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August 12, 2021

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

Re: Docket No. UE-210553 – Comments of Avista Utilities

Dear Mr. Johnson,

Avista Corporation, dba Avista Utilities (Avista or the Company), submits the following comments in accordance with the Washington Utilities and Transportation Commission's (Commission) Notice of Opportunity to File Written Comments (Notice) issued in Docket UE-210553 on July 26, 2021 relating to the Commission's examination of energy decarbonization impacts and pathways for electric and gas utilities to meet state emissions targets as described in RCW 70A.45.020.

Avista looks forward to collaborating with the Commission and interested stakeholders on the examination of energy decarbonization impacts and pathways for utilities to meet state emissions targets. No doubt there will be many perspectives on how the Commission should approach this examination and what should be included. It is important that the scope of the examination stick to the required considerations and not expand into an examination of the future of natural gas in Washington, which undoubtedly some stakeholders will push for. Further, the intent of the Appropriation Act is that the final report lay out all information needed by the legislature to enact future legislation regarding decarbonization. This examination effort is not intended to recommend any certain pathways and actions to decarbonization, rather to provide transparent information about the costs, benefits, and risks of all potential pathways considered. With each pathway it will be important to include a discussion of any necessary regulatory policy along with how each regulatory policy change discussed will result in fair, just, reasonable, and sufficient rates. However, specific recommendations for regulatory policy changes should not be included unless there is stakeholder consensus on such changes.

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Also, of utmost importance will be the consideration of energy decarbonization impacts on low-income customers, highly impacted communities, and vulnerable populations. Over 40 percent of Avista's customers or households served are determined to be living in poverty or are Asset Limited, Income Constrained, Employed (ALICE) as defined by the United Way.¹ Affordability will remain of upmost importance for these customers. For this reason, when considering the rate impacts for utility customers, the Commission must consider the totality of all cost impacts faced by utility customers, not just from utility rates. This includes cost impacts on transportation, home rental costs, home appliance upgrades, home maintenance, upgrades to home electric service, and other fuel costs.

Pursuant to the Notice, Avista provides the following responses to the questions posed in the Notice:

- 1) Section 143(4) of the Appropriation Act includes the following required considerations as part of the Commission's examination:
 - a. How natural gas utilities can decarbonize;
 - b. The impacts of increased electrification on the ability of electric utilities to deliver services to current natural gas customers reliably and affordably;
 - c. The ability of electric utilities to procure and deliver electric power to reliably meet that load;
 - d. The impact on regional electric system resource adequacy, and the transmission and distribution infrastructure requirements for such a transition;
 - e. The costs and benefits to residential and commercial customers, including environmental, health, and economic benefits;
 - f. Equity considerations and impacts to low-income customers and highly impacted communities; and
 - g. Potential regulatory policy changes to facilitate decarbonization of the services that gas companies provide while ensuring customer rates are fair, just, reasonable, and sufficient.

Subject to budget and data constraints, what, if any, additional considerations should the Commission include as part of its examination?

Avista Response: The Commission should stick to the considerations above and not expand the scope of the examination beyond what was agreed to and required by the legislature. This is important both from a time and a resource perspective as the examination will be complex and lengthy, but also to adhere to the expectations set by the Appropriation Act.

¹ <https://www.unitedwayspokane.org/AliceSpokane>

Specific to electrification analysis, the examination must include customer costs, risks, and preferences as follows:

- Direct customer costs for conversion – in one study completed by the City and County of San Francisco, it was estimated to cost each homeowner between \$19,034 and \$34,790 to convert from natural gas to electric.² The Commission’s examination should also conduct a similar analysis for commercial heating customers.
- The analysis should show annual bill impacts for each climate zone type within the state, including seasonal monthly impacts for each housing type (i.e. apartment, manufactured home, duplex, new/older homes). Further, the analysis should show the impacts to all customer types including the effects of different users of the electric and natural gas systems (i.e., those that use heat and/or electric for space and water heating, those that use other fuel sources, etc.)
- The analysis should factor loss of home and business resiliency from electrical distribution outages as natural gas customers retain the ability to heat water, run fireplaces, and heat their home with small generators during electrical outages. The analysis should include the cost to replicate this resiliency and the convenience of this resiliency with electrical systems.
- Loss of personal choice and convenience. Fuel choice including the ability to choose natural gas is one of the number one home features requested by people purchasing homes, plus many customers prefer natural gas for cooking, fireplace ambiance, and speed of heating water and space.

2) Besides any additional considerations provided above, what else do you think the Commission should consider during the development of the study and consultant engagement?

Avista Response: When the Commission focuses on the determination of each utility’s share of state greenhouse gas (GHG) reductions they will be required to meet, it should consider the emissions avoided by the electric system since 1990 due to natural gas service providers. The direct use of natural gas has resulted in avoided emissions from the electric sector for decades. Absent the energy provided by natural gas service providers, electric peaks would have been significantly higher and historically served by fossil fueled generation. Including an analysis of what emissions would have been, absent the direct use of natural gas for space and water heating, is an important consideration when evaluating the baseline for establishing emission reduction targets.

In addition to the considerations from Section 143(4), Avista proposes the following additional areas of examination for consideration:

²Decarbonizing Residential Buildings by Eliminating Natural Gas Usage, City and County of San Francisco Board of Supervisors, April 22, 2001.

- Consider the risks associated with unserved customers during severe cold winter weather events and peak days. The natural gas system has delivered a much higher reliability of its commodity providing a dual fuel system for winter days where storms impacted the electric grid. Not only should the Commission consider a peak day without the natural gas system, but also the duration of prolonged cold weather events without solar or wind and poor hydro conditions.³
 - The regional economic impact of electrifying or losing industrial and large transport customers or customers relocating to another state as a result of increasing costs due to decarbonization.
 - The loss of natural gas supply and resulting impacts to fuel costs and system reliability along with interstate pipelines ability to recover costs through a reduced number of customers.
 - The potential inability for interstate pipelines to deliver a drastically reduced volume of natural gas.
 - All methods of carbon reduction should be considered including carbon sequestration and investments in new technologies to develop more efficient means to decarbonize.
 - Costs to utility customers for stranded assets.
 - The unintended consequences of customers switching to wood, propane or other fuel source rather than electricity due to costs.
- 3) Please provide references that may be relevant to the Commission’s examination of practical and feasible decarbonization strategies, including resources evaluating the impacts of the strategies. Examples of relevant resources may include, but are not limited to, publicly available studies and reports as well as documentation of community listening sessions and equity analysis frameworks.

Avista Response: Several studies have been completed in the region and nationally in the discussion of how to most cost effectively meet GHG reduction goals. The first is a study completed for Fortis BC⁴ and it does not assume a single pathway to decarbonize its fuel mix, rather it looks to lay out a least cost mix of resources to achieve the GHG reduction goals. A second study was completed by E3 and it considered various pathways to achieve an 80 percent reduction in economy-wide GHGs by 2050.⁵ A national study conducted by the American Gas Association was completed in 2018 and it discusses the challenges and risks of electrification.⁶

³<https://www.eia.gov/todayinenergy/detail.php?id=43915>

⁴https://www.cdn.fortisbc.com/libraries/docs/default-source/about-us-documents/guidehouse-report.pdf?sfvrsn=dbb70958_4

⁵http://s3.amazonaws.com/nwnatural/uploads/E3_NWN_PATHWAYS_ExecutiveSummary_Clean_20181107.pdf

⁶https://www.aga.org/globalassets/research--insights/reports/aga_study_on_residential_electrification.pdf

Also, Home Innovation Research Labs has a recent report illustrating cost and other implications of electrification policies on residential construction.⁷ Finally, another study that may be prove useful to the Commission’s decarbonization examination is E3’s study from March 2019 on Resource Adequacy in the Pacific Northwest.⁸ With electrification being a focus of the examination paired with an increasing penetration of renewable intermittent generation, resource adequacy will remain a concern as peak demand in the region increases.

Please direct any questions regarding these comments to me at 509-495-2782 or shawn.bonfield@avistacorp.com.

Sincerely,

/s/ Shawn Bonfield

Shawn Bonfield
Sr. Manager of Regulatory Policy & Strategy

⁷https://www.nahb.org/-/media/NAHB/nahb-community/docs/committees/construction-codes-and-standards-committee/home-innovation-electrification-report-2021.pdf?_ga=2.66808110.1441067886.1628026151-175778057.1628026151

⁸ https://www.ethree.com/wp-content/uploads/2019/03/E3_Resource_Adequacy_in_the_Pacific-Northwest_March_2019.pdf