

**BEFORE THE WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

In the matter of:

AVISTA CORPORATION, dba AVISTA  
UTILITIES

Schedule 62 “Small Power Production and  
Cogeneration Schedule” Revisions

Docket No. UE-210815

AVISTA CORPORATION’S RESPONSE  
TO NORTHWEST & INTERMOUNTAIN  
POWER PRODUCERS COALITION AND  
RENEWABLE ENERGY COALITION  
COMMENTS AND COMMISSION  
STAFF’S RECOMMENDATION TO THE  
COMMISSION

On March 3, 2022, the Northwest & Intermountain Power Producers Coalition and the Renewable Energy Coalition (“Commenters”) submitted comments (“March 3 Response”) in response to Avista Corporation’s (“Avista”) comments and revised proposed avoided cost rates submitted on February 4, 2022. On March 7, 2022, the Washington Utilities and Transportation Commission’s (“Commission”) Staff (“Staff”) also issued its Open Meeting Memo with recommendations to the Commission regarding Avista’s proposed avoided cost rates. Both Commenters and Staff seek an order to effectively revise the Commission’s rules to include a requirement that does not currently exist. Avista respectfully submits that its proposed avoided cost rates submitted on February 4, 2022 are consistent with the Commission’s rules. Avista respectfully requests that its proposed avoided cost rates be approved.

**I. The Commission’s Rules Do Not Dictate When Utilities Are Required to Use the Avoided Cost of Capacity of an Eligible Renewable Resource to Calculate Standard Avoided Cost Rates**

Commenters assert that “[t]he Commission should require Avista to base its avoided costs off a renewable resource starting in 2025.” March 3 Response at 3. According to Commenters, “the Commission decided in its administrative rulemaking, if the utility has a

renewable resource need, then the utility must offer a renewable rate.” *Id.* at 4. That is incorrect and, more fundamentally, the Commission’s rules contain no such requirement.

Both the Staff recommendation in Commission order cited by Commenters and the actual rules make clear that the utility can choose whether to include the avoided capacity costs of an eligible renewable resource in its total avoided costs. *See id.* at 4 (quoting *In re Amending, Adopting, and Repealing Sections of WAC 480-106 and 480-107, Docket No. U-161024, Order No. R-597, Appendix A at 19 (June 12 2019)*; WAC 480-106-050(4)(b)(ii)(C)). Specifically, Staff’s comment states: “*If the utility’s avoided cost is based on the avoided capacity costs of an eligible renewable resource . . . the utility’s total avoided cost should include the cost of compliance with the Energy Independence Act, RCW 19.285. Therefore, the price reflected in the avoided cost includes the renewable energy certificate.*” Order No. R-597, Appendix A at 19 (emphasis added).

The Commission’s adoption of Staff’s recommendation is codified in the Commission’s rule, which expressly acknowledges that utilities have the ability to use standard rates that are not based on an eligible renewable resource. In which case, the rule states that qualifying facilities five (5) MW or smaller “shall own the renewable energy certificates and any other environmental attributes associated with the production from such qualifying facility.” WAC 480-106-050(4)(b)(ii)(C). If standard rates are based on the avoided capacity costs of an eligible renewable resource, the utility shall receive the renewable energy certificates produced by the qualifying facility at no additional cost to the utility. *Id.* The rule *does not* state when a utility is required to base its avoided capacity cost on an eligible renewable resource; it only states that *if* a utility does so then the utility is to receive the renewable energy certificates produced by the qualifying facility. *See id.*

The Commission’s rule clearly contemplates that the utility may offer a standard rate that does not include the avoided cost of capacity based on an eligible renewable resource. More fundamentally, the Commission’s rule does not dictate when a utility is required to calculate its avoided cost rate based on an eligible renewable resource. Commenters and Staff seek a decision from the Commission in this case to effectively revise the Commission’s rule to require the utility to provide a standard avoided cost rate that is based on the avoided capacity of an eligible renewable resource if Avista’s next resource is a renewable resource. *See* Recommendation at 2-3.

Mandating when a utility is required to provide a standard avoided cost rate that is based on the avoided capacity of an eligible renewable resource would rewrite the Commission’s rule to require the utility to purchase not only energy and/or capacity, as PURPA requires, but also renewable energy certificates. Neither PURPA nor the Commission’s current rules contain a mandatory purchase obligation for renewable energy certificates. *See, e.g.*, 18 C.F.R. § 292.303(a) (stating that utilities are required to purchase “any energy and capacity which is made available from a qualifying facility”); *Windham Solar LLC, et al.*, 156 FERC ¶ 61,042, P4 (2016) (stating that “avoided cost rates are, in fact, compensation just for energy and capacity.”); *Qualifying Facility Rates and Requirements Implementation Issues Under the Public Utility Regulatory Policies Act of 1978*, 173 FERC ¶ 61,158, P72 (2020) (“Order No. 872-A”) (noting that, while states are not prohibited from establishing tiered procurement “Commission precedent does not allow the use of non-operational externalities, such as environmental benefits, in setting avoided cost rates”); WAC 480-106-050(4)(c) (providing that utilities are to receive the renewable energy certificates *if* its avoided cost rates are established using the avoided cost of capacity of an eligible renewable resource).

Rewriting the Commission's rule to mandate when a utility is required to use the avoided cost of capacity of an eligible renewable resource to calculate its standard avoided cost rate would force Avista's customers to pay for renewable energy credits that Avista does not currently need. Further such a rule would obligate Avista to offer through published rates a 20-year value on renewable energy credits that is set not through a competitive acquisition process but modeling results, potentially affording QF developers a means to sell renewable energy credits at a price higher than their true value. Accordingly, Avista respectfully requests that the Commission approve Avista's proposed revised avoided cost rates.

## **II. Conclusion**

On February 4, 2022, Avista proposed to revise its proposed avoided cost rates as a compromise to resolve all issues raised by Commenters. Avista's proposed avoided cost rates are consistent with the Commission's methodology and regulations. Avista respectfully requests that the Commission approve the revised proposed avoided cost rates with an effective date of April 18, 2022.

Respectfully submitted March 7, 2022, by:

AVISTA CORPORATION

/s/ Michael G. Andrea

Michael G. Andrea

Senior Counsel