BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the matter of: AVISTA CORPORATION, dba AVISTA UTILITIES Schedule 62 "Small Power Production and Cogeneration Schedule" Revisions	Docket No. UE-210815 AVISTA CORPORATION'S RESPONSE TO NORTHWEST & INTERMOUNTAIN POWER PRODUCERS COALITION AND RENEWABLE ENERGY COALITION COMMENTS

On December 8, 2021, the Northwest & Intermountain Power Producers Coalition and the Renewable Energy Coalition ("Commenters") submitted comments ("December 8 Comments") to the Washington Utilities and Transportation Commission ("Commission") on Avista Corporation's ("Avista") most recent update of Avista's avoided cost rates applicable to qualifying facilities ("QFs") that are five megawatts or smaller. Avista submits this response to Commenters' December 8 Comments along with revisions to its tariff Schedule 62 reflecting changes to Avista's proposed avoided costs applicable to QFs five megawatts or smaller.

I. Introduction

As a threshold matter, Avista used its 2021 Integrated Resource Plan to update its avoided cost rates.[1] The proposed avoided cost rates were calculated in accordance with the approved methodology in the same manner as Avista's current Commission-approved avoided cost rates in Avista's tariff Schedule 62. Avoided cost rates for purchases from qualifying facilities cannot exceed the avoided cost to the utility of alternative energy, capacity, or both. WAC 480-106-050(1)(c). Avista's proposed avoided cost rates are consistent with Commission direction and (i) are just and reasonable to the utility's customers and in the public interest, and (ii) do not

[1] Avista's 2021 Integrated Resource Plan has not been acknowledged. Accordingly, Avista requested a waiver to use its 2021 Integrated Resource Plan. Commenters support Avista's requested waiver. December 8 Comments at 1.

discriminate against qualifying facilities.[2] WAC 480-106-050(1)(a), (b); *see also* 18 C.F.R. § 292.304(a).

Notwithstanding the fact that Avista's proposed avoided cost rates are consistent with the Commission's approved methodology and were calculated in exactly the same manner as Avista's currently-approved avoided cost rates, Avista engaged with Commenters to discuss the issues raised in the December 8 Comments. Avista and Commenters were not able to reach agreement on the issues. Nevertheless, Avista is prepared to revise its proposed avoided cost rates as discussed herein to resolve some of the issues raised by Commenters that Avista can support. To the extent that Avista's proposed avoided cost rates as revised herein are not approved, Avista reserves the right to make any and all arguments in support of its avoided cost rates as originally filed in this proceeding.

Avista notes that avoided cost pricing is based on data and methods defined in the Integrated Resource Plan, a public process with a Technical Advisory Committee (TAC). At TAC meetings various data are discussed including, to the extent there is TAC interest, methodologies and data defining and affecting avoided cost ratemaking. Agendas are published ahead of meetings so that TAC members with limited bandwidth can attend only meetings where they have vested interests. To Avista's knowledge, neither the Northwest & Intermountain Power Producers Coalition ("NIPPC") nor the Renewable Energy Coalition ("REC") participated in Avista's last IRP TAC meeting cycle. Avista encourages NIPPC and REC to participate in Avista's next IRP process, including the TAC. Such participation may avoid some confusion and resolve issues before Avista files its avoided cost rates for approval.

---

[2] Commenters assert, without citation, that under PURPA and the Commission's "rules and policies, Avista's avoided costs paid to qualifying facilities ('QF') must reflect the fact that QFs will help avoid and displace Avista's renewable energy acquisitions." December 8 Comments at 1-2. The standard that Commenters assert is not consistent with PURPA or the Commission's rules. *See* WAC 480-106-050(1); *see also* 18 C.F.R. § 292.304(a).

II. Proposed Revisions to Avista's Avoided Cost Rates

In the December 8 Comments, Commenters assert that Avista's avoided cost rates should be adjusted to reflect its positions with regard to (i) renewable pricing, (ii) avoided capacity cost, (iii) capacity credit in 2026, (iii) dual peak effective load carrying capability ("ELCC"), (iv) Montana wind ELCC, (v) updating Mid-C for gas prices, and (vi) no heavy load hour ("HLH") negative Mid-C prices. Commenters' positions are substantially without merit.

For example, Commenters' position on renewable pricing would effectively offer a free put option forcing utilities (at least under some circumstances) to calculate their avoided cost rates based on an eligible renewable resource and, therefore, to pay for and take RECs that they do not want or need—and which would only be exercised by QF facilities when the put price exceed the value of the RECs in the marketplace.[3] Avista would almost certainly pay more than avoided cost for RECs. Commenters also fail to recognize that Avista is not yet a dual peaking utility and, more fundamentally, that capacity serving a dual-peaking utility must be available during both the winter and summer to obtain avoided capacity value. Providing capacity in only one season means the utility will have to purchase capacity to meet the other season, thereby not avoiding some or all of the costs. Commenters also attempt to require Avista to update avoided costs to reflect more favorable gas prices, even though the avoided cost rates proposed by Avista reflect IRP then-existing gas prices. Gas prices rise and fall over time. It is highly unlikely that Commenters would assert the same position to reflect lower gas prices. It is not appropriate to cherry-pick a higher gas price subsequent to Avista's filing in order to inflate the avoided cost rates. Finally, any attempt

[3] Under the Commission's regulations, QFs smaller than five megawatts "shall own the renewable energy certificates and any other environmental attributes associated with the production from such qualifying facility unless the standard rates are based on the avoided capacity costs of an eligible renewable resource as defined in RCW 19.285.030." WAC 480-106-050(4)(b)(ii)(C)Avista's proposed standard rates are not based on the avoided capacity costs of an eligible renewable resource as defined in RCW 19.285.030 and, therefore, the QF retains ownership of all RECs and other environmental attributes.

to address Commenters' position to remove negative Mid-C prices from the calculation would be inconsistent with the methodology and would require reopening and revising the Commission-approved standard template contract for QFs that are five megawatts or smaller. More fundamentally, removing negative Mid-C prices would not reflect overall avoided costs or be from an IRP, as is required by the Commission.

Notwithstanding the foregoing, in an attempt to resolve the issues raised by Commenters, Avista is prepared, as discussed below, to revise its proposed avoided cost rates in an attempt to address Commenters' positions with regard to (i) avoided capacity capital cost, (iii) capacity credit in 2026, and (iv) Montana wind ELCC. Avista's updated avoided cost rates to reflect this compromise are attached hereto. Avista respectfully requests that the Commission approve the attached avoided cost rates.

A. Avoided Capacity Cost

Commenters argue that "[t]he avoided cost of **capacity** must be based on the "'projected fixed cost of the next planned capacity addition identified in the succeeding twenty years in the utility's most recently acknowledged integrated resource plan.'" December 8, 2021 Comments at 5 (emphasis in original, footnote omitted) (quoting WAC 480-106-040(1)(b)). Avista's method for calculating its avoided cost is the most accurate methodology to estimate capacity cost, as it accounts for the costs and benefits of planned resource acquisition. However, there is some ambiguity in the Commission's rules.[4]

To resolve the issue raised by Commenters, Avista proposes, for the sole purpose of this filing, to accept Commenters' interpretation of WAC 480-106-040(1)(b). Accordingly, in

[4] Avista suggests additional rulemaking is required to resolve the ambiguity and to recognize that not all resource acquisitions will have "fixed costs" nor does the fixed cost represent the cost of capacity of the resource addition.

calculating the revised proposed avoided cost rates Avista uses the levelized fixed cost from the 2027 installation of the Idaho GE-7E.03 SCCT to modify the capacity component of avoided costs.

B. Capacity Credit in November 2026

Commenters assert that the avoided capacity credit should begin in 2026, not 2027, because the first capacity addition in the IRP occurs in late 2026. December 8 Comments at 11. Commenters are correct that Avista's first capacity addition occurs in 2026, but they fail to recognize that the need begins in November of 2026. To reflect the fact that the need begins in November 2026, Avista included 2 months of additional capacity credit in 2026 in calculating the revised proposed avoided cost rates.

C. Montana Wind ELCC

Commenters argue Avista should use a higher peak credit for resources identifying as Montana wind. December 8 Comments at 15. Commenters argue that until Avista has 100 MW of Montana wind, Avista should use the calculated peak credit attributed to the first 100 MW of Montana wind. For purposes of this filing, Avista will use the calculated peak credit attributed to the first 100 MW of Montana wind.

III. Conclusion

As discussed herein, Avista proposes to revise its proposed avoided cost rates as a compromise to resolve all issues raised by Commenters. Avista respectfully requests that the Commission approve the revised proposed avoided cost rates included in the attached tariff Schedule 62 with an effective date of March 1, 2022. For questions regarding these comments please contact Shawn Bonfield at (509) 495-2782 or shawn.bonfield@avistacorp.com or myself at (509) 495-2564 or michael.andrea@avistacorp.com.

Respectfully submitted February 4, 2022, by:

AVISTA CORPORATION

/s/ *Michael G. Andrea*
Michael G. Andrea
Senior Counsel