

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of Avista Corporation d/b/a
Avista Utilities' 2021 Clean Energy
Implementation Plan Biennial Update**

DOCKET UE-210628

**COMMISSION STAFF COMMENTS REGARDING
AVISTA CORPORATION d/b/a AVISTA UTILITIES'
BIENNIAL CLEAN ENERGY IMPLEMENTATION PLAN
UPDATE SUBMITTED IN COMPLIANCE WITH
CHAPTER 19.405 RCW and WACs 480-100-640 through -665**

January 11, 2024

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Introduction

In 2019, the Washington Legislature passed the Clean Energy Transformation Act (CETA) to address the impacts of climate change by transforming the energy supply and modernizing the electric system, while ensuring the benefits are shared broadly.¹ The act sets the following mandatory targets:

- 2025 – All electric utilities must eliminate coal-fired resources serving Washington state customers.
- 2030 – All electric utilities must be greenhouse gas neutral – for example, remaining carbon emissions are offset by renewable energy, energy efficiency, carbon reduction project investments, or payments funding low-income assistance.
- 2045 – All electric utilities must supply one hundred percent of retail sales of electricity from renewable or zero-carbon resources.

The Utilities and Transportation Commission (Commission) finalized rules implementing CETA on December 28, 2020.²

Avista Corporation d/b/a Avista Utilities (Avista or Company) filed its first Public Participation Plan (PPP) for its clean energy implementation plan (CEIP) on April 30, 2021, and a revision June 30, 2021.³ The Company filed a PPP update on May 1, 2023, in Docket UE-210295.

On October 1, 2021, Avista filed the very first CEIP, as required by WAC 480-100-640. This CEIP was approved by the Commission in Docket UE-210628 Order 01 subject to conditions, referenced herein by Order 01 or by condition number.

In September 2023, Avista sent its Draft Biennial CEIP Update to advisory groups and other interested parties, requesting feedback by October 13, 2023. On November 1, 2023, Avista filed its first Biennial Update to the 2021 CEIP, as required by WAC 480-100-640(11).

Commission staff (Staff) provides comments to assess whether the Biennial CEIP update satisfies the rules and statutes governing the filing. Staff also identifies areas for improvement and recommends next steps in the process. Staff reserves its final recommendations for the open meeting process.

¹ RCW 19.405.010(1).

² *In re Adopting Rules Relating to Clean Energy Implementation Plans and Compliance with the Clean Energy Transformation Act and Amending or Adopting rules relating to WAC 480-100-238, Relating to Integrated Resource Planning*, Dockets UE-191023 & UE-190698 (Consolidated), General Order 601, 58-59, ¶ 168 (CETA Rulemaking Order) (Dec. 28, 2020).

³ See Docket UE-210295.

Staff Assessment of the Biennial Update to the 2021 Clean Energy Implementation Plan (Docket UE-210628)

Staff appreciates the efforts Avista put forth in filing a thorough and quality Biennial CEIP Update (Biennial Update). As a result of Order 01, Avista has 38 conditions to comply with throughout the compliance period covering 2021-2025, some of which are relevant to this Biennial update. Conditions are directives from the Commission for the Company to take action related to clean energy planning and implementation. Because this is the first Biennial Update to review compliance with several of these conditions, Staff expects that the Company and other interested parties (Parties) will continue to collaborate to refine how we understand these conditions going forward.

Generally, Staff is pleased with the completeness of this Biennial Update and the efforts Avista is making towards CETA's goal of a clean energy future. Staff also appreciates the energy and time Avista spent answering Staff's questions and Avista's willingness to engage in several discussions about the Biennial Update before and after it was filed.

Staff's comments focus on the following key areas: reviewing interim and specific targets, compliance with conditions, the Named Community Investment Fund (NCIF), public participation, and procedural next steps.

Interim Targets

Avista's 2021 CEIP describes the Company's plan to equal or exceed the greenhouse gas neutral standard by 2030.⁴ Interim targets are required to demonstrate progress toward meeting the standard, and the utility must design a reasonable transition.⁵

As described in Condition 7 in Appendix A in Order 01, the Company agreed to interim targets shown in Figure 1. **The Company did not propose any modifications to these targets in this Biennial Update.** Avista will continue to retire Renewable Energy Credits (RECs) at the ramp rate shown in Figure 1, which also shows the percent of Avista generated clean energy as well as the available renewable energy from Idaho. **As such, Staff is supportive of the Company continuing with these targets as circumstances do not appear to warrant deviating from them.**

⁴ *In Re Avista Corporation's 2021 Clean Energy Implementation Plan*, Docket UE-210628, 2022-2023 Avista CEIP (July 23, 2022) at 2-15 (2022-2023 Avista CEIP).

⁵ CETA Rulemaking Order at 34, ¶ 91.

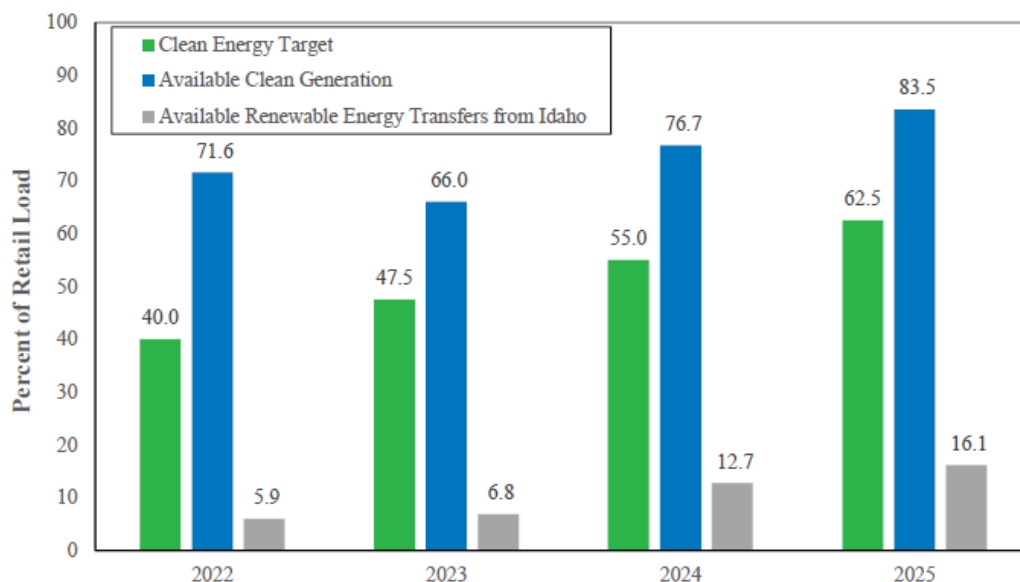


Figure 1. Interim Renewable Energy Targets and Renewable Energy Availability

Staff notes that, in condition 5, the Company needed to provide qualitative and quantitative analysis supporting the interim targets within this Biennial Update. Please see the Compliance with Conditions section of this document for further discussion of this condition as it relates to interim targets.

Specific Targets and Specific Actions

The Company does not propose any changes to the clean energy specific targets for the duration of the current CEIP implementation period, nor does it propose changing its demand response target. As such, Staff is supportive of the Company continuing this trajectory. Staff is actively engaged with the Company and is looking forward to learning more about the specific actions the Company is taking to progress with these targets. Staff believes Avista is making reasonable progress towards meeting these targets and fulfilling the commitments within their specific actions as real-world conditions and circumstances evolve. **Staff expects that the Company will keep Staff informed about any significant changes or updates to its specific actions.**

Energy Efficiency Specific Target

Avista proposes reductions to the energy efficiency (EE) conservation target, as seen in Figure 2, based upon changes to its 2024-2025 Biennial Conservation Plan (BCP), which was filed

concurrently with this Biennial CEIP. Staff filed more extensive comments relating to this 2024-2025 BCP and its targets and programs in Docket UE-230897.

Year	2020 CPA Derived Target in MWh	2022 CPA Derived Target in MWh	Variance
2024	53,322	33,271.5	(20,051)
2025	53,322	33,271.5	(20,051)

Figure 2. Change in Energy Efficiency Specific Target ⁶

In summary, the targets included in Avista's 2024-2025 BCP were derived from the Company's most recent Conservation Potential Assessment (CPA), initiated in 2022. It shows a significant decline in expected conservation potential as compared with the 2020 CPA, which informed the Company's 2022-2023 BCP. Staff believes the Company is not likely to meet the 2022-2023 BCP target, which was significantly higher than the 2020-2021 BCP target. The Company therefore considers the target derived from the 2022 CPA to be more reflective of realistically achievable conservation potential for the 2024-2025 BCP.

While the 2022 CPA assumed a 30 percent increase in residential electric load over the 10-year conservation period, most of the load is expected to be new construction and therefore subject to the 2021 Washington State Energy Code that is, or will be, in effect at the time of construction – meaning higher efficiency builds with less potential for efficiency improvements or savings. This change in code, coupled with a projected decrease of 7 percent in commercial/industrial load, as well as the significant reduction in lighting savings due to the Energy Independence and Security Act (EISA) lighting standard backstop, resulted in a significantly lower target in the 2022 CPA than in the 2020 CPA. After initial review, Staff finds that the causes for the reduced EE target appear reasonable and in line with trends seen across the other two electric companies subject to CETA, but reserves its final recommendation for the upcoming BCP recessed open meeting process.

Staff appreciates Avista's ongoing progress with its specific actions to achieve greater EE savings.⁷ Staff expects that the Company will continue to pursue all cost-effective EE moving forward.

⁶ *In Re Avista Corporation's 2023 Biennial Clean Energy Implementation Plan Update*, Docket UE-210628, 2023 Avista Biennial Update (Nov 1, 2023) at 4 (2023 Avista Biennial Update).

⁷ 2023 Avista Biennial Update at 23.

Compliance with Conditions

Staff reviewed Avista's summary of compliance with conditions as well as the conditions themselves.⁸ In general, Staff believes that Avista is making a good-faith effort to meet the requirements of each condition and commends Avista for the system the Company created for tracking and documenting compliance. In conversations with Avista, Staff learned more about how each condition is progressing and is generally satisfied with Avista's progress and condition compliance trajectory.

There were two conditions for which Avista's progress fell short of Staff's expectations.

Condition 5

Condition 5- In its 2023 Biennial CEIP Update and in future CEIPs, Avista will include descriptions of quantitative (i.e., cost based) and qualitative (e.g., equity considerations) analyses that support interim targets to comply with the Clean Energy Transformation Act's (CETA) 2030 and 2045 clean energy standards.

In the draft Biennial Update that Avista sent to advisory groups and other interested parties ahead of the final filing, Staff submitted informal feedback to the Company that its original response to this Condition 5 was unsatisfactory.⁹ Originally, Avista stated that since it did not propose changes to the interim targets in this Biennial Update and because the approved interim targets were a result of negotiations with other parties (rather than qualitative or quantitative analyses), this condition did not apply in this Biennial update.¹⁰ Staff disagreed and asserted that our understanding of this condition is that the language clearly states the Company must comply with the condition in this 2023 Biennial Update regardless of whether the targets have changed or not.

Further, the interim targets that the Parties negotiated, and the Commission approved were in Condition 7 of this same document that includes Condition 5. Therefore, Staff believes that Avista would have had opportunity to raise any issue with complying with both conditions concurrently at the time of negotiation. Since the Company and all Parties agreed to these conditions, it is difficult for Staff to understand why Avista now sees an issue with complying with Condition 5 in this Biennial Update.

Following discussions with Staff about the draft Biennial Update, Avista included quantitative (cost-based) analysis to show a range of the possible costs of retiring additional RECs beyond

⁸ 2023 Avista Biennial Update at 37-65.

⁹ See 2023 Avista Biennial Update, Attachment E./.

¹⁰ *Id.* at 38.

what they had originally proposed in 2021, as they must do to meet the approved interim targets, in the final filed Biennial Update. In other words, Avista shows a range of the possible cost difference between what it had originally proposed for interim targets in its 2021 CEIP filing and what was approved in Condition 7 within Final Order 01.

This is still not quite what the condition asks Avista to do, though it does show some cost-based analysis that helps Staff understand what goes into Avista's decision to propose targets. In recent discussions with Avista, Staff understands that the Company does not have the type of analysis to support the approved interim targets that Staff believes could satisfy this condition.

To satisfy this condition, Staff would expect to see quantitative analysis which might include the cost to ratepayers of various interim target scenarios, including an analysis on rate incrementalism. It may also include greenhouse gas (GHG) emission estimates associated with various interim targets. Qualitative analysis might include an equity analysis of various targets showing how different scenarios might affect equitable outcomes for Named Communities.¹¹

This condition is important to Staff because in the 2021 CEIP, Staff believed that the Company did not provide enough analysis or rationale for its proposed interim targets. Rather, the Company stated that the targets were best for affordability¹² without detailed explanation. In future CEIPs, Staff needs to understand exactly what analysis supports Avista's interim target proposals.

That said, Staff is sympathetic to the perhaps unique situation that this Biennial Update presents regarding Condition 5, namely that this condition requires analysis to support the interim targets, but the interim targets were negotiated and have not changed since negotiation. If the Company were proposing modified targets, or targets it had proposed and were not negotiated, Staff would unequivocally expect the Company to fulfill this condition. Staff understands that if Avista were to provide any further analysis to support interim targets, the Company would likely provide analysis that supports its originally proposed interim targets in the 2021 CEIP, not the interim targets agreed upon in Condition 7 in Final Order 01.

Due to these circumstances, Staff does not currently plan to contest the way the Company *only partially fulfilled* Condition 5 in this Biennial Update.

Staff expects that in all future CEIPs, Avista will thoroughly fulfill the requirements of Condition 5, by conducting additional analysis if necessary.

¹¹ Named Communities refer to Highly Impacted Communities and Vulnerable Populations collectively, as defined in WAC 480-100-605.

¹² 2022-2023 Avista CEIP at 2-4.

Condition 9

Condition 9 - Avista agrees to update and expand its Vulnerable Populations areas within its 2023 Biennial CEIP Update taking into account the additional criteria developed by the EAG and Energy Assistance Advisory Group (EAAG) and to ensure updates are in line with the definition of Vulnerable Populations outlined in RCW 19.405.020(40). Additional work is needed to develop a consistent methodology and data source identification. This additional work is primarily related to identifying a consistent data source(s) to evaluate each characteristic and then overlaying it onto a map.

Staff found that Avista appears to be making reasonable progress towards the portion of this condition that asks the Company to develop a consistent methodology and data source identification. Avista identified The White House Climate and Economic Justice Screening Tool (CEJST) as its likely data source, and Staff is in preliminary stages of better understanding this tool.

Staff finds that Avista did not provide enough detail in the filing to assess whether the Company is making adequate progress on updating and expanding Vulnerable Population areas.

Avista provides a document¹³ that shows what it describes as an updated set of Vulnerable Population areas. Staff finds this list to be inadequate, as several of the vulnerable population areas listed are vague, too broad, or do not fit into the guidelines in RCW 19.405.020(40). As an example, the list includes “Religious and Spiritual People” and “People who fall between the cracks.”¹⁴ While Staff understands that Avista attempted to capture the feedback of its EAG in this list, Staff expects that to comply with this condition, the Company needs to refine that feedback in a way that fits the statutory guidelines and is well-defined and measurable.

In conversations with Avista since filing the Biennial Update, Staff understands that the Company may be further along in making progress towards this part of the condition than what was apparent in the filing. Staff invites the Company to add to the record any more information it has regarding this condition. Absent further information, Staff believes the Company only partially complied with this condition.

Staff finds it imperative that Avista work diligently to update and expand its Vulnerable Population areas because utility actions that affect these populations are happening quickly. Avista must ensure that it is addressing inequities in its clean energy transformation by adequately defining and measuring impacts to Vulnerable Populations.

¹³ See 2023 Avista Biennial Update, Attachment F.

¹⁴ *Id.*

Named Community Investment Fund

Dating back to the 2021 CEIP, Avista pledged to allocate up to 1 percent of its annual revenue, or \$5 million annually, to its NCIF. Since June 2022, Avista began investing in Named Communities through both Company-led projects and programs and leveraging the fund as an incentive or grant to develop projects led by local customers or third parties. Avista states that these funds may help uneconomic projects become more cost-effective for Named Communities.¹⁵ The Company allocated funds by categories shown in Figure 3 below.

NCIF Annual Spend Target	NCIF Category
40 percent or up to \$2 million	Energy Efficiency Supplement
20 percent or up to \$1 million	Distribution Resiliency
20 percent or up to \$1 million	Customer & Third-Party Grants and Incentives
10 percent or up to \$0.5 million	Outreach & Engagement
10 percent or up to \$0.5 million	Other Projects, Programs, or Initiatives

Figure 3- Named Communities Investment Fund

Staff appreciate Avista's ongoing efforts with the NCIF. Staff discussed with the Company that though Avista only spent \$0.49 million on the fund in 2022, Avista intends to carefully increase its spending up to the \$5 million annual cap. At this time, Staff does not oppose this approach, as it may encourage more prudent and intentional spending by the Company. Staff recommends the Company carefully prioritize and vet projects and decisions through its proper channels, including the EAG. That said, Staff does encourage the Company to move as quickly as is reasonable to spend the allowed ~\$5 million annual budget to benefit these Named Communities.

Public Participation

Staff understand that Avista involved its advisory groups in various aspects of the creation of the Biennial Update. Avista also held three public meetings on aspects of the Biennial Update. Further, Avista sent its draft Biennial Update to all advisory group members for feedback ahead of the final filing. The Company received comments from Staff, the Northwest Energy Coalition (NWECC), and the Spokane Neighborhood Action Agency.¹⁶ Staff appreciates that along with the actions laid out in the PPP filed on May 1, 2023, Avista took steps to involve advisory groups and the public ahead of this filing.

¹⁵ 2023 Avista Biennial Update at 25.

¹⁶ See 2023 Avista Biennial Update, Appendix E.

However, Staff notes that though the Company sent the draft Biennial Update to its relevant advisory groups, only three parties submitted feedback. Of course, it is not in the Company's direct control how many groups choose to submit feedback on a draft filing. However, Staff recommends Avista follow up with the advisory groups to learn why so few parties submitted feedback on the draft and if there are ways Avista can make this process more available to parties in the future.

Since the 2021 CEIP and PPP, Avista made improvements in its public participation practices, through actions like expanding multilingual outreach, conducting more active engagement in and around historically marginalized communities, and engaging the EAG more expansively. **Staff expects Avista to continue this trajectory of refining and improving upon its public participation methods, especially in engaging members of Named Communities directly.**

Conclusion

The process for review of the Biennial CEIP Update, as defined in rule, indicates that after a comment period the Biennial Update will be set for an open public meeting.¹⁷

Staff acknowledges that the Company was only partially compliant with Conditions 5 and 9 and does not want to set a standard that allows only partial compliance with conditions that all Parties agreed upon in good faith. Staff also acknowledges that this is the first compliance period of a CEIP and Biennial Update and that compliance, and understanding of compliance, should improve iteratively. Going forward, Staff fully expects that each CEIP and Biennial Update will become more refined, and that Avista will fully comply with all the conditions required by the Commission. Considering the circumstances of the first Biennial Update, Staff may view partial compliance with a condition on the first iteration more acceptable than partial or non-compliance in any future CEIPs and Biennial Updates.

In terms of next steps, this filing may be heard by the Commission at either a regular or recessed open meeting. Staff will reserve its final recommendations for the open meeting process.¹⁸

For questions about Staff's comments, please contact Molly Brewer at molly.brewer@utc.wa.gov or 360-664-1237.

¹⁷ WAC 480-100-645.

¹⁸ WAC 480-100-645.