BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of Avista Corporation's Final Clean Energy Implementation Plan	**DOCKET UE-210628**

COMMISSION STAFF COMMENTS REGARDING
AVISTA CORPORATION'S FINAL CLEAN ENERGY IMPLEMENTATION PLAN
SUBMITTED IN COMPLIANCE WITH
CHAPTER 19.405 RCW and WACs 480-100-640 through -665
<AND UNDER CONSOLIDATED DOCKETS UE-191023 AND UE-190698, Order R-601 >

January 28, 2022

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Introduction

In 2019 the Washington Legislature passed the Clean Energy Transformation Act (CETA) to address the impacts of climate change by transforming the energy supply, modernizing the electric system, while ensuring the benefits are shared broadly.[1] The act sets the following mandatory targets:

2025 – All electric utilities must eliminate coal-fired resources serving Washington state customers.
2030 – All electric utilities must be greenhouse gas neutral—for example, remaining carbon emissions are offset by renewable energy, energy efficiency, carbon reduction project investments, or payments funding low-income assistance.
2045 – All electric utilities must supply 100 percent of retail sales of electricity from renewable or zero-carbon resources.

The Utilities and Transportation Commission (Commission) finalized rules implementing CETA on December 28, 2020.[2]

Avista Corporation d/b/a Avista Utilities (Avista or Company) filed a Public Participation Plan for its clean energy implementation plan (CEIP) on April 30, 2021, and a revision June 30, 2021.[3] The Company included its updated PPP in its draft and final CEIP mentioned below.

On August 16, 2021, Avista filed a draft CEIP for the 2022-2025 period in this docket and solicited stakeholder comments, which are summarized in the final CEIP. On October 1, 2021, Avista filed the very first CEIP, as required by WAC 480-100-640. On October 6, 2021, the Commission issued a notice of opportunity for comments by January 28, 2022.[4]

Commission staff (Staff) provides an initial list of issues and comments to assess whether the CEIP satisfies the rules and statutes governing the filing. Staff also identifies areas for improvement and recommends next steps in the process.

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[1] RCW 19.405.010(1).
[2] *In re Adopting Rules Relating to Clean Energy Implementation Plans and Compliance with the Clean Energy Transformation Act and Amending or Adopting rules relating to WAC 480-100-238, Relating to Integrated Resource Planning*, Dockets UE-191023 & UE-190698 (Consolidated), General Order 601, 58-59, ¶ 168 (CETA Rulemaking Order) (Dec. 28, 2020).
[3] *See* Docket UE-210295.
[4] *Notice of Opportunity to File Written Comment*, Avista, Docket UE-210628 (Oct. 6, 2021).

Staff Assessment of Final Clean Energy Implementation Plan (Docket UE-210628)

Avista is beginning the transformation to 100 percent clean energy with what would seem to be a slight head start compared with other IOUs. In 2020, a year where hydropower slightly underperformed, the Company had renewable energy under its control equivalent to 74.4 percent of its Washington retail load, see Table 1 below.[5]

Table 1: Avista's 2020 Renewable Energy (MWh)[6]

Item	Renewable Energy Under Utility Control	Renewable Energy Under Utility Control with Median Hydro Conditions	Renewable Energy After REC/ Specified Sales
Retail Sales	5,461,691	5,461,691	5,461,691
WA PURPA	-195,350	-195,826	-195,350
Voluntary Clean Energy	-45,281	-44,747	-45,281
Retail Load	**5,221,594**	**5,221,594**	**5,221,594**
Allocated Renewable Energy			
Hydro	3,224,185	3,335,424	1,789,076
Wind	267,392	267,392	229,430
Biomass	165,876	165,876	149,279
Solar	534	534	534
Total Allocated Renewable Energy	**3,657,987**	**3,769,226**	**2,168,320**
Available Idaho Energy Transfers			
Wind	139,907	139,907	120,045
Biomass	86,791	86,791	78,107
Total Available Idaho Transfers	**226,699**	**226,699**	**198,152**
Total Clean Energy Available	**3,884,686**	**3,995,924**	**2,366,474**
Percent of Retail Load	**74.4%**	**76.5%**	**45.3%**

Staff reviewed the final CEIP for compliance with the rules and statute. The 2022 cycle is the first CETA implementation period for each utility. Staff acknowledges that the new rules and associated timing challenges related to the 2021 IRP cycle posed challenges to the complete implementation of CETA's directives through a fully compliant CEIP. [7] Staff understands these challenges, expects an adjustment period for each utility to comply and fully implement the rules and believes achieving a fully compliant CEIP, based on an appropriate IRP, will be an iterative process. The Company's CEIP team worked diligently with advisory groups, stakeholders, and customers to develop this plan in 2021. It is noteworthy and positive that Avista was the *only*

[5] *In the Matter of Avista Corporation's Final Clean Energy Implementation Plan*, Docket UE-210628, Avista Clean Energy Implementation Plan, 2-3 (Avista CEIP) (filed Oct. 1, 2021).
[6] Avista CEIP at 2-3, Table 2.1.
[7] *See* Docket UE-200301.

investor-owned utility to meet the deadlines for filing.[8] The Company did not incorporate all of Staff's recommendations for the CEIP identified during the integrated resource plan review, but they did make progress.[9]

The legislature intended CETA to spur "significant and swift reductions in greenhouse gas emissions."[10] Avista's CEIP makes progress toward the 100 percent clean energy goal, but Staff questions if the transition proposed is moving at an appropriate pace. These comments will touch on areas where Staff believes the Company must take action to accelerate the transition.

Staff appreciates that this CEIP is intended to implement the first steps toward transformational change at Avista.[11] Staff believes approval of this CEIP will require negotiation of conditions between Avista, Staff, and stakeholders. In some cases, Avista seems to have meet the minimum needed to comply with a complex new statute and rule, but there is more work to be done to comply with the intent of the law. As Avista moves forward with implementation, there is a need for continued cultural change moving the Company past a compliance mindset to a results-oriented mindset to accomplish the ambitious goals of CETA. Business as usual will not be sufficient going forward.

Staff comments focus on the following key areas: setting CEIP interim targets, distributed energy resources, customer benefit indicators, public participation, projected incremental cost of compliance, the use of REC sales to meet the 2030 standard, and procedural next steps.

Interim Targets

Avista's CEIP describes the Company's plan to equal or exceed the greenhouse gas neutral standard by 2030.[12] Interim targets are required to demonstrate progress toward meeting the standard and the utility must design a reasonable transition.[13]

Avista's proposed interim targets are intended to keep customer rates as low as possible for as long as possible. Instead of using all its clean energy resources currently allocated to Washington

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[8] *In re Adopting Rules Relating to Clean Energy Implementation Plans and Compliance with the Clean Energy Transformation Act and Amending or Adopting rules relating to WAC 480-100-238, Relating to Integrated Resource Planning*, Dockets UE-191023 & UE-190698 (Consolidated), General Order 601, pp. 9-10, ¶ 25 (CETA Rulemaking Order) (Dec. 28, 2020).
[9] *Staff Comments on Avista's Draft 2021 Electric and Natural Gas Integrated Resource Plan,* Docket UE-200301, p. 5 (filed Feb. 5, 2021).
[10] RCW 19.405.010(3): "The transition to one hundred percent clean energy is underway, but must happen faster than our current policies can deliver. Absent significant and swift reductions in greenhouse gas emissions, climate change poses immediate significant threats to our economy, health, safety, and national security."
[11] RCW 19.405.010(5): "The legislature declares that utilities in the state have an important role to play in this transition, and must be fully empowered, through regulatory tools and incentives, to achieve the goals of this policy. In combination with new technology and emerging opportunities for customers, this policy will spur transformational change in the utility industry."
[12] Avista CEIP at 2-15.
[13] CETA Rulemaking Order at 34, ¶ 91.

rate payers to meet interim targets, the Company plans to sell a portion of the renewable energy credits (RECs) and set interim targets for clean energy between 2022 and 2030 below the amount of clean energy controlled by the Company.

The Company's original plan in the draft CEIP was to set interim targets flat at 40 percent of retail load until moving to 100 percent in 2030. This amount matches current practice.[14] In response to stakeholder feedback on the draft CEIP, Avista included a ramp up during the period increasing by 5 percent every two years up to 55 percent, as illustrated in Figure 1.

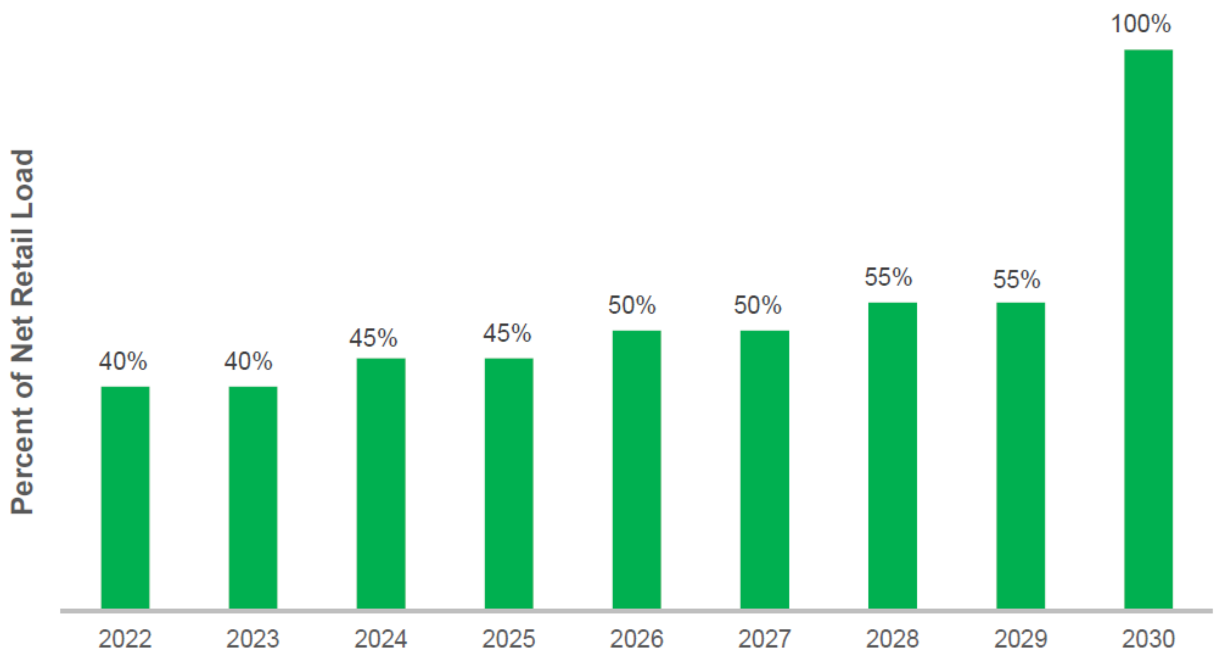

Figure 1: Interim targets[15]

Avista estimates that this proposal will reduce rates by 1 percent annually, compared to the counterfactual scenario where no REC sales occur.[16] Staff acknowledges that affordability is a key concern in the implementation of CETA. Balancing competing policy objectives is difficult and Staff appreciates Avista's proposal. However, selling the environmental attributes of clean energy to keep the status quo as long as possible does not line up with either the stated intent of CETA nor with the ratemaking goal of incrementalism.

Avista's proposal for interim targets raises important policy questions for the Commission. As noted in Table 1, Avista reports its 2020 available system-wide renewable and nonemitting

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[14] The Energy Independence Act requires 15 percent of retail load to be met with eligible renewable resources. 40 percent accounts for hydro and wind generation changes based on weather conditions. *See* Avista 2021 CEIP at 2-4.
[15] Avista CEIP at 2-5, Figure 2.1.
[16] Avista CEIP at 5-7.

(clean) electricity generation at about 74 percent of Washington retail load.[17] However, after sales of RECs and specified sales, that figure is reduced to 45 percent. Under WAC 480-100-640(2)(a)(iii), a utility “must propose interim targets in the form of the percent of forecasted retail sales of electricity supplied by nonemitting and renewable resources…” Importantly, annual reports require verification and documentation of the retirement of RECs from electricity used to comply with an interim target.[18] The 2030 and 2045 standards require that RECs are retired for compliance.[19] In 2030 for example, utilities will need to retire RECs (or nonpower attributes) equivalent to at least 80 percent of their retail electric load over the compliance period. Furthermore, if Avista continues to sell a significant portion of the RECs it generates up until 2030, then Avista’s customers may face rate shock due to the sudden loss in revenue when Avista is no longer able to sell those RECs, as those REC would need to be retired for compliance. Interim targets should be set to assure a smooth transition toward compliance with all aspects of the 2030 and 2045 standards, not just increases in acquisition and generation of clean resources.

Staff does not believe that the interim targets Avista proposes for the 2022-2025 compliance period truly represent progress toward CETA’s statutory requirements. Although Avista’s CEIP includes plans to acquire more clean resources, explained below, Avista’s interim targets over the next four years would not represent progress toward the 2030 and 2045 goals because Avista intends to sell the RECs generated from those resources, thus giving up claim to the nonpower attributes of the electricity generated by those resources. It’s important to recall that selling these RECs, rather than retiring them for compliance with an interim target will have a real-world impact on emissions, and that CETA’s goal is to quickly reduce emissions as part of the state’s efforts to address climate change.[20]

In addition to the plan to meet the interim targets shown in Figure 1, Avista’s CEIP describes an acquisition plan that steadily increases the amount of clean energy controlled by the utility prior to 2030. As shown in Figure 2, the Company plans to control enough clean energy resources by 2030 to serve 100 percent of Washington retail load. The strategy to meet the 2030 standard is discussed in more detail later in these comments.

[17] When evaluating the reasonableness of Avista’s proposed interim targets, Staff notes that Table 1 provides several potential 2020 “starting points:” the 74 percent figure is the actual amount of renewable generation under Avista’s control in 2020, including transfers from Idaho allocations. The same resources, after sales of RECs and energy kept 45 percent of Washington’s retail load. If only using clean energy allocated to Washington, the actual generation in 2020 was 70 percent, or 41 percent after sales.
[18] WAC 480-100-650(3)(f).
[19] RCW 19.405.040(1)(c) and (f).
[20] RCW 19.405.010(3) (“Absent significant and swift reductions in greenhouse gas emissions, climate change poses immediate significant threats to our economy, health, safety, and national security.”)

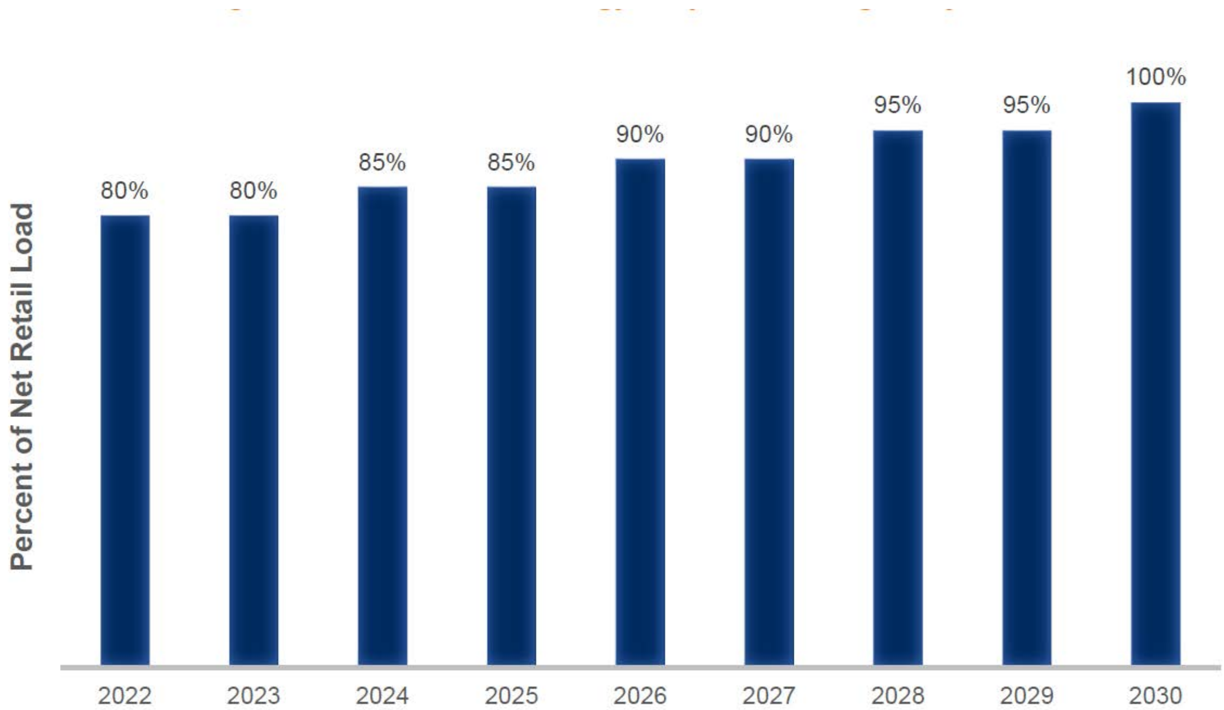

Figure 2: Total Clean Energy Acquisition Targets by Year[21]

Staff is concerned that Avista's proposed interim targets prioritize the financial benefits from selling RECs while not adequately accounting for the impact this strategy could have on the speed of the clean energy transition. Ultimately, the appropriate percent of Washington RECs sold prior to 2030, and thus the interim targets for Avista, is a policy call. Staff believes it would be helpful for Avista to conduct analysis on the impact that providing these RECs for sale could have on the regional resource mix to appropriately consider this potential offsetting cost. Staff has previously provided recommended additional analyses for Avista's IRP and CEIP that would improve these targets.[22]

At this time Staff does not have a specific recommendation as to what the interim targets should be but does think Avista must propose targets that meaningfully implement CETA beyond affordability concerns.

Distributed Energy Resources

Under CETA, distributed energy resources (DERs) include energy efficiency (EE), demand response (DR) and other resources and programs that reduce demand or provide services to a

[21] Avista CEIP at 2-11, Figure 2.4.
[22] *Staff Comments on Avista's Draft 2021 Electric and Natural Gas Integrated Resource Plan,* Docket UE-200301, pp. 5, 10-13 (filed Feb. 5, 2021).

utility and that are located on the distribution system or behind the customer meter.[23] The largely customer facing nature of DERs means that these resources and programs have the potential for an equity impact much larger than the energy services provided to the system would indicate at first blush.

Energy Efficiency - Avista has proposed an energy efficiency target of 214,520 MWh and has begun to take significant steps towards an equitable distribution of benefits within the programs. The Biennial Conservation Plan (BCP), that covers the first two years of this CEIP implementation period, was approved by the Commission at the January 18 Recessed Open Meeting.[24] As expected from the Company's long history of successfully deploying EE, Avista has presented innovative and ambitious programs in the latest BCP that incorporate long-term clean energy and equity goals. The CEIP process highlighted for Staff the importance of dedicated teams and internal structure that allow the EE program to function. The process also reminded us continually that these enabling structures are not yet present for other types of DERs. There is significant additional work that must take place around DERs in the next few years to set Avista up for success to achieve long term CETA goals.

Demand Response - The DR target of 30 MW is limited to a single large customer contract finalized and approved during Avista's general rate case.[25] Additional specific actions include the active energy management pilot and developing programs around time of use rates, peak time rebates, micro-grid design (in partnership with the Spokane Tribe of Indians) and connected communities (pending a Department of Energy grant determination). Staff is disappointed in the limited analysis related to ways residential DR could contribute to improving the equitable distribution of benefits.

The renewable energy target and specific actions include no additional DERs, nor does the Company make any effort to quantify its equity impacts.

<u>DR investments</u>

Like EE, CETA requires utilities to acquire all cost-effective DR. Unfortunately, DR does not have a strong history of investment the way EE does in the Pacific Northwest. Supports for this technology are lacking at the utility and at the regional level.

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[23] RCW 19.405.020(13) "Distributed energy resource" means a nonemitting electric generation or renewable resource or program that reduces electric demand, manages the level or timing of electricity consumption, or provides storage, electric energy, capacity, or ancillary services to an electric utility and that is located on the distribution system, any subsystem of the distribution system, or behind the customer meter, including conservation and energy efficiency.

[24] *In re Avista Corporation's 2020-2029 Ten-Year Achievable Electric Conservation Potential and 2022-2023 Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010*, Docket UE-210826, Order 01 (Jan. 18, 2022).

[25] *Wash. Utils. & Transp. Comm'n v. Avista Corp.*, Dockets UE-200900, UG-200901, and UE-200284, Final Order 08/05, 20, ¶ 50 (Sept. 27, 2021).

Importantly, similar to EE, many DR programs require significant time to ramp up as customers often need to install measures and learn how to interact with the program. Knowledge gaps for DR exist both for utilities and customers in our region. To fully capture all cost-effective DR in their service territory, Staff expects Avista to use the next few years to start building capacity for additional DR programs. This includes early investment in programs expected to be cost-effective in the near future, facilitation of DR market transformation, and ensuring that the full value of DR, from equity impacts to reliability and resiliency, are captured in assessments.

DER assessments

As required by WAC 480-100-620(3)(b), Avista's 2021 IRP included a conservation potential assessment and a DR potential assessment. A DER assessment for other resources is required by this same rule but, because of the timing that the rule was adopted, was not included in the last IRP. Staff expects that the IRP progress report will be fully compliant with this and other aspects of the rule that were unable to be fully incorporated in this cycle.[26]

Distribution planning

Distribution planning is essential to properly value DERs. Staff is pleased to see that, in chapter 7 of the CEIP, Avista has made a commitment to develop a workplan for distribution planning by second quarter of 2022 and to form a Distribution Planning Advisory Group by the third quarter of 2022.

DER advisory groups

Staff believes that the customer facing nature of DERs makes the use of an advisory group invaluable. Whether Avista chooses to form a new advisory group or use make use of existing advisory groups, consultation with a knowledgeable and interested group of stakeholders is expected as the Company develops DER programs.

Targeted DER RFP

Depending on the results of Avista's 2022 all-source request for proposals (RFP), Staff expects the Company to consider the value of a targeted RFP for DERs to inform the 2025 IRP and CEIP.

A utility must have the data in hand in order to provide a sufficient comparative evaluation and analysis for prudency in a general rate case. Staff expects Avista to actively investigate and consider a *wide range* of commercially available resources to ensure that the Company's acquisition of generating resources and conservation and efficiency resources is obtained at the lowest reasonable cost. Staff encourages the Company to become more situationally aware of

[26] *Staff Comments on Avista's Draft 2021 Electric and Natural Gas Integrated Resource Plan*, Docket UE-200301, 5 (Filed Feb. 5, 2021).

peer utilities' actions in the DER space, and 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 customers, public policies regarding resource preference adopted by Washington or the federal government, and the cost of risks associated with environmental effects in its projected resource mix decisions.

Staff acknowledges that the shift toward investment in DERs necessary for the clean energy transformation described in CETA requires a shift in mindset in areas of the Company that have previously been focused on a centralized grid. Staff is excited to work with the Company and review how and when Avista continues to make this transition.

Customer Benefit Indicators and Equity Considerations

One of the more sweeping and complicated changes resulting from CETA is the requirement for utilities to ensure all customers are benefitting from the transition to clean energy. The Commission must decide whether the utility's plan will fairly and justly allocate the utility's specific actions among the utility's customers.[27] The Commission requires three elements to support its decision: who and where are named communities, the current conditions in those named communities as compared to the rest of the service territory, and how specific actions may shift any disparities identified.[28]

The Commission requires a clear understanding of current conditions in Avista's service territory before it can evaluate whether Avista's plan improves, maintains, or worsens existing disparities for named communities. Avista's development of a clear picture of the current conditions will be an iterative process, identifying both who and where named communities are, and what disparities may exist between those named communities and the entire service territory.[29] While Avista did a complete job of identifying highly impacted communities, Avista used only Census data to identify vulnerable populations. Even the Company has identified the limitations of a highly aggregated, Census-data-only approach, and has indicated it intends to improve its analysis in the future.[30] Use of the Census data did not allow identification of communities with higher incidences of adverse socioeconomic and sensitivity factors, nor of factors untracked by the Census. In its consideration of current conditions, Avista should gather information about a wide variety of factors, informed by input from stakeholders. As an example, Pacific Power lists 22 vulnerable populations characteristics that came directly from ideas from its advisory group, and has found, or is searching for, data sources that will map those characteristics in its service

[27] CEIP Rulemaking Order at 20 ¶ 47.
[28] The requirement to identify named communities is found in WAC 480-100-640(4)(a) Identify highly impacted communities using the cumulative impact analysis pursuant to RCW 19.405.140 combined with census tracts at least partially in Indian country; (b) Identify vulnerable populations based on adverse socioeconomic factors and sensitivity factors developed through the advisory group process and public participation plan described in WAC 480-100-655.
[29] CEIP Rulemaking Order at 20 ¶ 47.
[30] Avista CEIP at 3-4.

territory, which will require incorporating non-Census data.[31]

Next, the Commission directed the utilities, with input from customers, to develop customer benefit indicators to inform the utility's investment decisions. Under the rules, the utility must consider both current conditions for a CBI and how a specific action is expected to influence CBI values over the planning horizon and even beyond.[32] While Avista did identify current conditions relevant to most CBIs, it did not discuss whether the identified disparity would be changed by its specific actions, nor did Avista make any estimate on how its specific actions might increase benefits or decrease burdens in named communities. Moreover, the impacts of the specific actions chosen by the utility must clearly differentiate between benefits to named communities and the remainder of the service territory, a differentiation which is not evident in Avista's approach. As an example, Avista states that multiple CBIs benefit both named communities and all customers, without a clear plan to ensure the equitable distribution of benefits and reduction of burdens accrues to named communities specifically, as required by statute and rule.[33]

Avista did incorporate Staff's comments on its draft CEIP in several of its CBIs, but the overall work of providing information for the Commission to be able to evaluate whether all customers are benefitting through the fair and just allocation of specific actions—namely, information about the who and how of named communities, current conditions, and expected changes in those conditions--, is incomplete. This situation requires additional negotiation with the Company and stakeholders before Staff can make a recommendation regarding approval of this CEIP.

Public Participation

On May 2, 2021, Avista filed its first Public Participation Plan (PPP) in Docket UE-210295. Staff reviewed the filing and provided feedback for revisions. In response, the Company refiled with revisions on June 30, 2021. Finally, the Company included the content of the PPP in Chapter 6 of its final CEIP. Staff's current review of the PPP refers exclusively to the content provided in the final CEIP.

Staff appreciates that Avista incorporated feedback into revisions of the PPP and the final content in the CEIP. However, Staff found components of WAC 480-100-655 that were still not adequately addressed.

Staff observed that Avista appeared to have a compliance-oriented focus rather than a results-based focus on its public participation. In its review of the PPP, Staff considered if the Company focused on minimally complying with the WAC, or whether it implemented plans that had a reasonable chance of *successfully* achieving equitable results for all customers and Named

[31] Pacific Power's Final Clean Energy Implementation Plan, Docket UE-210829, 32 (filed Jan. 1, 2022).
[32] CEIP Rulemaking Order at 23 ¶ 57.
[33] RCW 19.290.030(1)(k) and WAC 480-100-610(4)(c)(i).

Communities.

Staff acknowledges that the emphasis on public participation is a new paradigm, that substantial efforts were made to comply with the new rules, and that the Company may have done enough to minimally comply with the WACs. However, Staff believes that Avista may not have been fully committed to achieve the result of customers participating and collaborating in the CEIP process, especially those belonging to Named Communities. The specific components of the WACs that Staff believes were not adequately addressed are included below:

Methods[34]
In addition to holding approximately six public meetings on the overall CEIP process, Avista sent two surveys out to solicit input from all customers on its CBIs, one on June 17 and one in late July. Customers were invited to these meetings via email. Avista held approximately two private sessions for the Equity Advisory Group (EAG) members to create and provide input on CBIs. Staff views these as passive methods of outreach which Avista has used to meet the minimum requirements.

Staff notes that while it is beneficial, and also required by WAC 480-100-655 (1)(b), to use the EAG to advise on CBI creation and all other matters concerning Named Communities, the Company must also engage the customers and members of Named Communities themselves. Staff emphasizes that the EAG is neither a substitute nor a representation of the voices of Named Communities. To demonstrate a good-faith effort to achieve results, Staff expects the Company to engage in active outreach that is designed for all customers and for Named Communities, by mitigating the barriers to public participation it identifies through WAC-480-100-655 (2)(b). Further, it must engage in activities that succeed in soliciting meaningful input from these groups.

Language
Staff is disappointed that the emails sent to invite customers to the public CEIP meetings did not include alternative languages nor were other materials provided in any other languages until August, after which there was not reasonable time left for meaningful input on the draft. After August, the Company took action and translated its CETA website, newsletters, bill inserts, and its final CEIP into Spanish. Early English-only communications and the lack of consideration for alternative languages beyond Spanish may have had an impact on the end result, with few customers expressing interest in, or attending, the public CEIP meetings.

On page 6-10 of the CEIP the Company states that EAG members provided feedback that additional languages other than Spanish need to be considered. Staff expects to see Avista work swiftly to begin conducting outreach and provide materials in several of its more prominent languages in its service territory.

[34] WAC 480-100-655(2)(a).

> Equity Advisory Groups[35]
> Staff determined that the two EAG meetings held during the planning process were not fully open to the public. They each contained one portion where Avista presented a slide deck that was open the public, and then stopped the meeting for all non-EAG members to leave so the EAG could have their discussion. This format for the EAG members' discussion prevented members of the public, stakeholders, or Named Communities that were not members of the EAG from listening to crucial conversations about CBI creation.[36] The presence of the other public CEIP meetings Avista held is not a substitute for involving Named Communities themselves in the foundational stages of creating CBIs.
>
> Staff expects to see future EAG meetings be fully open to stakeholders and the public, as stated in the final CEIP on page 6-8.

Staff understands that the Company intends to use the EAG to help the Company create more intentional and active means of targeted outreach for Named Communities. In its final CEIP on page 6-8, Avista states that through the EAG's ongoing monthly Equity Lens Sessions it will address these points, and that it will assess the success of this format in March 2022.[37] Further, the Company states on page 6-9 it will undergo a 12-month planning period, beginning in October 2021 when the final CEIP was filed, to identify and mitigate barriers to public participation.[38] However, thus far, the format of the Equity Lens Sessions has consisted of the Company presenting information to the EAG and includes minimal discussion, workshopping, and creation of new outreach ideas, procedures, and practices related to the equitable distribution of benefits and burdens to all customers. Further, Staff has not yet seen a discussion or workplan of the 12-month planning period. Given that, Staff has concerns about how effective the Company's plans for future progress will be in the realm of public participation. During the upcoming implementation period and in future CEIP processes, Staff expects that the Company will be able to demonstrate that its outreach activities have successfully solicited meaningful input on CBIs and other aspects of the CEIP particularly from Named Communities.

Projected Incremental Cost of Compliance[39]

Staff has concerns about both the way Avista has calculated the projected incremental cost of compliance and the clarity of the presentation. The determination of incremental costs relies on the difference between two portfolio optimization models. In this case, the Company compared the "Alternative Lowest Reasonable Cost Portfolio" from the 2021 IRP and the "Reasonably Available Portfolio" that incorporates additional resources necessary for CETA compliance.

[35] WAC 480-100-655(1)(c).
[36] CEIP Rulemaking Order at 53 ¶ 150 ("The general public should always have the ability to watch and listen to conversations taking place in advisory groups, if not directly participate in them.")
[37] Avista CEIP at 6-8.
[38] Avista CEIP at 6-9.
[39] WAC 480-100-640(7) and WAC 480-100-660(4)

Avista provided workpapers for these models (see Appendix M) but was not fully transparent in their presentation. The provided workpapers are all marked confidential, and the models are projections based on multiple assumptions that are not easily examined.

Staff also has concerns that some of the inputs for the projected incremental costs are overly simplistic. For instance, the reasonably available portfolio escalated transmission, distribution, and administrative and general costs by an 8-year historical factor. This is not a sufficiently robust calculation for determining the incremental investment and expenses necessary to meet CETA 2030 and 2045 goals. This trended factor also does not satisfy the requirements of WAC 480-100-660(1)(a).

Because this calculation is not used to claim an incremental cost compliance option in this CEIP, Staff does not contest the calculation at this time. The Commission's active investigation into multiyear rate plans will directly examine the forecasting of revenues, expenses, and investments by a utility. In future CEIP's, Staff expects Avista will use guidance and information from the Commission's investigation in Docket U-210590 and their own rate cases to develop a more robust optimization model that limits the number of externally calculated variables.

2030 Greenhouse Gas Neutral Standard

Avista's final CEIP proposes an approach to comply with the 2030 greenhouse gas neutral standard similar to the approach Avista has historically undertaken to comply with Washington's EIA.[40] By purchasing and transferring electricity and the associated RECs between Idaho and Washington the Company can make use of existing resources, which appear sufficient to meet 80 percent of its retail electric load using a combination of nonemitting electric generation and electricity from renewable resources in 2030.[41] If Avista cannot use Idaho RECs for Washington CETA compliance, the Company estimates it would need to add 81 average megawatts of additional clean energy capacity by 2029 to satisfy the 2030 requirement, as seen in Table 2.[42] It remains unclear to Staff whether a purchase and transfer process between these two states in Avista's service territory would comply with Washington's 2030 greenhouse gas neutral standard.

There is also an outstanding question regarding the interpretation of how electric investor-owned utilities can "use" CETA compliant energy during the four-year compliance period beginning January 1, 2030.[43] Ambiguities exist as to whether electric IOUs will need to verify and report compliance with the 2030 GHG neutral standard over the entire four-year compliance period, for each year of the compliance period, on an hourly basis, or via some other measurement timespan. The Commission and the Department of Commerce are in the process of clarifying compliance

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[40] Avista CEIP at 2-6, 2-7.
[41] Pursuant to RCW 19.405.040(1)(b), an electric utility may satisfy up to 20 percent of its compliance obligation via an alternative compliance option.
[42] Avista CEIP at 2-14.
[43] *See* RCW 19.405.040(1)(a).

with the 2030 standard. This rulemaking is not scheduled to complete until June 30, 2022.[44]

Table 2: Washington Retail Load and Clean Energy Resource Position (aMW)[45]

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Retail Sales	647	650	651	655	657	658	658	661	662	663
PURPA	-22	-22	-22	-22	-22	-22	-22	-22	-22	-22
Solar Select	-6	-6	-6	-6	-6	-6	0	0	0	0
Net Requirement	**619**	**623**	**624**	**628**	**629**	**631**	**636**	**640**	**641**	**642**
Clean Target %	80%	80%	85%	85%	90%	90%	95%	95%	100%	100%
Clean Energy Goal	**495**	**498**	**530**	**534**	**566**	**568**	**604**	**608**	**641**	**642**
Owned Hydro[20]	292	288	288	285	292	289	292	289	291	291
Contract Hydro[21]	96	95	99	100	99	97	97	92	93	57
Kettle Falls	24	23	23	21	23	21	22	20	21	19
Palouse	24	24	24	24	24	24	24	24	24	24
Rattlesnake Flat	36	36	36	36	36	36	36	36	36	36
Adams Neilson[22]	0	0	0	0	0	0	6	6	6	6
Total Resources	**473**	**466**	**470**	**465**	**473**	**468**	**475**	**467**	**470**	**433**
Net Position	**-23**	**-32**	**-60**	**-68**	**-92**	**-101**	**-127**	**-141**	**-170**	**-209**
Percent Clean	76%	75%	75%	74%	75%	74%	75%	73%	73%	67%
Available Idaho Energy										
Kettle Falls	13	12	12	11	12	11	11	11	11	10
Palouse Wind	12	12	12	12	12	12	12	12	12	12
Rattlesnake Flat	19	19	19	19	19	19	19	19	19	19
Chelan PUD	0	0	18	18	18	18	18	18	18	18
Other Hydro	0	0	0	0	0	0	0	0	9	17
Total	**44**	**43**	**61**	**60**	**61**	**60**	**60**	**60**	**69**	**76**
Percent Clean	83%	82%	85%	84%	85%	84%	84%	82%	84%	79%
Net Position	**21**	**11**	**0**	**-9**	**-32**	**-40**	**-69**	**-81**	**-102**	**-133**

Staff's review of Avista's first CEIP, in the absence of the forthcoming rules, cannot conclude if Avista's current plan to meet the 2030 standard is adequate or not. However, Staff is comfortable that Avista's current clean energy resources allocated to Washington, see Table 2, provide a solid foundation to make the standard achievable following Avista's proposed plan in the near term. Avista's CEIP update will provide a chance for Staff to review this pathway with guidance from the Commission if the Company does not find it necessary to file a revision at the close of the

[44] Pursuant to RCW 19.405.130(3), the Commission and Commerce have initiated a rulemaking to consider adoption of Markets and Compliance Requirements for CETA (*see* Docket UE-210183).
[45] Avista CEIP at 2-13; Table 2.5.

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Conclusion

The process for review of the CEIP, as defined in rule, indicates that after a comment period the CEIP will be set for an open public meeting.[46] However, if warranted, the Commission will initiate an adjudication. Staff acknowledges that there are unresolved issues with this CEIP and looks forward to reviewing public comments.

While Avista's CEIP is far from perfect, Staff believes that most, if not all, the issues identified can be resolved with appropriate conditions. Through ongoing discussions, Staff understands that Avista is amenable to negotiating potential commitments and conditions related to the CEIP. Staff looks forward to working with the Company and interested stakeholders in a collaborative environment to develop a set of conditions that sufficiently address concerns for recommendation at the open meeting.

To facilitate this process, Staff recommends (1) an opportunity for the Company and stakeholders to provide reply comments in this docket prior to the Commission Open Meeting, and (2) allow Avista's CEIP to be heard as part of the recessed agenda of the Commission's Open Meeting, providing stakeholders dedicated time to discuss Avista's CEIP.

[46] WAC 480-100-645.