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December 14, 2021

Amanda Maxwell
Executive Director and Secretary
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: Docket No. UE-210804 – Comments of Avista Utilities

Dear Ms. Maxwell,

Avista Corporation, dba Avista Utilities (Avista or the Company), submits the following comments in accordance with the Notice of Opportunity to File Written Comments (Notice) issued by the Washington Utilities and Transportation Commission (Commission) in Docket UE-210804 on November 4, 2021, regarding developing a Commission jurisdictional specific cost-effectiveness test for distributed energy resources (DERs) incorporating the Clean Energy Transformation Act (CETA). Avista appreciates the opportunity to respond to the questions identified by Commission Staff in this matter, as well as provide additional insights regarding the overall process and principles being considered within this Docket.

First, Avista would like to note that, as stated in the Notice, "The Commission has opened this Docket to determine whether additional guidance related to cost-effectiveness of DERs is necessary." [1] [Emphasis added]. The Notice goes on to state that CETA may necessitate changes to the cost effectiveness tests utilized to assess DERs. Before addressing the first objective of determining if guidance is necessary or not, however, the remainder of the Notice explains the process for developing a new jurisdictional specific test, which appears to create a solution before determining if a problem even exists. Avista suggests that the first phase of this process be to investigate if there is a problem regarding the assessment of the cost-effectiveness of DERs in utility planning efforts, and if such a problem is determined to exist, then the investigation can

[1] See pg. 2.

proceed to pursuing solutions for such problems. The following paragraph speaks to the first objective of this investigation, as identified above.

Avista currently includes DERs in its resource planning process and does not exclude these options within its resource acquisition process. The Company's most recent Integrated Resource Plan (IRP) resource selection includes DERs such as energy efficiency and demand response. Avista provides cost assumptions for its DERs publicly, along with its model used for resource selection in the IRP. Avista's load forecast also includes customer growth in both customer generation and transportation electrification. Avista recognizes that further study is needed to understand if there are significant non-energy benefits of DERs to overcome the higher cost of implementation compared to utility scale projects. To address this issue, Avista is in the process of conducting a non-energy impact (NEI) study to compare impacts of both resource types. Further, the distribution planning process may shed light on potential benefits for non-wire alternatives if DERs are capable of offsetting costs of the distribution system.

Below are the Company's responses to the questions posed by Commission Staff within the Notice.

1. **Do the policy goals identified in Table 3 appropriately and sufficiently cover the applicable policy goals for Step 1 of the process to develop a Commission specific primary test for DERs?**

   Avista Response:
   The policy goals identified in Table 3, as noted, are the policy goals of CETA. However, the Company is concerned that the potential analysis related to DERs may presume that it is a best resource choice in situations where it is not. The aforementioned policy goals are not identified within CETA as being those that pertaining specifically to DERs. DERs are but a few of many resources that may fill a utility need. The goal of this exercise should be to ensure that DERs are analyzed on an equal basis with other energy resources; however, DERs may not be an ideal solution to fill a particular need. Properly accounting for the costs and benefits of DERs on an equal basis with other energy resources will help to ensure we are achieving the desired policy goals. DER resources are newer relative to resources such as gas and wind, but just as with these resources that once were new to the IRP, analyses become more capable and comprehensive over time as data and experience present themselves. A separately specified DER evaluation is, therefore, likely unnecessary.

2. **Do any of these policy goals apply to some DERs but not others? Please discuss the advantages and disadvantages of applying some of the policy goals to different DER types.**

   Avista Response:

In terms of applicability, the Company feels that each goal is equally applicable to energy efficiency, demand response, distributed generation, distributed storage, building electrification and transportation electrification. While the goals are applicable, however, there are varying degrees of effectiveness [in reaching those goals] with each technology. Avista also recognizes that for some DERs there is also a potential for neutral and even negative impacts towards reaching the goals of each policy. As implied by this question, DERs vary in their potential for cost-effective contributions to meeting customer requirements. To ensure present and future DERs receive the best evaluation it is beneficial to be less prescriptive toward DERS themselves, and instead rely on enhancing overall IRP modeling tools and techniques. This will ensure all resources are evaluated consistently.

3. **The cost-effectiveness tests currently employed by Washington investor-owned utilities are the modified total resource cost test and the utility cost test. For stakeholders to have a full understanding of current practice, utilities should provide a table of utility impacts (costs and benefits) currently used for evaluating cost-effectiveness of DERs in response to this question. Specifically, the IOUs should indicate what impacts are currently included for the following different DER resources: energy efficiency, demand response, distributed generation, distributed storage, building electrification, transportation electrification, or other DERs identified in a planning process.**

Avista Response:

Avista uses a standardized approach to assessing the cost-effectiveness of its energy efficiency program and measures. It follows the methodology outlined in the California Standard Practice Manual: Economic Analysis of Demand Side Program and Projects. The table below illustrates the benefits and costs associated with these cost-effectiveness tests including the Total Resource Cost Test (TRC) and Utility Cost Test (UCT) which are the primary tests used in Washington. Also note that as a part of the benefit-cost analysis (BCA) for Washington, the Company uses a 10% preference adder to the avoided cost.

	TRC	UCT	PCT	RIM
Benefit components				
Avoided cost of utility energy	$	$		$
Value of non-utility energy savings	$		$	
Non-energy impacts	$		$	
Reduced retail cost of energy			$	
Cost components				
Customer incremental cost	$		$	
Utility incentive cost		$	-$	$
Utility non-incentive cost	$	$		$
Imported funds (tax credits, federal funding etc.)	-$		-$	
Reduced retail revenues				$

Currently Avista does not utilize a BCA for other DERs using this methodology. However, as part of the IRP process, DERs are considered and weighted against other supply side resources, and by inference, conservation.

4. **Are there specific questions related to cost-effectiveness from the NSPM or other sources that are necessary to answer during the course of this investigation? For example, choice of discount rates or incremental cost calculations? Please describe why answers to these questions are necessary to develop a Commission jurisdiction-specific test.**

   Avista Response:
   Throughout the course of the investigation, Avista anticipates significant stakeholder input to inform the process and to identify a consistent and reliable process for calculating cost-effectiveness of DERs. A particular area of concern is establishing consistency. Historically, cost-effectiveness as applied to energy efficiency has relied on well-defined, generally accepted approaches to identifying the key datapoints in establishing Unit Energy Savings (UES) vales. By transitioning to a policy-based approach for cost-effectiveness, it will be increasingly important to establish a reliable set of values to assess potential DERs.

   Tables 5-6 through 5-8[2] of the National Standard Practice Manual for Benefit-Cost Analysis of Distributed Energy Resources (NSPM) provide an overview of utility system, host customer, and societal impacts that could be potentially included in the BCA. However, quantifying these impacts will be a challenge and require adequate time to ensure the impacts are accurately considered.

5. **This Docket is focused on electric utility system cost-effectiveness changes due to CETA. Although CETA does not apply to gas utility systems, other recent policy changes indicate a need to examine current cost-effectiveness practices. Please describe the advantages and disadvantages of addressing both electric and natural gas cost-effectiveness in this Docket to ensure a consistent framework is used.**

   Avista Response:
   Avista believes that quantifying the advantages and disadvantages is not something that can be done at this time because it has not yet been established to which degree each benefit and cost will impact the natural gas program. Where many of the impacts identified in the table may act as a benefit or a cost, moving a natural gas program into this framework could work to the advantage of natural gas programs or, depending on the weighting of each policy item, work heavily against it.

[2] Page xi-xii of the NSPM for Benefit-Cost Analysis of Distributed Energy Resources

6. **The Commission is seeking stakeholder input to develop a workplan for completing this investigation. After reviewing the NSPM, the Commission will convene a series of stakeholder workshops and solicit multiple rounds of stakeholder comments to develop a new primary, jurisdiction-specific test and address other topics raised during stakeholder meetings. We anticipate this process will include five to seven meetings. Please provide feedback on this proposed process, including reasonable timeframes for completion.**

   Avista Response:
   The proposed process outlined seems adequate to fully investigate and develop a jurisdiction-specific test for DERs, if one is necessary. It should not be lost that at the conclusion of this process it may be decided that additional guidance related to DERs cost-effectiveness may not be necessary.

   Regarding the potential timeline for completion, the proposed process should be completed no later than the end of September 2023. The reason for this is that the electric utilities' next IRP workplan is due on October 1, 2023 and next IRP is due on January 1, 2025. The outcome of this process will inform the next round of IRPs (2025), hence the reason for this process to be complete with sufficient time to be incorporated into these plans.

7. **We anticipate the discussions will cover the key issues outlined below, following the 5-step NSPM process described above. Please provide comments on this list of issues and identify any additional issues the Commission should evaluate.**
   a. **Discuss and confirm relevant policy goals. See preliminary list above.**
   b. **Review and confirm the scope of the BCA framework's application to different regulatory contexts for DERs, as needed, e.g., IOU programs, pricing mechanisms, procurement, rate cases, planning, and grid investments.**
   c. **Review the decision-making process for DER investments in terms of: BCA, rate impact analysis, and relevant qualitative and quantitative factors and metrics that may fall outside the BCA and rate impact analyses.**
   d. **Review the utility system impacts currently accounted for in BCA for the range of DERs and identify any gaps and methodologies to account for missing impact factors. What methodologies can be used to quantify or account for "hard to quantify" utility system impacts?**
   e. **Determine the relevance of accounting for host customer impacts based on articulated policy goals and objectives. Should the host customer impacts currently accounted for in IOUs TRC test be reviewed? Should the primary test include host customer impacts? Is there symmetrical treatment of costs and benefits? What methodologies can be used to quantify or account for "hard-to-quantify" host customer non-energy impacts?**
   f. **Discuss how to treat "other" fuels, i.e., fuels that are affected by DER but are not provided by the utility funding the DER in the primary test.**

g. **Determine the relevant societal impacts based on articulated policy goals and objectives. Review the societal impacts currently accounted for in IOUs' TRC test and identify gaps. What methodologies can be used to quantify or account for "hard to quantify" societal impacts?**
h. **Discuss whether and how the primary test can be applied to all DER types.**
i. **Discuss whether secondary tests are warranted and, if so, what those tests should be.**
j. **Review the process and considerations for selecting a discount rate for primary and secondary tests.**

Avista Response:

The list provided appears comprehensive and covers the known topics and/or issues that should be discussed during the Commission evaluation. As the conversations on these topics begin, additional topics may be uncovered for discussion. Before discussing the list of issues identified, the Commission should first gain an understanding of how each utility evaluates the cost-effectiveness of DERS currently and how DERs are evaluated in resource planning efforts against other energy resources. Once the Commission gains this understanding they then can then determine if the list of issues should be amended or not.

Avista appreciates the consideration given to these comments and those of other stakeholders in this Docket and looks forward to continued discussions regarding this matter. 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