



Avista Corp.

1411 East Mission P.O. Box 3727
Spokane, WA 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

VIA: UTC Web Portal

Date: September 27, 2019

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

Re: Docket No. UE-190663 – Comments of Avista Utilities

Dear Mr. Johnson,

Avista Corporation, dba Avista Utilities (Avista or Company), submits the following reply comments in accordance with the Washington Utilities and Transportation Commission's ("Commission") Notice of Opportunity to Submit Written Comments on Third-Party Questions regarding Dockets UE-190663, UE-190665, and UE-190666 in Docket U-161024. Avista appreciates the Commission Staff consolidating the third-party comments and providing a template for submitting responses. Please direct any questions regarding these comments to Clint Kalich at (509) 495-4532, or myself at 509-495-4975.

Sincerely,

A handwritten signature in cursive script that reads "Linda Gervais".

Sr. Manager, Regulatory Policy & Strategy
linda.gervais@avistacorp.com
509-495-4975
Avista Utilities

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UE-190663, UE-190665, UE-190666 – Tariff revisions implementing Chapter 480-106 WAC

Staff collation of third-party comments, questions and requests

AVISTA RESPONSE

Staff collation of stakeholder questions and comments filed to the above dockets or sent to Staff at the direction of the Commission during the open meeting on September 12, 2019.

Staff understands that investor-owned utilities have agreed to respond in writing to the items below within 10 days.

| Item # | Stakeholder and reference | Topic | Utility | Question, comment or request (comments are quotes unless in italics or brackets; footnotes omitted) |
|---------------|-------------------------------------|-----------------------------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | NIPPC/REC; Staff memo attachment | Large QF term sheets | All | <p>The utilities non-binding term sheets for use in negotiating contracts for QFs over 5 MW required to be posted to their websites. We note however that we could not locate the term sheets for any of the utilities.</p> <p><i>Avista Response: Avista will include in its Schedule 62 “Qualifying Facilities” a reference to where its non-binding term sheet for QFs larger than 5 MWs can be found.</i></p> |
| 2 | NIPPC/REC; Staff memo attachment | Tariff contents | Avista | <p>Avista’s proposal to maintain its contracting procedures and standard PPA outside of Schedule 62 is inconsistent with WAC 480-106-030, which specifies that the tariff content include the contracting procedures, information requirements (for standard and non-standard QFs), and standard contract provisions.</p> <p><i>Avista Response: The contracting procedures apply to all QFs. Avista will include its contracting procedures in its Schedule 62.</i></p> |
| 3 | NIPPC/REC | Capacity valuation from IRP | Avista | <p>Avista’s proposal to derive its capacity price from its 2020 Draft integrated resource plan, rather than the most recently acknowledged IRP or most recent project proposals received pursuant to a request for proposal as required by WAC 480-106-040 (1)(b)(i).</p> <p><i>Avista Response: Contrary to NIPPC/REC’s comments, Avista uses its latest acknowledged IRP (currently the 2017 IRP) to derive the capacity price.</i></p> |

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| 4 | NIPPC/REC; Staff memo attachment | Required information for small QFs | PSE | <p>PSE’s proposal to file a revised Schedule 91 that does not list the information required for QFs 5 MW and smaller to obtain a final executable PPA and that fails to include a contracting process is inconsistent with WAC 480-106-030 which specifies that the tariff must include the contracting procedures and information requirements (for both standard and non-standard QFs).</p> <p><i>Avista Response: N/A</i></p> |
| 5 | NIPPC/REC; Staff memo and attachment | Peaker proxy implementation | PSE | <p>PSE’s proposal to price its capacity in 2019 through 2022 based on market purchases rather than a simple-cycle combustion turbine (“SCCT”) required by WAC 480-106- 040(1)(b)(ii).</p> <p><i>Avista Response: N/A</i></p> |
| 6 | NIPPC/REC; Staff memo and attachment | Peaker proxy implementation | Pacific Power | <p>PacifiCorp’s proposal to pay for capacity only in July and December rather than include the full capacity cost of a SCCT in its avoided cost calculation for the years during which it identifies the need for capacity in the form of market purchases as required by WAC 480-106-040(1)(b)(ii).</p> <p><i>Avista Response: N/A</i></p> |
| 7 | NIPPC/REC; standard contracts discussed in Staff memo | Standard PPA | All; focus on Pacific Power | <p>PacifiCorp proposed to file only a standard contract “template” for an on-system, firm, greenfield QF project that it will modify for other types of QFs (e.g., existing, off-system, or otherwise do not fit within that contract template). This is inconsistent with WAC 480-106-030, which specifies that the tariff content include standard contract provisions.</p> <p><i>Avista Response: Avista’s proposed standard power purchase agreement for QFs 5 MWs or smaller (“Standard PPA”) is not only for on system, firm, greenfield QFs. Avista’s Standard PPA provides optionality to account for existing, as well as greenfield QFs of all types, and on-system and off-system QFs. See response to question 10 below.</i></p> |

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| 8 | NIPPC/REC | Legally enforceable obligation language in tariff | All | <p>All three utilities’ proposals regarding the formation of legally enforceable obligations (“LEO”) are inconsistent with WAC 480-106-030(2), which provides explicit direction on how a QF may form a LEO. Each utility provides differing language, and no utility includes the language that a LEO may arise prior to executing a contract which is required by PURPA and Washington law. The Commission determined that a LEO may be found on a case-by-case basis recognizing that a LEO “is based on a [QF] committing itself to sell all or part of its electric output to an electric utility.”</p> <p><i>Avista Response: Contrary to NIPPC/RECs comments, Avista’s contracting procedures expressly provide the ability to establish the LEO in the absence of an executed power purchase agreement. Specifically, section 1.D.(ii) provides:</i></p> <p><i>ii) If an irreconcilable disagreement arises during the contracting process, the Company or the Customer may petition the Washington Utilities and Transportation Commission to resolve the disagreement, which may include making a determination about whether the Customer is entitled to a legally enforceable obligation in the absence of a fully executed power purchase agreement for the output of such Qualifying Facility and, if so, the date such legally enforceable obligation occurred.</i></p> <p><i>This provision is consistent with, and closely tracks the language of, WAC 480-106-030(1)(b), which provides:</i></p> <p><i>(b) A legally enforceable obligation may exist prior to an executed written contract. If an irreconcilable disagreement arises during the contracting process, the qualifying facility or the purchasing utility may petition the commission to resolve the disagreement, including making a determination about whether the qualifying facility owner is entitled to a legally enforceable obligation and the date that such obligation occurred based on the specific facts and circumstances of each case.</i></p> |
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| | | | | <p><i>Avista does not understand NIPPC/REC’s objection to Avista’s proposal regarding the establishment of a legally enforceable obligation. Assuming that NIPPC/REC’s position is that QFs should have the ability to establish a legally enforceable obligation prior to the execution of a power purchase agreement even in the absence of an irreconcilable disagreement during the contracting process, such position should be rejected.</i></p> <p><i>A legally enforceable obligation can only occur if the QF makes a binding commitment to sell its output to the utility. See JD Wind 1, LLC, 129 FERC ¶ 61,148, at P 25 (2009), reh’g denied, 130 FERC ¶ 61,127 (2010). As a practical matter, such binding commitment by the QF can only occur through a contract or by order of the Commission. There is no reason to expend Commission, utility and QF resources to establish a legally enforceable obligation in the absence of a contract, unless a party is acting improperly in the course of obtaining a fully executed power purchase agreement. Therefore, a legally enforceable obligation should be established in a fully executed power purchase agreement, <u>unless</u> the utility or QF acts improperly, in which case the Commission can find that a legally enforceable obligation exists in the absence of a fully executed power purchase agreement and can determine when such legally enforceable obligation arose.</i></p> |

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| 9 | NIPPC/REC | QF power output requirements in tariff or contract | All | <p>All references made by any of the three utilities to a requirement that a QF must provide “all QF output,” or “all of the electrical capacity and energy” rather than “all or part” of the net output is inconsistent with PURPA and WAC 480-106-020, which requires the purchase of energy and capacity that is “made available” or WAC 480-106-030 which allows a LEO formation for “all or part” of the QF’s electric output.</p> <p><i>Avista Response: Avista’s Standard PPA does not require a QF to sell all of its output to Avista. If, however, a QF elects to sell some of its output to another entity or use some of its output for some other purpose, the output that is delivered to Avista is per se non-firm (that is, it is that output that is in excess to the output that is sold to another entity or used for another purpose) and therefore is being provided on an as-available basis. Accordingly, by electing to provide less than all of the output of the QF, the QF has elected to receive an as-available avoided cost rate—i.e., the avoided costs calculated at the time of delivery. See 18 C.F.R. §§ 292.304(d)(1), (d)(2)(i).</i></p> |
| 10 | NIPPC/REC | Direct interconnection requirements | All | <p>All references made by any of the three utilities to a requirement that a QF must be “directly interconnected,” “located within the Company’s electric service area,” otherwise “on-system” is inconsistent with PURPA and WAC 480-106-020, which requires a utility to purchase any energy and capacity that is made available from a QF either directly or indirectly via transmission over another entity’s lines.</p> <p><i>Avista Response: Avista does not require QFs to be directly interconnected with Avista’s electrical system, to be located within Avista’s electric service area, or otherwise be on Avista’s system. Avista’s Standard PPA expressly provides for both on-system and off-system QFs. For example, sections 6 and 12.1-12.4 only apply to off-system QFs.</i></p> |

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| 11 | NIPPC/REC | Interconnection agreement as requirement | All | <p>All references made by all three utilities to any requirement that a QF must complete interconnection studies or execute an interconnection agreement prior to executing its PPA or prior to forming a LEO is inconsistent with PURPA.</p> <p><i>Avista Response: Avista does require the QF to provide an interconnection agreement prior to the effective date of a power purchase agreement. This requirement appears in section 3.5 of the Standard PPA. Avista does not agree that this requirement is inconsistent with PURPA. An interconnection agreement is required for a QF to provide its output to the utility. Moreover, obtaining an interconnection agreement is not an onerous requirement.</i></p> |
| 12 | NIPPC/REC | Monthly shaping factors | Avista | <p><i>It is unclear whether this item is consistent with the Commission’s rules and policies. NIPPC/REC recommends further investigation by the Commission: Avista’s monthly energy shaping factors.</i></p> <p><i>Avista Response: Avista’s energy shaping factors reflect expected long-term average prices over the term. Negative pricing in off-peak periods reflects what most expect in the future where the market is flooded with renewables. It is not reasonable to accept power at times when prices are negative and pay a price above zero. Not reflecting the low value of springtime energy would create incentives for projects with more generation at this time to be developed. The negative prices in the off-peak hours in some months are accounted for by increased prices in the rest of the year.</i></p> |
| 13 | NIPPC/REC | Capacity contribution | All | <p><i>It is unclear whether this item is consistent with the Commission’s rules and policies. NIPPC/REC recommends further investigation by the Commission: Avista’s [and PSE’s] methodology for calculating renewable capacity contribution.</i></p> <p><i>Avista Response: It is Avista’s view that the Company’s proposal is consistent with the Commission’s rules and policies. Avista is open to further discussion on this topic.</i></p> |

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| 14 | NIPPC/REC | Market forecast | All; focus on PSE | <p><i>It is unclear whether this item is consistent with the Commission’s rules and policies. NIPPC/REC recommends further investigation by the Commission: PSE’s Mid-C market price forecast. PSE used a market price forecast from its PSE's current forecast of market prices for electricity in PSE’s most current draft Integrated Resource Plan; however, that plan has not been made public and the forecast accuracy must be vetted.</i></p> <p>Avista Response: <i>It is Avista’s view that the Company’s proposal is consistent with the Commission’s rules and policies. Avista is open to further discussion on this topic.</i></p> |
| 15 | NIPPC/REC; Staff memo attachment | Utility right to purchase RECs | PSE | <p><i>It is unclear whether this item is consistent with the Commission’s rules and policies. NIPPC/REC recommends further investigation by the Commission: PSE’s proposal to require that QFs offer PSE an option to purchase the environmental attributes. This is inconsistent with the requirement that the QF owns the environmental attributes unless the standard rates for which they are paid is based on a renewable resource or the QF otherwise expressly conveys the attributes to the utility for additional consideration under WAC 480-106-050 (4)(c).</i></p> <p>Avista Response: <i>N/A</i></p> |
| 16 | NIPPC/REC; Staff memo and attachment | Capitalized energy cost adjustment | Pacific Power | <p><i>It is unclear whether this item is consistent with the Commission’s rules and policies. NIPPC/REC recommends further investigation by the Commission: PacifiCorp’s proposal for its “capitalized energy cost adjustment.”</i></p> <p>Avista Response: <i>N/A</i></p> |
| 17 | NIPPC/REC; Staff memo attachment | Methodology for avoided cost calculation for large QFs | All | <p><i>It is unclear whether this item is consistent with the Commission’s rules and policies. NIPPC/REC recommends further investigation by the Commission: Methodology(s) for negotiating non-standard prices.</i></p> <p>Avista Response: <i>The Commission’s rules do not dictate a prescribed methodology for QFs larger than 5 MWs. Avista would use a similar methodology to value large QFs.</i></p> |

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| 18 | NIPPC/REC; Staff memo attachment | Contracting procedures and timelines | All | <p><i>It is unclear whether this item is consistent with the Commission’s rules and policies. NIPPC/REC recommends further investigation by the Commission: Contracting procedures and timelines.</i></p> <p>Avista Response: <i>Avista’s contracting procedures include timelines. It is Avista’s view that the Company’s proposal is consistent with the Commission’s rules and policies. Avista is open to further discussion on this topic.</i></p> |
| 19 | NIPPC/REC | Process for addressing concerns re: standard PPAs | All | <p>NIPPC/REC intends to comment in more detail regarding the specific concerns with each utility’s contract provisions. NIPPC/REC’s preferred process would be not to litigate these issues before the Commission at an open meeting, but instead to have a litigated proceeding in which Staff and interested parties identify contested PPA provisions and the Commission makes a policy determination as to the reasonableness of each disputed provision. NIPPC/REC prefer that this occur through notice and comment rather than a formal evidentiary proceeding with testimony and hearings.</p> <p>Avista Response: <i>It is Avista’s view that the Company’s proposal is consistent with the Commission’s rules and policies. Avista is open to further discussion on this topic.</i></p> |
| 20 | NIPPC/REC | Standard PPA: Start of contract term for existing QFs | All | <p>The Commission set fixed price terms for existing QFs of 10 years and for new QFs of 15 years, using different language. It is not explicit in the WAC and as a result, the utilities each provide differing interpretations around when the 10-year term of fixed price [payments] for existing QFs commences. WAC 480-106- 050 expressly provides that the 15-year term of fixed prices for new QFs starts on contract execution, but it does not make a similar finding for existing QFs.</p> <p>Avista Response: <i>Avista requires commercial operation within 3 years of the effective date of the PPA. This is consistent with the Commission’s rules. See WAC 480-106-050(4)(i); StandardPPA at Section 4.</i></p> |

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| 21 | NIPPC/REC | Standard PPA: Default and Cure | All | <p>Each of the utilities have differing provisions around what constitutes a default and whether or not the QF may cure that default and the amount of time a QF has to cure. Generally, some ability to cure is reasonable.</p> <p><i>Avista Response: Avista’s Standard PPA includes commercially reasonable events of default and generally provides a reasonable opportunity to cure except where the nature of the default is such that Avista must retain the ability to terminate the agreement without an opportunity to cure. See Standard PPA at Sections 17.1 and 17.2. It is Avista’s view that the Company’s proposal is consistent with the Commission’s rules and policies. Avista is open to further discussion on this topic.</i></p> |
| 22 | NIPPC/REC | Standard PPA: Damages | All | <p>While it is generally not unreasonable for a party to owe damages in the event of a default or termination, the damages that are imposed should be commercially reasonable.</p> <p><i>Avista Response: It is Avista’s view that the Company’s proposal is consistent with the Commission’s rules and policies. Avista is open to further discussion on this topic.</i></p> |

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| 23 | NIPPC/REC | Standard PPA: Upgrades and increases or decreases | All | <p>Whether a QF is permitted to upgrade its facilities or increase/decrease its nameplate capacity, and if upon doing so, it is entitled to the rates within its existing contract, is an important topic for resolution because there may be changes to the project, equipment, or facilities that require changes to the nameplate capacity</p> <p><i>Avista Response: As with any contract, such changes are subject to both parties agreeing. The contract is for a specific term and quantity. To the extent the QF is uncertain of its capacity, it should sign a contract only for a term it can be certain of its capacity. As a general matter, if a QF upgrades its facilities to increase its nameplate capacity the QF should not be entitled to the avoided cost rates established potentially several years before such increase for that additional capacity. To allow a QF to increase its capacity and avail itself of the same avoided cost rate established in the initial contract will incent QFs to expand their facilities rather than build new facilities when the avoided cost rate has decreased since the initial contract was signed. More fundamentally, such a policy would force utility customers to bear the cost of the output of the new capacity at a rate that exceeds the utility's avoided costs. This result is unjust and unreasonable.</i></p> |
| 24 | NIPPC/REC | Standard PPA: Facility milestones | All | <p>The milestones proposed by some of the utilities are not commercially reasonable. For example, PSE's milestones would essentially require the QF to initiate commercial operation within one year after contract execution. Given that it may take three years from execution to reach commercial operation and the Commission's rules allow for 3 years between execution and commercial operation, these milestones are not reasonable.</p> <p><i>Avista Response: It is Avista's view that the Company's proposal is consistent with the Commission's rules and policies. Avista is open to further discussion on this topic.</i></p> |

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| 25 | NIPPC/REC; referenced in staff memo | Standard PPA: Interconnection requirements and service | All | <p>The utilities include varying levels of interconnection requirements in their standard contracts, including metering and telemetering requirements, communications requirements and that a QF must be designated as a network resource. Because interconnections are generally handled separately, these interconnection requirements may not be reasonable to include within the PPA. It may be reasonable to simply remove these requirements and state that all interconnections will comply with the applicable interconnection rules.</p> <p><i>Avista Response: Interconnection is a prerequisite for the ability to deliver QF output. For that reason it is important to retain the requirements regarding interconnection.</i></p> |
| 26 | NIPPC/REC | Standard PPA: Scheduling | All | <p>The scheduling provisions are important because many small QFs do not have the capability to meet aggressive scheduling requirements. These requirements should be commercially reasonable and practical in light of the utilities' need for power to be scheduled and a small QF's ability to do so.</p> <p><i>Avista Response: Avista is a single party operating within a larger interconnected system. Avista is responsible for operating within this system under its rules and responsibilities. These requirements extend from rules Avista must follow under state and federal law.</i></p> |

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| 27 | NIPPC/REC | Standard PPA: Estimates on minimum and maximum deliveries | All | <p>The provisions surrounding estimated energy deliveries and minimum or maximum deliveries and the damages or differing prices paid for violating such provisions are important to determining the economic viability of a project. Small QFs often do not have the bandwidth to produce down-to-the-minute estimates of energy deliveries, and then be penalized for not producing at that estimate. A commercially reasonable approach would give enough flexibility to QFs to enable them to accurately estimate.</p> <p><i>Avista Response: Avista is a single party operating within a larger interconnected system. Avista is responsible for operating within this system under its rules and responsibilities. These requirements extend from rules Avista must follow under state and federal law. Avista likely will procure a 3rd party service for all of its Variable Energy Resources (VERs). Avista potentially could make its "volume pricing" available to customers to the extent they wanted to contract with Avista's provider.</i></p> |
| 28 | NIPPC/REC | Standard PPA: Insurance | All | <p>The utilities have a wide range of insurance requirements from simply a general liability policy, but also property insurance, and an extremely detailed list of various types of other insurances, and on top of that the level of general liability insurance varies. This may be one area where it is reasonable to have some consistency or standardization.</p> <p><i>Avista Response: Each utility may have different insurance needs. For example, self-insured limits may be different and, as a result, the minimum insurance limit also will be different.</i></p> |

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| 29 | NIPPC/REC | Standard PPA: Credit-worthiness and security | All | <p>The creditworthiness and security provisions vary greatly among the utilities as well. Generally, it is appropriate for some assurances around creditworthiness, but it may not be commercially reasonable for the QFs to post security unless and until it is demonstrated that the QF cannot meet the credit requirement.</p> <p><i>Avista Response: Creditworthiness and security requirements are established by Avista’s risk management department. Each utility may have different risk management policies that need to be adhered to. Although Avista will probably require additional security for larger QFs, at least with regard to those that are 5 MWs or smaller, Avista only requires security if the QF elects a levelized avoided cost rate. See Standard PPA at Section 9.2. Such security is necessary to protect Avista’s customers from the risk that a QF will take advantage of a rate that is higher than the avoided cost rate during the initial years of the term and then default in the later years.</i></p> |
| 30 | NIPPC/REC | Standard PPA: Dispute resolution | All | <p>The dispute resolution provisions create significant confusion around how disputes over executed contracts should be resolved and whether disputes come before the Commission, the courts, or some sort of third-party alternative dispute resolution process such as and arbitration.</p> <p><i>Avista Response: Avista notes that the Commission’s rules do not require any particular dispute resolution process. Avista’s Standard PPA requires that disputes be escalated to senior officers of the parties. If a dispute is not resolved through meetings and discussions, including discussions between the senior officers of the parties, the parties can agree to mediate or arbitrate the dispute or may request a hearing before the Commission. The Standard PPA does not prohibit any party from seeking resolution of a dispute in any forum such party may determine appropriate. QFs, even if small, should be sophisticated enough to determine for themselves (after good faith attempts to resolve the dispute through discussions have failed) the appropriate forum for resolving any dispute.</i></p> |

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| 31 | NIPPC/REC | Standard PPA: Governmental authority | All | <p>All three utilities include the same language in a “governmental authority” section, which notes that the agreement is “subject to” all governmental authorities having jurisdiction over the facility, the agreement and the parties. This language is similar to language in Portland General Electric Company’s standard contract, which has been the subject of litigation in Oregon.</p> <p><i>Avista Response: Avista recovers expenses only authorized by the Commission. Therefore it is essential that language protect the Company to the extent governmental authorities (i.e., the UTC and IPUC) have concerns with PURPA contracts.</i></p> |
| 32 | NIPPC/REC | Standard PPA: Commission approval | Avista | <p>Avista’s contract contains a provision stating that the contract is subject to Commission approval. In Idaho, the Idaho Public Utility Commission approves each individual PURPA contract executed by the utilities and based on the fact that only one utility included this provision, it is not clear whether the WUTC plans to employ a similar method, or if this was simply an error left over from something Avista may have taken out of one of its Idaho contracts.</p> <p><i>Avista Response: It is Avista’s understanding that, even though the Commission does not approve QF PPAs as a matter of course, it does have the authority to reject such PPAs. That said, Avista is willing to remove the reference to Commission approval from its Schedule 62. Avista will also remove the requirement for Commission approval in Section 24 of its Standard PPA.</i></p> |
| 33 | NIPPC/REC | Standard PPA: Non-termination on repeal of PURPA | All | <p>Each of the utilities should include a provision in their standard PPAs that provides that the contract will not terminate if PURPA is repealed.</p> <p><i>Avista Response: This provision is not necessary. Nothing in Avista’s Standard PPA suggests that the PPA would terminate if PURPA is repealed. More fundamentally, Avista cannot anticipate the requirements of any new law and is reluctant to include a contractual provision that may conflict with a future legal requirement.</i></p> |

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| 34 | Sun2o/DGEP | Solar Capacity Valuation | Avista | <p><i>Flawed assumptions informing Avista’s 0% capacity contribution factor for solar:</i></p> <p>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.</p> <p>Avista Response: <i>This information was taken out of context and not based on information from Avista’s planning department. Avista will remain a winter peaking utility for the entirety of its long-term forecast.</i></p> |
| 35 | Sun2o/DGEP | Solar Capacity Valuation | Avista | <p><i>Flawed assumptions informing Avista’s 0% capacity contribution factor for solar:</i></p> <p>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.</p> <p>Avista Response: <i>Avista uses its 2017 IRP which studies solar potential and defines the capacity contribution. It is not based on Rathdrum.</i></p> |

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| 36 | Sun2o/DGEP | Capacity valuation methodology | All | <p>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 capacity for variable resource...</p> <p>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%.</p> <p><i>Avista Response: Contribution is utility and geography specific. The capacity contribution of wind is analyzed and published as part of Avista’s integrated resource planning process. This is a perfect example where applying a regional value would be grossly inaccurate for Avista’s system.</i></p> |

UE-190663, UE-190665, UE-190666 – Tariff revisions implementing Chapter 480-106 WAC
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| 37 | Sun2o/DGEP | Social Cost of Carbon | All, focus on Avista | <p>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...</p> <p>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.</p> <p><i>Avista Response: The Social Cost of Carbon (SCC) is a new law enacted just this year. The Commission and interested parties are just now evaluating how to include this new requirement. Avista’s 2020 IRP will provide needed insights into its broader effects on Avista’s business, including avoided costs. It is not appropriate to include an adder until such time the Commission has reviewed and approved Avista’s methodology and it has become part of Avista’s long-term forecast. Once the 2020 IRP is published early next year, the impacts of considering the SCC will be appropriately reflected in the tariff.</i></p> |

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| 38 | Sun2o/DGEP; referenced in staff memo | Energy Storage Inclusion | All | <p>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...</p> <p>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.</p> <p><i>Avista Response: Avista’s contracting procedures and Standard PPA apply to all eligible QFs. If a storage facility is eligible to be a QF, then it will be compensated based on the QF energy that fuels such storage QF. See Luz Development and Finance Corporation, 51 FERC ¶ 61,078 (1990). See also Motion to Intervene and comments of Avista Corporation, Docket Nos. EL18-50-000, et al. (April 26, 2018). Avista requires multiple-day storage to obtain capacity value from Variable Energy Resources (VERs). A short-term battery will not increase the capacity contribution of a solar facility.</i></p> |
| 39 | Staff | Capacity factor adjustment | PSE | <p>To arrive at a reasonable avoided cost of capacity, the value of capacity, which is lowered based on the capacity contribution adjustment, should then be spread across the expected number of generation hours such that the QF would collect the appropriate capacity contribution...</p> <p>PSE has not yet filed replacement pages implementing this concept, but the company has been receptive to the revision.</p> <p><i>Avista Response: N/A</i></p> |

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| 40 | Staff memo and attachment | Avoided cost of energy: market forecasts | All | <p>Staff notes the variation across the companies’ forecasts, but does not at this time dispute the reasonableness of any company’s forecast. Avista and PSE have significantly lower price forecasts; relatedly, these two companies are using their draft IRP forecasts, which contemplate the impacts of the Clean Energy Transformation Act.</p> <p><i>Avista Response: Avista is open to further discussion on this topic.</i></p> |
| 41 | Staff memo and attachment | Capacity payments and in-service date | All | <p>Staff views this [Avista’s] implementation as truer to the language of the rule, but feels that PSE’s and Pacific Power’s implementations also align with the rule’s intent.</p> <p><i>Avista Response: N/A</i></p> |
| 42 | Staff memo and attachment | Capacity valuation-based timing of IRP resource selections | All; focus on PSE | <p>PSE interpreted WAC 480-106-040(1)(b) as a directive to take a levelized average cost of all “next planned capacity additions identified in the succeeding twenty years” from its IRP. In staff’s view, this is not a plain reading of the rule, but the material difference between these differing perspectives appears minimal at this time. That may change in a future IRP.</p> <p><i>Avista Response: N/A</i></p> |
| 43 | Staff memo and attachment | Next planned capacity resource | Pacific Power | <p>More concerning, however, is the company’s conflation of the planned 2021 start date for projects resulting from the RFP with the “next planned capacity resource addition identified in the succeeding twenty years in the utility’s most recently acknowledged integrated resource plan,” as specified in WAC 480-106-040(b). This interpretation has the effect of pulling the next selected WCA resource up six years, from 2027 to 2021.</p> <p><i>Avista Response: N/A</i></p> |

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| 44 | Staff memo and attachment | Differentiation by season and by fuel type | All | <p>However, staff is concerned that implementing on- and off-peak adjustments as well as fuel type differentiation may lead to two adjustments for the same resource characteristics. Staff will continue working to understand this issue with the utilities and other stakeholders.</p> <p><i>Avista Response: Avista’s revised tariff will not have a different adjustment by fuel. Avista’s payments are based on when the QF delivers power, both by month of the year and by time of day.</i></p> |
| 45 | Staff memo | Definition of projected fixed costs | All | <p>WAC 480-106-040(1)(b) requires a utility to calculate its avoided cost of capacity “based on the projected fixed cost of the next planned capacity addition” of its most recently acknowledged IRP. The peaker proxy requirement similarly references projected fixed costs. Staff understands “projected fixed costs” as comprised of, at minimum, the capital costs and fixed operations and maintenance (O&M) costs for a selected resource. Any avoided fuel costs and variable O&M costs would be represented in the avoided energy payment, which is valued based on market forecasts. Staff is working with the utilities to better understand other factors that are included in each utility’s identification of the fixed costs of its next planned capacity addition.</p> <p><i>Avista Response: Avista is open to further discussion on this topic.</i></p> |
| 46 | Sun2o/DGEP | Procedural priorities | All | <p>Items that require immediate action:</p> <p>I. Utilities do not include the avoided social cost of carbon as required by SB 5116.</p> <p><i>Avista Response: See response to question 37.</i></p> |
| 47 | Sun2o/DGEP | Procedural priorities | All | <p>Items that require evaluation:</p> <p>I. Avista’s determination that it is a strictly winter peaking utility</p> <p>II. Avista’s determination that it has no summer capacity need</p> <p>III. Avista’s utilization of the Rathdrum Solar Project to evaluate a solar project’s production</p> <p>IV. Capacity contribution of renewable plus energy storage QFs</p> <p><i>Avista Response: See prior responses.</i></p> |

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| 48 | NIPPC/REC (comments provided via email; edited by Staff for consistency with other comments) | Large QF avoided cost price methodology | All | <p>[NIPPC/REC provided] resources from other states regarding how the methodologies for calculating non-standard avoided costs have been explained. In the past in other states, [NIPPC/REC has] seen PacifiCorp (for example) provide briefing and testimony regarding how its methodology works.</p> <p>Oregon The OPUC approved use of PacifiCorp’s PDDRR methodology in Docket No. UM 1610.</p> <ul style="list-style-type: none"> • 02/04/2013 PAC Phase I testimony – See Dickman testimony pages 7-16 for the PDDRR explanation. • 05/22/2015 PAC Phase II testimony – See Dickman testimony pages 16-29 for the PDDRR explanation. • 09/02/2015 PAC Pre hearing brief – see pages 30-36. • 10/13/2015 PAC Post hearing brief – see pages 13-18. <p>Wyoming The Wyoming first approved the PDDRR methodology a while back. The documents from the initial proceeding do not appear to be available on the web, but here is some information from later proceedings that may be helpful.</p> <ul style="list-style-type: none"> • 01/10/2011 Record No. 12750 Avoided Cost application – See Duvall testimony and accompanying exhibit describing a settlement to use the PDDRR method and explaining it. • 11/02/2018 Record no 15133 QF Application – PacifiCorp’s most recent filing in Wyoming to change the PDDRR methodology (among other things). See MacNiel testimony pages 5-16. <p>[NIPPC/REC’s] hope would be that each of the utilities would provide similar summaries and descriptions of their large QF avoided cost price methodology so that Staff and stakeholders can better understand it.</p> <p>Avista Response: <i>Avista is open to further discussion on this topic.</i></p> |