



UG-220244

ATTORNEY GENERAL OF WASHINGTON

Public Counsel

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Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
P. O. Box 47250
Olympia, WA 98504-7250

Re: *Avista Corporation d/b/a Avista Utilities 2023 Natural Gas Integrated Resource Plan,*
Docket UG-220244

Dear Director Maxwell:

The Public Counsel Unit of the Washington State Attorney General's Office (Public Counsel) respectfully submits these comments in response to the Notice for Comment and Notice of Recessed Open Meeting dated June 27, 2023 and July 26, 2023, respectively. Public Counsel appreciates the opportunity to engage on Avista Corporation's (Avista or Company) 2023 Natural Gas Integrated Resource Plan (IRP).

Avista's IRP presents an analytical process that ensures core customers receive long-term, reliable gas service in extreme weather. The IRP evaluates, identifies, and plans for the acquisition of an optimal combination of existing and future resources using expected costs and associated risks to meet environmental policies and average daily and peak-day demand delivery requirements over a 20-year planning horizon.

Public Counsel, along with numerous other stakeholders, participated in Avista's process to develop and review the 2023 IRP. In addition to attending Technical Advisory Committee (TAC) meetings, Public Counsel submitted informal questions to the Company in response to the draft IRP provided to stakeholders. Public Counsel appreciates the time Avista offered both in the TAC and since filing the IRP to explain their plan and answer questions.

Public Counsel's comments address a narrow set of issues for the Commission's consideration, including the customer demand forecast, general uncertainties regarding synthetic methane, and future equity considerations.

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Public Counsel's Recommendation

The Company should:

- Reevaluate the effects of public policy and market dynamics on the customer growth and demand forecasts;
- Further discuss the potential use of synthetic methane, including its future cost estimates with the TAC and include a more in depth discussion on the costs and risks considered in its next IRP; and
- In addition to the TAC, consult both the Energy Assistance Advisory Group (EAAG) and Equity Advisory Group (EAG), on future equity considerations and metrics in the IRP.

Customer Forecasts

The Company forecasts base average annual customer growth of 1.1 percent over the 20-year planning period.¹ Avista notes that this forecast reflects the “status quo” and does not fully reflect the natural gas restrictions in Washington and Oregon.² After Avista had completed its forecasts, Washington added restrictions to new residential and commercial natural gas connects through new construction building codes. Avista stated it is unclear at this point how those new codes will impact the accumulation of new gas customers, but that it will carefully follow implications for these codes and incorporate a forecast in the 2025 IRP.³

To address uncertainty for this IRP, the Company also models alternative scenarios such as a high growth scenario of 1.4 percent and a low growth scenario of 0.7 percent,⁴ as well as an electrification scenario that in total models a 33 percent reduction in Washington residential customers by 2045.⁵ Public Counsel appreciates Avista’s efforts to model different potential scenarios, but we think the Company must do more to fully account for the policy changes in Washington on customer growth forecasts.

The base customer growth estimate also does not address the impacts of the Washington Climate Commitment Act (CCA), which will also likely impact customer bills and, as a result, customer demand for natural gas connections. Under the CCA, natural gas utilities are permitted a certain level of no-cost allowances for GHG emissions and the availability of no-cost emission allowances decrease over time.⁶ In other words, the cost of emissions will increase over time and will be passed along to customers. As the cost of GHG emissions increases, it is likely that Avista customers will reduce consumption or exit the natural gas system entirely if gas service is no longer cost competitive with electric service. Furthermore, as customers leave the gas system,

¹ Final Integrated Resource Plan at 2-2, Docket UG-220244 (filed Mar. 31, 2023).

² *Id.*

³ *Id.*

⁴ *Id.* at 2-2.

⁵ *Id.* at 2-3.

⁶ *Id.* at 5-11.

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fewer customers will be responsible for the fixed costs necessary to operate Avista's natural gas system, further compounding the bill impacts. Avista notes this as an equity consideration,⁷ and Public Counsel agrees. Low-income or vulnerable customers may not have the financial flexibility to move to electric service. The Company should more closely evaluate how CCA-related price effects will impact and influence customer demand.

Synthetic Methane

The Company evaluates synthetic methane as a future resource option for the first time in this IRP. Synthetic methane is created by reacting a form of carbon capture either directly from the air or from waste with green hydrogen.⁸ Synthetic methane is still chemically CH₄, and thus gas utilities can use it in the current natural gas systems without any upgrades or alterations.⁹ In the preferred resource strategy (PRS), the model selects synthetic methane as a resource in Washington in 2044. Under some alternative scenarios, it would appear to be a preferred resource sooner.¹⁰

There are many unknowns regarding the use of synthetic methane, as it is a relatively new technology. For example, the availability of green hydrogen, carbon sourcing, and related cost remain relatively uncertain. Public Counsel is concerned that synthetic methane could prove to be too costly a resource if the technology does not scale appropriately to reduce costs. In its 2023–2024 Action Plan, Avista states that it will consider contracting with an outside entity to help value supply side resource options such as synthetic methane, renewable natural gas, carbon capture, and green hydrogen.¹¹ Public Counsel encourages Avista to take this action, and not just consider it. If Avista does consult with an outside entity, Avista should include its TAC in this process, and solicit feedback from the TAC on the findings of such an analysis. Additionally, Avista should continue to discuss synthetic methane's viability with the TAC as technology continues to evolve.

Equity

The Company notes in the IRP that equity

has been a newer piece of the IRP process in Washington Equity focuses on the energy justice, through metrics, to consider benefits and burdens of living near resources. Avista intends to incorporate increased equity considerations in the 2025 natural gas IRP and utilize lessons from our electric IRP process to assist in the development of metrics and use in analytics.¹²

⁷ *Id.* at 3-15.

⁸ *Id.* at 4-25.

⁹ *Id.*

¹⁰ *Id.* at 7-15, Table 7.10.

¹¹ *Id.* at 9-5.

¹² *Id.* at 5-18.

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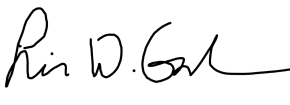
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Public Counsel fully supports including additional equity considerations in the 2025 IRP, and recommends that Avista consult with both its EAG and EAAG to develop metrics to measure equity.

We also recommend that Avista look at equity beyond just the benefits and burdens of living near resources. While this is an important consideration, it is only part of energy justice. We also recommend the Company look at equity in terms of affordability, accessibility and participation in the energy system, especially demand-side resources and demand response. Avista notes equity concerns in the IRP such as the potential affordability concerns with fuel-switching, and the cost per customer on the system rising as higher income customers electrify and leave the system.¹³ Avista should consult with its advisory groups to figure out how to best measure and mitigate these impacts. As the CCA begins to influence customer rates, it is especially important to measure the impacts on Named Communities within the natural gas system and their ability to react to certain changes.

Public Counsel appreciates the opportunity to submit these comments. If you have any questions about this filing, please contact Lisa Gafken at Lisa.Gafken@ATG.WA.GOV, or Shay Bauman, at Shay.Bauman@ATG.WA.GOV.

Sincerely,



/s/
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LWG/SB

¹³ *Id.* at 3-15.