



January 28, 2022

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Washington Utilities & Transportation Commission
Executive Director / Secretary
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Re: NW Energy Coalition's Comments on Avista's Final Clean Energy Implementation Plan
(Docket UE-210628)

Ms. Maxwell:

The NW Energy Coalition ("NWECC" or "Coalition") appreciates the opportunity to comment on the Clean Energy Implementation Plan ("CEIP") submitted by Avista Utilities on October 1st, 2021. The Coalition is an alliance of more than 100 organizations united around energy efficiency, renewable energy, fish and wildlife preservation and restoration in the Columbia basin, low-income and consumer protections, and informed public involvement in building a clean and affordable energy future.

In addition to these comments, we have filed comments on the Draft CEIP in this docket on September 8, 2021, and filed multiple comments on Avista Utilities' 2021 Integrated Resource Plan (Dockets UE-200301/UG-190724). NWECC staff and members also participated in meetings concerning the CEIP with Avista's Integrated Resource Plan ("IRP") Advisory Group, Energy Efficiency Advisory Group, and Low-income ("Energy Assistance") Advisory Group. We also joined with the Public Counsel Unit of the Attorney General's Office, The Energy Project, and Front and Centered, in submitting a Joint Proposal on Customer Benefit Indicators, filed in this docket on August 20th, 2021. These comments are in addition to comments we have already submitted, and feedback provided by NWECC staff at public meetings.

We appreciate the work of Avista staff and the members of Avista's Equity Advisory Group, who have committed a significant amount of time and effort into developing the CEIP, under a tight timeline and with significant uncertainty about the path forward. We also appreciate that Avista filed this CEIP on time. However, many of our concerns with the Draft CEIP remain with the final. Since this is the first CEIP filed with the Commission, we urge the Commission to consider the precedential nature of this CEIP. In deciding whether to approve, reject, or

approve the CEIP with conditions, the Commission should weigh the benefits of this CEIP as presented by Avista against that risk that Avista's approach will not fulfill the intent and purpose of CETA – to achieve an equitable transition to a 100-percent clean electricity grid.

Background:

In our comments on Avista's draft CEIP, we offered two overarching comments and eight specific recommendations for improving the Draft CEIP to better align with the CETA standards, the principles of lowest reasonable cost planning, and the intent and purpose of the customer benefit indicators:

- Comment #1: Changes to the draft are needed in order to ensure the information is clearly presented and supported by analysis.
- Comment #2: Significant changes to the draft are needed in order to meet the requirements of CETA, and the CEIP minimum requirements in WAC 480-100-640 and RCW 19.405.060.
- Recommendation #1: Revise the proposed targets and actions to clearly convey how Avista intends to comply with RCW 19.405.040(1)(a), including supplying its Washington customers with electricity from renewable and nonemitting generation.
- Recommendation #2: Adopt an aggressive target for demand response, and a specific action to deploy grid-enabled hot water heaters.
- Recommendation #3: Consider lower cost clean energy alternatives to the Post Falls upgrade.
- Recommendation #4: Consider alternative capacity options to the Kettle Falls upgrade.
- Recommendation #5: Update the load forecast and associated proposed targets and actions to account for the impacts of climate change.
- Recommendation #6: Include approved transportation electrification investments as planned energy transformation projects.
- Recommendation #7: Adopt an additional specific target for reducing fossil fuel generation used to serve Avista's retail load, and specific action to investigate the availability of clean firm capacity.
- Recommendation #8: Add a specific action to conduct distribution system planning, supported by CBIs for energy resiliency, security, and community development.

We acknowledge that the CEIP process is new, and that many lessons will be learned from this first round of planning - hopefully leading to improvements in the CEIP process and outcomes in future rounds. However, it is critical that Avista's first CEIP demonstrates sufficient progress and commitment toward fulfilling the clean energy transformation envisioned by the Act. Not doing so presents an unacceptable risk to Avista's customers that the standards will not be met, or that a failure to take early action, or in some cases, to change course, will make it more costly to meet the standards later. In short, in order to transform the electricity system and transition

to a 100-percent clean grid, the utilities' approach to planning must evolve. We understand that this evolution will take time.

We continue to support the comments we submitted on Avista's Draft CEIP stating that the CEIPs must not be limited by a utility's decisions made in its Integrated Resource Plan. While language in the statute directs that the CEIP be "informed by" the 10-year Clean Energy Action Plan ("CEAP"), and that specific actions be "consistent with" the utility's IRP and resource adequacy requirements; this language does not suggest that either the specific targets or specific actions in the CEIP must be limited by the preferred portfolio selected by the utility in its IRP, or any other scenario or assumption modelled in its IRP. Since the Final CEIP must be approved, rejected, or approved with conditions by the Commission, **the CEIP must not be limited by the assumptions, scenarios, or decisions made by a utility in its IRP**. We urge the Commission to keep this in mind when considering the Final CEIPs.

We appreciate the improvements that Avista has made to the readability of the CEIP, advancing it toward its purpose as a standalone document and public-facing integrated system plan that is easy to understand, and supported by the work done in other planning processes. While we still think there is room for improvement – particularly as it relates to Avista's designation of much of the supporting data as confidential – we acknowledge Avista's efforts to improve the reader experience. We also appreciate Avista's inclusion of 30MW of demand response to fulfill the requirement for a demand response target. We also acknowledge that the company removed references to a proposed natural gas plant from its CEIP, in response to stakeholder feedback.

We believe that, had Avista incorporated some of our other recommendations into the Final CEIP, it would have improved the plan, and the outcomes for Avista customers. However, we note that Avista's proposed compliance and resource strategy remains mostly unchanged since the Draft, and many of our concerns remain.

Summary of Recommendations:

NWEC recommends that the Commission reject Avista's CEIP because it does not demonstrate sufficient progress toward meeting the clean energy targets or ensuring that all customers are benefiting from the transition to clean energy. Given that Avista is in the unique position of already owning and contracting with ample renewable resources to meet its projected flat load, we continue to question the benefits of its proposed compliance strategy to customers, compared to other options which have not been adequately evaluated in either the IRP or the CEIP. Specifically, the CEIP falls short on the following measures:

- 1. Avista's proposed renewable energy ("RE") target does not meet the statutory requirement of demonstrating progress toward the clean energy standards.** Avista's CEIP states that in 2020, it produced RE equivalent to 74 percent of its load. Avista's proposed interim RE target of 40-50% in this CEIP is not ambitious enough, given CETA's timeline and the company's current access to RE generation.

2. **Avista's CEIP does not pursue an optimized lowest reasonable cost resource strategy to meet the clean energy standards.** Avista's own analysis supports a higher RE target at the same system cost. According to Avista's analysis in its IRP, a resource strategy that is capable of delivering 80 percent renewable and nonemitting electricity to its customers on an hourly basis [Portfolio #18] can be achieved at the same system cost as its Preferred Resource Strategy.
3. **Avista's use of customer benefit indicators is incomplete.** As the CEIP acknowledges, Avista did not complete the essential work of incorporating the desired non-energy impact (NEI) and Customer Benefit Indicator (CBI) considerations into its models and use the impacts to inform the CEIP.

We also continue to believe that Avista's CEIP relies on an interpretation of RCW 19.405.040(a) which is a misinterpretation of the statute. However, we acknowledge that Avista disagrees with our position, and it is not necessary for the Commission to make this determination in order to reject Avista's CEIP. Issuing an order rejecting the CEIP and providing Avista with more explicit guidance on its compliance strategy is the best course of action for the Commission to take, to ensure continued oversight over the development of an adequate CEIP, and to hold the Company accountable for making the necessary improvements.

Alternative Recommendations:

Alternatively, the Commission may prefer to approve Avista's CEIP with conditions. Given the lack of public process before the Commission to date on Avista's CEIP, we caution the Commission against this approach. However, we are aware that the Commission is eager to avoid further delays in its implementation of CETA, which has been underway for more than two years. Should the Commission decide to move forward with approving the CEIP subject to conditions, we offer the following alternative recommendations for the Commission's consideration:

1. **The Commission should exercise its authority under RCW 19.405.060(1)(c) to require a more stringent renewable energy target.**
2. **The Commission should exercise its authority under RCW 19.405.060(1)(c) to require a more robust target for residential energy efficiency ("EE").**
3. **The Commission should reject Avista's proposed REC retirement treatment.**
4. **The Commission should require Avista to update its load forecast and associated proposed targets and actions to account for the impacts of climate change.**
5. **The Commission should require Avista to conduct distribution system planning ("DSP").**
6. **The Commission should clarify that CBIs must be applied to all resource decisions.**
7. **The Commission should not approve costs for implementing the CEIP.**
8. **The Commission should exercise more oversight over the CEIP process in the future.**

Alternative Recommendation #1: Require a more stringent RE target. Avista's proposed RE target of 40-50% is lower than the amount of RE it currently owns and purchases. This is unacceptable on its face, given that one of the purposes of CETA is to *increase* clean energy. According to Avista's analysis in its IRP, a resource strategy that is capable of delivering 80 percent renewable and non-emitting electricity to its customers on an hourly basis in 2030 [Portfolio #18] can be achieved at the same system cost as its Preferred Resource Strategy. Since the Commission opted not to acknowledge Avista's IRP, it should look more closely at this analysis as part of its consideration of the CEIP. At a minimum, Avista's resource cost assumptions should be updated for the CEIP. Since Avista has not yet received bids on its RFP, the resource costs should at least be updated to reflect the 2021 NREL ATB, as PSE has done in its final CEIP. Based on this information, we believe that an interim target between 75 percent and 80 percent in this CEIP would be appropriate, in order to demonstrate reasonable progress toward the 2030 standard. Ideally, the Commission should adopt a renewable energy target for Avista that reflects its actual system operations.

Alternative Recommendation #2: Require a more robust residential EE target. Since Avista did not complete the work of incorporating NEI and CBI considerations into its models to inform the CEIP, the Commission should adjust targets for measures that are likely to provide benefits to named communities. For the current biennium (2022-2023), Avista is projecting to get more than half of its rather limited residential energy efficiency savings from a single behavioral pilot program, which is in turn expected to include about 15% participation from low-income customers. More customers should benefit from residential energy efficiency programming, and more named communities should be targeted for that programming. For example, targeted energy efficiency measures in Avista's BCP in the company's residential prescriptive program should be ramped up with targeted marketing and enhanced incentives to help fulfill the requirement for an equitable distribution of benefits, with a focus on weatherization measures that have multiple co-benefits, including home comfort and resiliency.

Alternative Recommendation #3: Reject Avista's proposed REC retirement treatment. Avista modified its proposed compliance strategy between 2022 and 2030 to retain 40%-50% of its available RECs from procured renewable resources through 2025. Avista's proposed REC treatment is not a "specific action" under CETA, but rather a proposed business strategy, an accounting treatment for RECs held by the company for the benefit of its customers. While we acknowledge that Avista may decide that it wants to manage its REC retirements and sales in a specific way between now and 2030, we continue to believe that this decision is unrelated to the CEIP. Accounting treatment for RECs is ancillary to the intent and purpose of the CEIP, and should be handled outside of the CEIP through a petition for an accounting order or request for a waiver from UTC rules. We also note that the UTC has not adopted final rules for "use" or double-counting, which may apply to Avista's proposal.

Alternative Recommendation #4: Incorporate consideration of the impacts of climate change. We continue to support recommendation #5 from our draft comments, suggesting that Avista update the load forecast and associated proposed targets and actions to account for the impacts of climate change. Avista declined to address in the Final CEIP because it's "not a requirement to update the load forecast for the CEIP." While we agree - the Commission's rules do not explicitly require Avista to update its load forecast between the IRP and CEIP - we continue to advocate that utilities should be accounting for the impacts of climate change in their load forecast in the IRP. Utilities are required to develop a long-term plan to integrate demand- and supply-side resources at the "lowest reasonable cost," which includes the "cost of risks associated with environmental effects including emissions of carbon dioxide."¹ We continue to advocate that this is inclusive of climate impacts that could affect load forecasts and system operations.

Since Avista submitted its IRP, the Commission has had several opportunities to consider how utilities should be incorporating the impacts of climate change into their resource decisions. The NW Power and Conservation Council also released the Draft 2021 NW Power Plan, which includes a climate-adjusted planning baseline for the Northwest. It stands to reason that utilities cannot plan a system for a future impacted by climate change if their forecasts are based on the weather patterns of the past. We urge the Commission to ensure that the impacts of climate change are incorporated into all utility planning and procurement decisions going forward, and that utilities review the NW Power and Conservation Council's climate-adjusted baseline and update their models accordingly.

Alternative Recommendation #5: Conduct Distribution System Planning. We continue to support recommendation #8 from our comments on the Draft CEIP, suggesting that Avista add a specific action to conduct distribution system planning. Avista also declined to address in the Final CEIP because the company believes this need is addressed by the proposed CBI for outage duration. In fact, we recommend DSP as a specific action for Avista because it is supported by a range of CBIs for energy resiliency, security, and community development. Avista customers, like others across the Northwest, experienced an unprecedented heat wave in the summer of 2021, which put significant strain on the grid. Thousands of Avista customers were subject to "temporary unplanned outages" during the hottest days ever recorded, presenting significant risks to human health and security. We note that the press coverage of the events highlighted the

¹ RCW 19.280.020(11): "Lowest reasonable cost" means the lowest cost mix of generating resources and conservation and efficiency resources determined through a detailed and consistent analysis of a wide range of commercially available resources. At a minimum, this analysis must consider resource cost, market-volatility risks, demand-side resource uncertainties, resource dispatchability, resource effect on system operation, the risks imposed on the utility and its 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.

impacts of the extreme heat on Avista's distribution system, as Spokane-area residents increased air conditioning and other cooling loads.²

In our comments on the Draft CEIP, we encouraged Avista to adopt a specific focus on its distribution system in this CEIP, since the company already has ample supply-side resources, and distribution system investments and customer-side resources will need to play a larger role in supporting flexibility, reliability, and resilience of Avista's system going forward. While Avista declined to pursue this recommendation or adopt it as a proposed specific action going forward, the Commission should do so, if it approves Avista's CEIP. Avista has a history of leadership among Washington utilities when it comes to innovation and smart grid investments, and we are optimistic that they can help pioneer a DSP effort through CETA implementation in Washington.

Alternative Recommendation #6: Apply CBIs to all resource decisions. Avista acknowledges that the work of incorporating the desired NEI and CBI considerations into its models is incomplete, and therefore the company was not able to use the impacts to inform the CEIP. While Avista commits to doing this for a portion of its portfolio in the next IRP and CEAP, we are concerned that that work will not be finalized until 2026, and that it will again be incomplete because Avista has not committed to applying these measures to its entire portfolio of resources. Picking and choosing which CBIs are applied to which resources will distort their relevance, and could lead to suboptimal outcomes for customers.

We continue to support the Joint Advocates proposed CBIs, filed in this docket on August 20, 2021. We also support the detailed comments of the Energy Project which contain more specific recommendations about future work for Avista's CBIs. Specifically, we want to point out that WAC 480-100-640(4)(c) requires that each utility must include, at a minimum, at least one CBI for each statutory element. However, Avista's CEIP is not always clear about which CBIs are intended to measure which statutory elements. This approach makes it challenging to analyze which CBIs will advance which statutory element and therefore to determine if Avista is in compliance with the rule. We agree with the Energy Project that establishing "baseline" indicators from which progress can be measured over the term of the plan, and that the CBIs should be directional in nature, so as to yield some indication of progress towards statutory goals.

While Avista's CEIP provides a starting point for future work on CBIs, we do not think the CBIs included in this CEIP are specific enough to measure progress. If the Commission approves Avista's CEIP, it should take steps to ensure that the incorporation of NEI and CBI considerations is comprehensive and applies to all resources going forward.

Alternative Recommendation #7: Do not approve costs for implementing the CEIP. We believe that sufficient uncertainty remains about the resource costs that Avista relied on to calculate its

² <https://www.spokesman.com/stories/2021/jun/28/avista-asks-customers-to-conserve-energy-as-heat-s/>

incremental cost that the Commission cannot approve the costs of implementation at this time. Since cost assumptions for some projects, including the Kettle Falls upgrade and Post Falls modernization, were filed confidentially and the All-Source RFP bids have not come in, it is not possible for stakeholders to review this information and offer alternatives for the Commission to consider. Therefore, we recommend, if the Commission decides to approve the CEIP, that it refrain from approving any costs.

Alternative Recommendation #8: Exercise more oversight over the CEIP process. We believe the purpose of the CEIP is to provide certainty, accountability, and transparency to the implementation of CETA. Unlike the IRP, the CEIP is not merely the “utility’s plan,” but should be a collaborative work product, supported by the participation of customers, and approved by the Commission. The informal nature of the CEIP process in this first round was not conducive to the kind of robust stakeholder review that the Commission needs in order to approve costs for recovery, authorize programs, or preapprove resource procurements. In addition, the process was very frustrating for stakeholders, who lacked access to information that would have been necessary to run their own models, including information deemed confidential by the utility. It was not clear how Avista’s advisory group feedback was being incorporated into the plan, and whether all of the advisory groups were getting relevant information provided to other advisory groups. It is clear to us that the process for developing CEIPs can be significantly improved, and we hope the Commission will provide some guidance to utilities, staff, and stakeholders on how to work together more collaboratively in the next round.

Since CETA requires the Commission to approve, reject, or approve CEIPs with conditions, we recommend that the Commission formalize and exercise more oversight over the CEIP process in the future. More oversight is needed in order for the Commission to be confident that a robust review and public participation has been conducted. The goal of the process should be to present the Commission with a Final CEIP that succinctly presents the actions the utility will take over the next four years or alternative options to consider, that has broad support from stakeholders and the public. We believe this can be achieved by opening formal dockets earlier in the process, developing a procedural schedule, dedicating more technical and staff resources, and allowing for discovery and collaboration among the parties while public engagement with the advisory groups continues.

Conclusion

As Avista maps a path to achieving an equitable transition to a 100-percent clean electricity grid, the CEIP will be an important document for communicating to customers how Avista plans to supply them with 100-percent clean electricity, ensure that the benefits of the transition to clean energy are equitable, and meet the requirements of the law. While it is possible that Avista’s CEIP meets the “letter of the law”, in that it checks the boxes that are required by the Commission’s rules, we do not believe that it makes reasonable progress toward meeting the intent and purpose of CETA – to achieve an equitable transition to a 100-percent clean electricity grid. We recommend that Commission therefore reject the CEIP, provide Avista with

more explicit guidance, and exercise more oversight over the process to develop a more complete and robust CEIP. With sufficient resources and oversight, we believe that a satisfactory plan can be developed.

Anticipating the Commission's interest in avoiding further delay in implementing CETA, we have also offered eight alternative recommendations for the Commission to consider to ensure that this CEIP is providing sufficient and equitable benefits to customers. Thank you for the opportunity to comment.

Sincerely,

/s/ Lauren McCloy, Policy Director

/s/ Joni Bosh, Senior Policy Associate