NW Energy Coalition
for a clean and affordable energy future

November 15, 2024

Via Electronic Filing

Attn: Jeff Killip, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
P.O. Box 47250
Lacey, WA 98503

Re: NW Energy Coalition's Comments on Avista Draft 2025 Electric Integrated Resource Plan **(Docket UE-230793)**

Dear Director Killip:

The NW Energy Coalition ("NWEC" or "Coalition") appreciates the opportunity to comment on Avista's Draft 2025 Electric Integrated Resource Plan ("IRP") and 2025 Washington Clean Energy Action Plan ("CEAP"), as provided by the Notice of Opportunity to File Written Comments issued October 15, 2024.

The Coalition is an alliance of over 100 environmental, civic, and human service organizations, progressive utilities, and businesses. Our mission is to advance clean, equitable, and affordable energy policies in Oregon, Washington, Idaho, and Montana. We envision the Northwest comprised of communities that benefit from a carbon-free energy system that equitably meets the needs of people and preserves the region's natural resources.

In recent years, we have filed multiple comments on Avista's 2021 and 2023 IRPs, intervened in Avista's 2022 and 2024 General Rate Cases, and NWEC staff participates as members of Avista's IRP Advisory Group, Energy Efficiency Advisory Group, and Energy Assistance Advisory Group. These comments are in addition to feedback provided by NWEC staff at advisory group meetings.

We thank Avista staff and the members of the advisory groups, who have committed a significant amount of time and effort into developing the 2025 IRP and 2025 CEAP, and we look forward to continuing to work with the Company, Utilities and Transportation Commission ("UTC") staff, and other stakeholders to continue to advance Avista's clean energy path.

Introduction

Avista deserves recognition for its thoughtful planning and commitment to transparency by making materials, data, and models accessible, while demonstrating increased dedication to community engagement. We appreciate the company's shift since the last IRP, now focusing on actionable steps needed before 2030. Overall, we commend Avista for presenting a thorough, balanced, and well-documented proposal and provide the following high-level points to help shape the final Electric IRP and Washington CEAP. And on the last point, while we have concerns and perspectives on the details, we are reassured by Avista's stated commitment, supported by the details of the Clean Energy Action Plan, to faithfully adhere to the requirements of the Clean Energy Transformation Act ("CETA").

Load Forecast

We share the rising concerns of all involved in electric resource planning across the Northwest about the future magnitude and shape of new power demand. The projected increase has substantial uncertainty but also offers the prospect of driving sustainable economic expansion, emissions reductions, eventual cost stabilization, and contributions via load flexibility to system resource adequacy and reliability.

The increasing gap in the growth rates between average and peak demand rightly gets attention in the draft IRP and puts more focus on the ability of demand response ("DR") and storage to reduce critical peaks and the scarcity pricing, resource adequacy and reliability stresses.

This is no longer a theoretical issue, and recent heat waves and the extended January 2024 freeze have taught us all difficult and expensive lessons. But that also opens a "learning opportunity" for closer focus particularly on the critical peak value of energy efficiency, demand response/load flexibility and storage (both grid-connected and customer-side).

We suggest that Avista immediately begin supplemental studies to go further into the dynamics of demand surges and the diverse range of measures and strategies for reshaping demand and reducing cost and reliability risk. With less urgent needs than other regional utilities, Avista is in a position to address these issues thoroughly and effectively without needing to make snap decisions.

Customer Energy Efficiency, Demand Response, and Storage

NWEC has proposed "customer side resources" as a useful framing for spotlighting the very large, durable and nimble assemblage of actions that customers can take to provide value to themselves and to the grid. This can be operationalized under the "virtual power plant" concept

or otherwise, but the key attributes are a balance of interests and capabilities between the utility and customers.

Concerning energy efficiency, NWEC applauds Avista's statement that "Energy efficiency continues to be a cost-effective method to reduce customer demand and avoid new generating resources," and that over 150 MW has already been achieved, with an additional 105 aMW in reach by 2045, covering 32% of new demand.

However, we encourage Avista to take a closer look at how the context for utility operations, resource costs and critical peak challenges is dramatically increasing the real cost-effectiveness of energy efficiency, including a revamped assessment of diurnal, seasonal and critical peak conditions. We believe this will open up considerable headroom for additional and accelerated energy efficiency acquisition, especially when combined with opportunities for more efficient options for new large loads and building and vehicle fuel switching toward electric supply.

On demand response, we confess to disappointment with the draft IRP. From now until 2045, just 30 MW of "pricing" DR and 58 MW of "DLC" programmatic DR is included, most of it after 2035. In addition to mature methods for existing large commercial and industrial load, as well as important but not yet fully defined options for new data centers and manufacturing facilities, there is tremendous opportunity for automated appliance DR (space and water heating, EV charging, etc.).

A moderate "rule of thumb" suggests that achievable DR potential is 10% of peak load. Over the planning horizon, Avista should consider a DR target level in that range, and for 2030 with about 2300 MW of peak demand, 5% of that (115 MW) as a potentially achievable target.

Furthermore, the deeper analysis of critical peak conditions we mentioned above has special relevance here. That amount of DR is the equivalent of a full gas peaker without the associated scarcity pricing and gas delivery risk, both of which Avista and its customers unfortunately experienced in January 2024.

No doubt the effort to achieve substantial and accelerated DR is considerable and will take several years. But the results of the draft IRP pose a serious threat of "analysis paralysis."

Just to name one clear opportunity, Washington state regulations now require that every new electric water heater be equipped with a CTA-2045 or similar device which provides a literal plug-and-play for utility device management and flexing peak-correlated water heating demand in response to grid conditions.

As the cost of highly efficient heat pump water heaters continues to fall, their uptake for electric water heater replacements, new buildings and gas to electric conversions will grow rapidly. This is an ideal opportunity for Avista to put grid-managed water heating at the front end of a broad and fast-growing integrated demand response resource in partnership with its customers.

Likewise, the opportunities for storage will only grow in the coming years. While lithium ion batteries remain relatively expensive, they and other formats can be deployed in almost any context at any scale, and provide reliable and precise capabilities for almost any customer and grid service. We think storage can be counted on for a greater amount of new system resources starting immediately.

New Supply Resources

We are encouraged by Avista's commitment to releasing an all-source RFP immediately in early 2025. This will apply early-mover advantage to Avista's effort to stay with and ahead of CETA requirements, resource adequacy needs and development of crucial operational experience, while directly diminishing supply chain constraints and cost and delivery risks.

We also believe this is a big step in the right direction toward resource diversification specifically to diminish gas power plant wholesale cost and delivery risks, both during stress periods and generally as LNG exports from western Canada start to shift the supply/demand balance for the domestic market. In turn early action to acquire clean and diverse resources could diminish and defer the need for the projected new gas peaker in 2030.

While Avista proposes an action plan item to investigate options to increase natural gas availability for existing and potential natural gas generation, NWEC is concerned about the limited topology of the Northwest gas transmission network and increasing operational and scarcity pricing impacts that already pose serious risks to customer value and system reliability. As a result, any effort to increase rather than decrease reliance on wholesale natural gas for power production, especially during critical peak periods, must receive the closest scrutiny in comparison to alternatives.

Indeed, reliable, clean and affordable opportunities are now available from a diverse strategy to address those risks: acceleration of customer side resources (energy efficiency, demand response, distributed generation and storage), additional transmission, and participation in the widest possible power market to take advantage of load and resource diversity and optimized dispatch.

On the last point, in mid-January 2024 Avista's participation in the Western Energy Imbalance Market ("WEIM") provided crucial access to resources and transmission across almost all of the western grid and flexibility mechanisms within the market to afford relief at that crucial moment,

even as Avista resources were curtailed due to upstream gas pipeline curtailments. While not directly under the auspices of the IRP, we encourage Avista to move forward on joining the Extended Day Ahead Market ("EDAM") and augment the demonstrated benefits of the WEIM.

In conclusion, while investigating further extension to wholesale gas supply would provide useful information, we strongly recommend adding a comprehensive assessment of these non-gas alternatives.

Transmission

While NWEC does not generally take a formal position on new resource and transmission projects, we are generally supportive of Avista's interest in development of the proposed North Plains Connector project, along with other regional utilities. While the draft IRP indicates a related interest in upgrading the Colstrip Transmission System ("CTS"), we also encourage Avista to consider the possibilities for transmission expansion between the CTS and the Avista system. While that is necessarily a long and complex build and would involve multiple partners, we believe there is major value in strengthening access to Montana wind as well as the MISO and Southwest Power Pool markets that could be enabled by North Plains.

Finally, we congratulate Avista for its joint effort with Idaho Power on the Lolo-Oxbow upgrade and the federal grant that will enhance available transmission capacity and wildfire resilience.

CETA Compliance

NWEC is generally supportive of the draft IRP's directional approach. As mentioned above we believe the most prudent strategy is "smart from the start," combining the 2025 RFP with accelerated efforts on customer side resources – demand response, storage and energy efficiency. While CETA compliance is a requirement, it is also the foundation of a stronger, cleaner, more resilient and more affordable power supply for customers going forward.

On November 4, 2024, the UTC released another iteration of "CETA Use" draft rules that remove the prior-proposed monthly use cap for utility compliance (UE-210183). These draft rules would establish additional utility reporting requirements in order to gather data that would have been used to calculate and assess the monthly use cap. As this proposal is finalized, we encourage Avista to support these reporting requirements and recognize the UTC's authority to implement a monthly use cap in the future.

Resource Adequacy

NWEC participates in the public process of the Western Resource Adequacy Program ("WRAP") and applauds Avista's program participation. We encourage a more nuanced approach to its inclusion within the IRP context. The WRAP program requirements include qualifying capacity contribution ("QCC") methods, planning reserve margin ("PRM"), capacity critical hours, and other aspects that are tightly bound to the short term (season-ahead) and operational phases of the program, not to the more dynamic view needed for longer term IRP. We agree with Avista's choice of using its own PRM values and urge caution in copy-and-pasting other aspects of the WRAP approach into the IRP context.

In a related matter, we are supportive of Avista's forward-looking approach to a climate-adjusted baseline. However, we also encourage Avista to adopt a consistent approach to use of IPCC metrics and methods. For example, in our view RCP 4.5 ("representative concentration pathway") should be employed year-round. That RCP level actually encompasses quite high future fossil fuel and other emissions with even more limited mitigation measures than are currently registered within the UNFCCC Paris Agreement framework. While there is some risk that climate change will advance more rapidly than considered under RCP 4.5, there is very little chance that it would reach the levels in the RCP 8.5 analysis. And going forward, the use of split seasonal approaches could create analytical discontinuities.

Thank you for considering our comments.

Respectfully submitted,

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