Exh. JAD-1T at 45:8 to 46:2.

⁹⁹ *Id.* at 44:8-16.

¹⁰⁰ *Id.* at 44:17 to 45:4, 45:17 to 46:2.

¹⁰¹ Bonfield, Exh. SJB-5T at 55:16-21; Kaufman, Exh. LDK-6T at 12:9-10.

¹⁰² Bonfield, Exh. SJB-5T at 50:20 to 51:3; Kaufman, Exh. LDK-6T at 12:15-17 (“Avista’s planning goal should not be decarbonization, but rather meeting CCA requirements in a cost-effective manner.”).

Energy Implementation Plan, the IRP process has not provided sufficient opportunities for Commission oversight and direction on Avista’s decarbonization planning. If the Commission does prefer to address gas system decarbonization within Avista’s existing IRP process, Sierra Club recommends that it give clear direction on the issues that Avista’s future IRPs must address. These should include the planning elements identified in Exh. JAD-1T, especially (1) analysis of a proactive electrification incentive strategy for CCA compliance, and (2) planning to manage rate base and customer rates in a scenario where Avista’s emissions do not exceed its proportional share of the statewide emissions cap.¹⁰³

48 Finally, AWEC argues that a decarbonization plan is premature, and that additional decarbonization studies are needed first.¹⁰⁴ The Commission should reject this delay tactic. Not only does Avista now have many decarbonization studies to draw on—including the 2021 State Energy Strategy, the 2023 Biennial Energy Report, the Commission’s 2023 Energy Decarbonization Pathways Report,¹⁰⁵ and Avista’s own analysis from its IRP process—but many of these studies emphasize the urgent need to begin planning to ensure a successful, managed transition.¹⁰⁶ Moreover, the Commission *already* ordered Avista to develop a gas system decarbonization plan in approving its 2022 general rate case settlement.¹⁰⁷ At any rate, AWEC’s objection is largely semantic. Whether styled as a decarbonization plan or a decarbonization study, the filing that Sierra Club recommends would survey the decarbonization-related issues confronting Avista’s

¹⁰³ Dennison, Exh. JAD-1T at 43:8 to 44:5, 44:17 to 46:2.

¹⁰⁴ Kaufman, Exh. LDK-6T at 12:20-22.

¹⁰⁵ Wash. UTC, Proceeding No. U-210553, Final Energy Decarbonization Pathways Report (May 30, 2024).

¹⁰⁶ State Energy Strategy at 72-73, 77; 2023 Biennial Energy Report at 56-59.

¹⁰⁷ Order 10/04, No. 220053 *et al.*, ¶¶ 86, 88.

gas system, analyze multiple strategies for navigating a managed transition, and propose actions on which stakeholders and the Commission can provide feedback.

IV. SIERRA CLUB SUPPORTS PARTY RECOMMENDATIONS THAT WILL ADVANCE GAS SYSTEM DECARBONIZATION

49 In addition to the recommendations in Sierra Club’s testimony, Sierra Club supports three party recommendations that will advance decarbonization of Avista’s gas system.

50 First, Sierra Club supports NWECC’s recommendation to discontinue gas LEAs for Schedules 131, 132, and 146 and service under Schedule 154, which Witness Gehrke describes as a modified form of LEA.¹⁰⁸ Sierra Club supports discontinuing these offerings for the same reasons it supports discontinuing all LEAs that encourage new gas connections.¹⁰⁹ Avista also supports this recommendation and has committed to eliminating these offerings.¹¹⁰

51 Second, Sierra Club supports Public Counsel’s recommendation to exclude industry association dues from customer rates.¹¹¹ As Witness Mark Garrett explained, including these dues in rates risks “passing along the costs of political activities and industry self-promotion to captive customers,” and Avista cannot clearly distinguish political, advocacy, and self-promoting activities from other industry association activities.¹¹² Additionally, using customer funds for American Gas Association dues is inconsistent with state climate policy, because the Association has opposed local, state and federal building decarbonization policies, deployed tactics and experts that were previously used

¹⁰⁸ Dennison, Exh. JAD-12T at 5:16 to 6:14.

¹⁰⁹ *Id.* at 6:5-11.

¹¹⁰ Miller, Exh. JDM-8T at 18:3-6.

¹¹¹ Dennison, Exh. JAD-12T at 9:5-6.

¹¹² Garrett, Exh. MEG-1T at 15:16-19; Dennison, Exh. JAD-12T at 7:7-15.

by big tobacco to cast doubt on the health harms of burning gas indoors, and misled policymakers and the public by failing to disclose its financial support for these efforts.¹¹³

52 Finally, in response to Staff’s recommendation to condition rate recovery for electric distribution system investments on Avista annually producing evidence of required non-wires alternative analysis, Sierra Club recommends a similar approach for requiring Avista to produce evidence that it has analyzed non-pipe alternatives to gas system investments as a condition for establishing the prudence of those investments.¹¹⁴

V. SIERRA CLUB TAKES NO POSITION ON AVISTA’S 2023 PROVISIONAL PLANT REVIEW SUBMISSION IN RESPONSE TO BENCH REQUEST NO. 002

53 Sierra Club did not provide testimony addressing the number of plant business cases that were included in Avista’s 2023 provisional plant review filing. Sierra Club likewise did not provide testimony addressing the issue of provisional plant review, except for the recommendation in Witness Dennison’s cross-answering testimony to incorporate evaluation of non-pipe alternatives into this process along with Staff’s recommendation to incorporate evaluation of non-wires alternatives.¹¹⁵ This recommendation is discussed in Section IV above.

54 Accordingly, Sierra Club is not providing a substantive response to Bench Request No. 002, and does not have additional input on how the Commission should address future provisional plant review processes, beyond the discussion in Section IV above.

VI. CONCLUSION

55 For the reasons set forth above, the Commission should:

¹¹³ Dennison, Exh. JAD-12T at 8:1-7.

¹¹⁴ *Id.* at 4:19 to 5:7.

¹¹⁵ *Id.* at 4:19 to 5:7.

- Find that Avista’s allowance-based CCA compliance strategy unreasonably contributes to risks of exceeding Washington’s statutory decarbonization targets and financial risks for Avista customers, and therefore is not prudent or in the public interest.
- Direct Avista to phase out its electric line extension allowances for mixed-fuel construction projects, as set forth in Exh. JAD-1T.
- Direct Avista to update its energy efficiency programs to align with no-regrets decarbonization measures, as set forth in Exh. JAD-1T.
- Direct Avista to improve its NPA analysis framework and perform NPA analyses for at least five gas infrastructure projects in its next IRP, as set forth in Exh. JAD-1T.
- Direct Avista to conduct a Targeted Electrification Pilot, as set forth in Exh. JAD-1T and as modified by NWECC’s recommendations in Exh. WG-8T.
- If the Commission approves a Performance Incentive Mechanism for Avista, incorporate achievement of customer engagement targets for the Targeted Electrification Pilot as a performance metric and condition for Avista receiving an incentive, as set forth in Exh. JAD-1T.
- Direct Avista to file a gas system decarbonization plan in this docket no later than March 2027, as set forth in Exh. JAD-1T.
- Direct Avista to discontinue gas LEAs for Schedules 131, 132, and 146 and service under Schedule 154, as set forth in Exh. WG-1T.

- Exclude industry association dues from customer rates, as set forth in Exh. MEG-1T.
- Require Avista to produce evidence that it has analyzed non-pipe alternatives to gas system investments as a condition for establishing the prudence of those investments as set forth in Exh. JAD-12T, similar to the recommendations for establishing the prudence of electric distribution system investments set forth in Exh. SSAG-1T.

Respectfully submitted,

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