



STATE OF WASHINGTON

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

September 11, 2019

Via Electronic Filing

Chair David Danner
Commissioner Anne Rendahl
Commissioner Jay Balasbas
Washington Utilities and Transportation Commission
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**RE: Docket UE-190663 – Avista Corporation’s PURPA Compliance Filing
Joint Parties Initial Comments for the September 12th, 2019 Open Meeting**

Dear Commissioners:

Sun2o Partners, LLC (“Sun2o”) and DGEP Holdings, LLC (“DGEP”) (collectively “Joint Parties”) submit these Initial Comments in response to Avista’s Public Utility Regulatory Policies Act (“PURPA”) Compliance Filings submitted in Docket No. UE-190663.

Avista Corporation filed its revised Schedule 62 Tariff (“Tariff”) pursuant to the new WAC Chapter 480-106 rules (“Rules”) the Washington Utilities and Transportation Commission (“Commission”) adopted on June 12, 2019. Sun2o is an independent developer of solar energy and energy storage projects across the U.S., including opportunities in Washington State, and is grateful for the opportunity to submit comments on Avista’s proposed Tariff. DGEP has developed and currently owns and operates solar facilities in the U.S., and is expanding its footprint of solar energy project development into Washington State. The Joint Parties appreciate the hard work of the Commission, Commission Staff, and all other stakeholders in the review and implementation of the Rules.

Avista’s proposed Tariff is a step in the right direction, but a few key deficiencies will continue to prohibit Qualifying Facility (“QF”) development in Washington by not fairly accounting for capacity contribution of solar and storage resources and by not accounting for the Social Cost of Carbon (“SCC”) as required by SB 5116.

While there are other deficiencies that must be addressed, as identified by Staff and other Stakeholders, Joint Parties comments are limited to these areas which are vital in ensuring that Washington establishes a fair, accurate and transparent marketplace for QFs to transact and supply the associated development benefits to communities, ratepayers, and utilities.

Thank you for the consideration of our comments.



I. Solar Capacity Valuation

Solar PV QFs will contribute meaningful capacity to Avista and are not accurately compensated under the proposed Tariff.

Avista's Tariff ascribes a 0% capacity contribution factor to solar and states that the "Capacity Value for a given Qualifying Facility is based on the capacity contribution of a similar resource category from the latest integrated resource plan (IRP). 7x24 assumes resource provides its maximum delivery rate during the winter on-peak period."

This analysis references Avista's 2017 IRP, which uses two currently flawed assumptions to conclude that "The capacity payment applies to the capacity contribution of the resource at the time of the winter peak hour. To obtain a full capacity payment the resource must generate 100 percent of its capacity rating at the time of system peak. Solar receives no payment because it does not generate at the time of Avista's planned system peak."¹

The first flawed assumption is that Avista will operate today, and going forward, strictly as a winter peaking utility. Since the filing of their 2017 IRP, system data and system assessments show a dual peaking profile that may shift to a summer peaking profile over the course of QF contracts.

This is quantified by Avista's 2018 System Assessment and 2018 FERC Form 1. Avista's 2018 System Assessment states, "Air conditioning loads have created some summer months where peak loads exceeded those of winter. This phenomenon has transformed Avista into a dual peaking utility."²

Avista's self-description of its load shift from a strictly winter peak to a dual winter-summer peak is confirmed by their published 2018 FERC Form 1. The Monthly Transmission System Peak Load analysis reveals that Avista's peak transmission load occurred on August 10th at 5pm. The Peak MW Total of 2,804MW and the Firm Network Service for Self of 1,678 are both higher than the peak load of any other month. The next highest month's peak load was February 23rd at 8am, with a Peak MW Total of 2,667MW and Firm Network Service for Self of 1,458MW. It is clear that Avista is not strictly a winter peaking utility and currently has a summer capacity need that will continue growing into the future.

The second flawed assumption is that Avista's Rathdrum Solar Project, which is used to model solar capacity contribution in the 2017 IRP, is representative of solar QFs that would be placed in service under this Tariff. Avista's 2017 IRP uses the monthly output of its Rathdrum Solar Project to evaluate the capacity contribution of solar. To Joint Parties knowledge, the Rathdrum Solar Project is a 2.4kW demonstration project contracted in 2007. GreenVolts, the contractor who supplied the demonstration solar technology, went bankrupt in 2012.³ This project is by no means representative of the technology, efficiency or scale of QFs entering the market today and should not serve as the benchmark of solar's capacity contribution to Avista.

Effective load carrying capability ("ELCC") can be used to arrive at a fair capacity contribution value of solar for a dual peaking utility in the PNW. ELCC is an accurate measure of the equivalent firm

¹ <https://www.myavista.com/-/media/myavista/content-documents/about-us/our-company/irp-documents/2017-electric-irp-final.pdf?la=en>

² https://www.oasis.oati.com/woa/docs/AVAT/AVATdocs/2018_Avista_System_Planning_Assessment_-_Final.pdf

³ <https://www.forbes.com/sites/toddwoody/2012/09/12/another-california-solar-manufacturer-shuts-down/#532367dc5129>



capacity for variable resource. Neighboring Portland General Electric (“PGE”) hired E3, a leading energy consultant with deep ties to the PNW, to evaluate the capacity contribution of new generation resources for their 2019 IRP. E3 chose to determine the dependable capacity contributions of variable renewable resources, including wind and solar, based on an assumed ELCC. The result of their model is a dependable capacity percentage for solar of 26% in the winter and 81% in the summer in the PNW.⁴

To determine the capacity contribution of solar QFs for this Tariff, dependable capacity contribution values for solar in the winter and summer can be calculated, as shown by E3, and then applied based on the peaking profile of the respective utility. For example, if the Commission were to accept E3’s Dependable Capacity Analysis, a solar QF contracting with a dual peaking utility such as Avista would be paid at an average of summer and winter contribution, equal to 53.5%.

In summary, Avista’s flawed and outdated analysis of valuing solar’s capacity contribution at 0% is not an effective method of capacity valuation and will harm QFs, ratepayers and WA stakeholders. Had solar QFs been online in 2018, they would have been contributing needed capacity during both of Avista’s peak load hours and would continue to provide dependable capacity contribution throughout the course of their contracts. Joint Parties strongly encourage the Commission to take action to revise the Tariff and determine an accurate summer and winter capacity contribution for new solar QFs.

As currently written, Avista’s Tariff is inaccurate and unfinanceable for independent QFs and requires intervention by the Commission, after years of work by the Commission, Staff and Stakeholders.

II. Social Cost of Carbon

Avista’s Tariff should be revised to include an adder for the Social Cost of Carbon (“SCC”) avoided by renewable QFs. Currently, Avista proposes to use the deterministic Mid-C market forecast energy price scenario from their Draft 2020 IRP. Avista is not using the Draft 2020 IRP scenario that includes SCC in dispatch and is not proposing to compensate QFs for avoided greenhouse gas emissions, and the associated cost that will be avoided by energy generated by carbon free QFs.

SB 5116 states that, “An electric utility shall consider the social cost of greenhouse gas emissions, as determined by the commission for investor-owned utilities..., when developing integrated resource plans and clean energy action plans. An electric utility must incorporate the social cost of greenhouse gas emissions as a cost adder when: (i) Evaluating and selecting conservation policies, programs, and 36 targets; (ii) Developing integrated resource plans and clean energy action plans; and (iii) Evaluating and selecting intermediate term and long-term resource options.”⁵ Avista’s Tariff is not incorporating the social cost of greenhouse gas emissions as a cost adder and should revise its Tariff to include this option for QFs.

Once the Commission publishes the social cost of carbon, planned by September 15th, Joint Parties urge the Commission to require Washington IOUs to revise their tariffs to include this avoided cost for QFs that decide to include the sale of their renewable attributes with the sale of their energy.

⁴ External Study E: Market Capacity Study in PGE’s 2019 IRP.

⁵ <http://lawfilesexext.leg.wa.gov/biennium/2019-20/Pdf/Bills/Session%20Laws/Senate/5116-S2.SL.pdf>



III. Energy Storage Inclusion

Joint Parties encourage the Commission to open access for QFs that are incorporating energy storage to be compensated for the beneficial attributes of storage by creating a new capacity schedule in the Tariff for solar paired with energy storage by duration in hours. Solar plus energy storage QFs create flexible, dispatchable clean generation assets that can provide additional capacity during WA IOU's peak demand hours and provide a range of reliability services. QFs that incorporate energy storage should be compensated for the value they deliver ratepayers at avoided cost rates.

In *Luz Development and Finance Corp.*, FERC ruled that energy storage projects that are charged by renewable energy can self-certify as QFs under PURPA, so long as at least 75% of the charging energy is from qualifying renewables.⁶ Relevant to this Rulemaking, in an Idaho PUC docket Avista Corp. stated that battery storage facilities using wind or solar as their primary energy source should be treated as wind or solar QFs.⁷ Thus, Washington QFs should have the ability to incorporate energy storage and be compensated accordingly.

The duration of storage can be used to set the QF capacity contribution. Avista and PSE have both completed previous analysis that evaluates the capacity contribution of storage by duration. PSE evaluated the peak capacity credit of resources in their Exhibit G: Schedule of Estimated Avoided Costs from their 2018 All Resources RFP. PSE determined that Lithium-Ion Batteries with 2hr duration deserved a 60% Peak Capacity Credit and 4hr duration batteries deserved a 88% Peak Capacity Credit.⁸ Avista's analysis of storage capacity contribution comes from Table 11.2: 2017 Preferred Resource Strategy in their 2017 IRP. Avista proposes to acquire a 5MW 3hr duration battery in 2029 and allocates 100% capacity contribution to the system for meeting winter peak demand. QFs that incorporate energy storage should also be compensated for the additional grid and reliability services that the systems offer. As Avista states in its 2017 IRP, energy storage can provide ancillary services and delay the need for distribution and/or transmission system capital investments.

Joint Parties urge the Commission to order a revision of the Tariff that includes a schedule for QFs paired with energy storage by 2hr, 3hr and 4hr duration. Solar plus energy storage QFs can provide firm, dispatchable, clean energy to Avista and WA Utilities, but will not be developed without a Tariff that provides accurate and fair avoided cost compensation for the capabilities of the QF.

Sincerely,

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⁶ *Luz Development and Finance Corp.*, 51 FERC ¶ 61,172 (1990).

⁷ CASE NO. 1PC-E-17-01, ORDER NO. 33785, 07/13/2017, at pg. 7.

⁸ https://www.pse.com/-/media/PDFs/001-Energy-Supply/003-Acquiring-Energy/2018_All_Resources_RFP_Ex_G.PDF?la=en&revision=f1f35749-6b51-478c-8f46-085bb6c8ce08&hash=C0876A74DC973FCB1BA23C82528010F94CA8561C