



**Avista Corp.**

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*Via: UTC Web Portal*

March 13, 2020

Mark L. Johnson  
Executive Director and Secretary  
Washington Utilities & Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

Re: Docket No. UE-190837 – Comments of Avista Utilities

Dear Mr. Johnson,

Avista Corporation, dba Avista Utilities (Avista or Company), submits the following comments in accordance with the Washington Utilities and Transportation Commission's ("Commission") Notice of Opportunity to File Written Comments ("Notice") issued in Docket UE-190837 on February 6, 2020 In the Matter of Amending, Adopting, and Repealing WAC 480-107, Relating to Purchases of Electricity (PoE), Docket UE-190837. Pursuant to the Notice, Avista provides comments to the questions posed in the Notice:

**Procedural Questions:**

1. RCW 19.405.040(8) states: In complying with this section, an electric utility must, *consistent with the requirements of RCW 19.280.030 and 19.405.140, ensure that all customers are benefiting from the transition to clean energy: Through the equitable distribution of energy and nonenergy benefits and reduction of burdens to vulnerable populations and highly impacted communities; long-term and short-term public health and environmental benefits and reduction of costs and risks; and energy security and resiliency.*

Do the requirements of RCW 19.405.040(8) affect how utilities acquire resources? If yes:

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- a. Will utilities ever need to solicit requests for proposals (RFPs) solely to comply with RCW 19.405.040(8) (e.g., acquire equity-specific resources)? Or should compliance with RCW 19.405.040(8) be evaluated only with respect to generation, conservation, and other resources acquired by utilities as a result of other regulatory and system needs?
- b. What, if any, revisions should be made to the solicitation content requirements in WAC 480-107-025(1) to incorporate the provisions of RCW 19.405.040(8)?
- c. What, if any, revisions should be made to the project ranking procedures in WAC 480-107-035 to incorporate the provisions of RCW 19.405.040(8)?
- d. What, if any, additional summaries of solicitation responses would assist with understanding bid proposals pursuant to the requirements of RCW 19.405.040(8) (e.g., geographic location of proposed projects, bidder information such as women and minority owned business certifications, etc.)?

**Avista Response:**

Avista agrees RCW 19.405.040(8) may affect decisions of resource acquisition.

- a. No, RFPs should not be issued solely to comply with RCW 19.405.040(8). This section of the law should give preference to projects/programs where a benefit is shown to exist between equal projects. For example, if two wind projects of similar quality and price bid into an RFP, and one of the projects is in the service territory in a vulnerable community, while the other is out of state, the project in the service territory might be the chosen resource if the benefits to the vulnerable population are shown to outweigh the cost/quality difference. Utilities should not acquire projects or programs at higher cost than other options solely due to RCW 19.405.040(8), unless quantifiable benefits can be found to benefit all rate payers.
  - b. Utilities should be given the option to solicit the information it determines to be in the best interest of its rate payers related to RCW 19.405.040(8), including quantitative or qualitative metrics defined by the Commission. Avista is hopeful such metrics will be ratepayer-focused.
  - c. In the event two projects are rated similarly, benefits related to RCW 19.405.040(8) should be included in the rankings.
  - d. The utility, at its discretion, should ask bidders to provide information to assist them, such as *“long-term and short-term public health and environmental benefits and reduction of costs and risks; and energy security and resiliency”*.
2. Utilities may issue an RFP at any time for a wide variety of purchases. Under existing PoE rules, issuing an RFP is only required if the utility’s IRP finds a capacity need within a three year horizon. In the draft rules accompanying this notice, a number of refinements to this requirement have been developed. In light of the resource requirements of CETA, such as those for renewable and non-emitting resources, equity, and resource adequacy, and the creation of clean energy implementation plans (CEIPs), what is the relationship between the trigger for

requiring utilities to follow the RFP rules in the PoE, and the rules under consideration in the IRP rulemaking and the CEIP?

- a. To what extent should the requirement to issue an RFP under WAC 480-107-015 be tied to the IRP versus the CEIP? Should the PoE rule contain the triggers for invoking sections of the PoE? If so, which rule, CEIP or IRP, should describe the measurement of the metrics on which the threshold trigger is based?

**Avista Response:**

The existing PoE rule regarding if the IRP finds a capacity shortfall in three years should remain. The CEIP requires utilities to propose specific targets for energy efficiency, demand response and renewable energy consistent with its Clean Energy Action Plan (CEAP). These specific targets may or may not align with the need for additional capacity due to resource adequacy which is why the three-year rule should remain.

While the CEIP requires specific actions for new resource acquisition, setting rules for a RFP process may not be the best solution. First, CETA says in Section 4; *“in meeting the standard under subsection 1... to the maximum extent feasible consider acquisition of existing renewable resources”*. In order to pursue these existing resources, these resources may not be available in the traditional RFP process and the utility should be allowed to acquire resources to serve its customers with other methods if found to be prudent.

If a prescribed RFP for renewable resources, demand response or energy efficiency is required after an IRP or CEAP, there would not be enough time between the IRP/CEAP and the CEIP due dates per the schedule shown below to issue the RFP. The CEIP period begins nine months after the IRP is finalized, this would not be enough time to link an RFP process to either of these reports. The RFP timing, if needed, should be at the sole direction of the utility it finds reasonable to meet the requirements for resource adequacy or resources needed to comply with the CEIP.

<b>Item</b>	<b>Due Date</b>	<b>Time Period Begins</b>	<b>Time Period Ends</b>
Electric IRP	4/1/2021	1/1/2022	12/31/2045
Clean Energy Action Plan (CEAP)	4/1/2021	1/1/2022	12/31/2031
Clean Energy Implementation Plan (CEIP)	1/1/2022	1/1/2022	12/31/2025
IRP update	4/1/2023	1/1/2024	12/31/2045

3. The draft rules rely on the results of the of the Northwest Power and Conservation Council's (Council) resource adequacy study in determining whether an exemption from issuing an RFP may be granted (WAC 480-107-015(4)(b)).<sup>1</sup> In addition to the work of the Council, members of the Northwest Power Pool are working to develop a resource adequacy program.
  - a. Should the rules allow the use of a resource adequacy analysis conducted by other entities in addition to the Council?
  - b. To what extent should transmission modeling be required in the resource adequacy analysis?

**Avista Response:**

- a. Yes, the rule should allow for consideration of studies by another regional entity or Company sponsored analysis absent a regional resource adequacy program.
  - b. Any resource the Company proposes using to meet resource adequacy should have a feasible transmission solution to serve customers. If the utility is using resources off its system, or relying on the market, it must demonstrate it has adequate transmission to deliver the resource. Where the utility has identified a transmission or distribution project that is not related to resource adequacy, this short-fall should not be included in resource adequacy analysis.
4. The draft rule at WAC 480-107-AAA requires the use of an Independent Evaluator under certain circumstances.
    - a. Should the utility be required to have an independent evaluator examine the utility's performance as a developer in the case of a utility proposing to self-build or a utility's subsidiary or affiliate bidding in a build-to-lease or build-to-own project?
    - b. Should there be a MW or MWh threshold to determine whether an independent evaluator should be used? Should it be different than the threshold triggering a utility to comply with the requirements regarding an RFP?
    - c. The draft rule at WAC 480-107-035 provides a list of items that must be included in the ranking criteria. Those items may expand under CETA, especially for RCW 19.405.040(8). What items should be in the criterion list and included in the independent evaluator's scope of work?

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<sup>1</sup> See: [NW Power Council Resource Adequacy Advisory Committee, at https://www.nwcouncil.org/energy/energy-advisory-committees/resource-adequacy-advisory-committee.](https://www.nwcouncil.org/energy/energy-advisory-committees/resource-adequacy-advisory-committee)

## **Avista Response:**

- a. Yes.
- b. An independent evaluator should only be required if the utility has an ownership interest in the outcome of the project. Such as proposing a self-build, utility affiliate project, if the utility offers its property as an optional site of construction, or if the utility is seeking options for build to own transfers. No independent evaluator should be necessary even in the event the PPA contains options for later utility acquisition, or if all projects to be considered are on Company-owned property.

In the event the Commission seeks a MW threshold, Avista offers an average megawatt threshold rather than a capacity threshold due to projects with unequal energy delivery as compared to capacity. This threshold should be an expected delivery of 440,000 MWh in a year, or if a “capacity” resource, it should be in excess of 51 MW.

- c. WAC 480-107-035 itemizes the following items:

*Resource cost, market-volatility risks, demand-side resource uncertainties, resource dispatchability, resource effect on system operation, credit and financial risks to the utility, the risks imposed on ratepayers, public policies regarding resource preference adopted by Washington state or the federal government and environmental effects including those associated with resources that emit carbon dioxide. The ranking criteria must recognize differences in relative amounts of risk inherent among different technologies, fuel sources, financing arrangements, and contract provisions. The ranking process must complement power acquisition goals identified in the utility's integrated resource plan.*

The independent evaluator should only independently evaluate items related to the financial costs and benefits of the project. In the non-financial or qualitative ranking process, the utility should rank the proposals and the independent evaluator should audit the rankings. In the event the independent evaluator disagrees with a ranking by the utility, the independent evaluator shall discuss why there is a difference and in the event the utility and the independent evaluator cannot agree, this disagreement should be noted in the independent evaluator's report. When the utility seeks prudence, the Commission can determine whether the acquisition was prudent or not based upon both the utility and the independent evaluator reports.

## **Other Avista Comments:**

Proposed WAC 480-107-025 (1): Avista would like clarification as to why the IRP avoided costs are necessary to include in an RFP. The avoided costs are public information and developers are aware of each utility's IRPs and avoided costs. Further, the IRP avoided costs are based on generic assumptions of resource costs. The RFP provides specific costs for specific projects. The RFP should not include any information regarding what the utility

expects to pay for a proposal. Avista also does not find it necessary to list the technology besides identifying the utility's energy or capacity requirement in the proposal.

Proposed WAC 480-107-035 (3) and (9): Avista would like clarification as to why a summary of each project needs to be public or a public ranking of proposals provided. All RFP data should remain confidential unless expressly determined to be public information by the bidding party. Avista is concerned that publishing proposal summaries creates significant market risk for proposers.

Proposed WAC 480-107-065: Avista does not object to energy efficiency projects bidding into a resource RFP if the benefits of the project are related to the needs of the utility (although these projects are best suited to a RFP for energy efficiency).

Proposed WAC 480-107-065: The utility should not be required to keep RFP information for more time than the utility's general rate case in which the fully-developed project was reviewed for prudence. Avista suggests to remove the seven-year period.

Avista appreciates the opportunity to collaborate with Commission Staff and interested stakeholders and we look forward to participating in further discussions on these important topics. Please direct any questions regarding these comments to James Gall at 509-495-2189 or myself at 509-495-2098 or Jennifer.Smith@avistacorp.com.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jennifer S. Smith', written in a cursive style.

Jennifer S. Smith  
Manager, Regulatory Policy and Affairs  
Avista Utilities