



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

October 26, 2018

Mark L. Johnson
Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S.W.
Olympia, Washington 98504-7250

Re: Docket No. U-161024 – Reply 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 (“Notice”) issued in Docket U-161024 on October 11, 2018 regarding the Commission’s rulemaking for Competitive Resource Acquisition by Request for Proposals (RFP), WAC 480-107. Pursuant to the Notice, Avista submits the following comments to the questions posed in the Notice:

1. Independent Evaluator Requirement

Draft rule WAC 480-107-AAA requires the use of an independent evaluator (IE) when the resource need is greater than 50 megawatts or the utility, its subsidiary, or an affiliate plans to submit a bid. During the workshop stakeholders discussed requiring the use of an IE when bids contain a utility ownership option and how that requirement may in practice result in requiring an IE in all RFPs.

The Commission requests feedback on a new proposal to encourage the use of an IE in circumstances that differ from what is required in the draft rule. WAC 480-107-015(5)

prescribes a ninety day process between when a utility files a proposed RFP with the Commission and Commission approval of the RFP. The new proposal would allow a utility to shorten this to a 30 day comment period with Commission approval at the next regularly scheduled open meeting after the comment period closes when the utility has obtained the services of an IE for the RFP and early enough to allow the IE to participate in the formulation of the RFP.

- a. Does the incentive of a shortened regulatory approval process for the RFP encourage the use of an IE?

Avista Response: To the extent that the shortening of the regulatory approval process provides any incentive, this incentive likely will be small relative to the financial and other burdens of an IE. Utilities are responsible for their resource acquisitions and such resource acquisitions are subject to prudence review by the Commission. Requiring an IE will add an additional layer of review and complexity that will add costs without providing any additional benefits. This is especially true in a case where no utility build alternative is being considered.

- b. Does the use of an IE adequately assure sufficient review of the RFP considering the tradeoff in the length of the stakeholder comment period?

Avista Response: The Commission is correct in highlighting this concern. To the extent this process is followed, shortening to 30 days might conflict with obtaining stakeholder comments.

2. Role of the Independent Evaluator

During the workshop there was significant discussion on the proper role of an IE. General ideas were that an IE will oversee a bidding process to make sure there is no bias or perception of bias in the bidding process, or that an IE will monitor each step of the RFP evaluation process to determine that the utility has acted in a fair and impartial manner in conducting the evaluation. Keeping in mind the proposed role of the IE in rule will be the minimum role and that a utility may contract for more in depth involvement at their discretion, specifically describe what you envision to be the proper role of an IE in the draft rule. In doing so please address the following specific questions.

- a. How deeply should the IE be involved in the development of the RFP? Should an IE independently score all bids, a sampling of bids, or only bids resulting in utility ownership?

Avista Response: As noted in response to Question 1a. above, utilities are responsible for their resource acquisitions and, therefore, utilities need to have the expertise to develop, and evaluate responses to, an RFP. A utility's determination is subject to prudence review by the Commission. Accordingly, an IE merely adds another layer of costs with little or no benefit. The greater the involvement of an IE in the development of RFPs simply means greater costs.

With regard to whether IEs should independently score some or all bids, again the greater the IE involvement the higher the costs. Even without IE involvement, bids are evaluated on an identical playing field. Therefore, independent scoring of bids by the IE generally is not necessary.

- b. How should the IE be involved in communication between the utility and bidders?

Avista Response: Avista believes that the IE should not communicate with the bidders. The RFP, and prudence, is the responsibility of the utility.

- c. Should there be a requirement that the IE document and file all communications with the Commission?

Avista Response: Any documents created by the IE that should be filed with the Commission should be filed by the utility.

- d. In situations where there is a direct conflict between the IE and the utility should additional process be proscribed?

Avista Response: No. To the extent that an IE is used, their input on the RFP should be regarded as recommendations. Ultimately, the utility is subject to a prudence determination to ensure that the utility acted prudently in selecting the project. Thus the utility, not the IE, must ultimately select the best project(s) to meet the utility's needs.

3. Conservation RFP

In the draft rules, three options for conservation RFPs were presented at WAC 480-107-065(3). Option 3, under which the utility develops a competitive procurement framework in consultation with their conservation advisory group, appears to be the only option that commenter would utilize.

- a. What additional guidance on the development of such a framework would be useful, either in rule or in an adoption order?

Avista Response: As Avista noted in its last round of comments, Avista believes that a framework for issuing conservation RFPs is consistent with the current role and responsibilities of Avista's Advisory Group. The Advisory Group provides review and guidance during the program planning and vendor selection process. Avista's Energy Efficiency's conservation program RFP process is well-vetted and adheres to its corporate purchasing and contracting policies, is thorough, and transparent.

- b. What particular rule language would allow sufficient flexibility to the utility while ensuring conservation RFPs are performed on a cadence to ensure the utility pursues all cost-effective conservation at the lowest reasonable cost?

Avista Response: The current rules associated with ensuring that utilities pursue all cost-effective conservation at the lowest reasonable cost are sufficiently covered under WAC

480-109.

4. Market Purchases Resource Adequacy Exemption. The draft rules at WAC 480-107-015(3)(b) rely on the Northwest Power and Conservation Council's resource adequacy assessment to reduce the number of requests for exemptions from rule and allow resource needs to be covered by short-term market purchases. This is not intended to eliminate the need for a utility to perform its own resource adequacy assessment within an IRP and the exemption has no bearing on the determination of market risk. During the workshop, stakeholders suggested adding additional language to limit the degree of reliance on the market a utility may have in order to qualify for this type of automatic exemption.

a. If this idea were to be incorporated into rule, what level of reliance on the market would be reasonable?

Avista Response: Avista has assumed it could benefit from any market surplus in an amount equivalent to its load share in the Northwest. Absent some limitation, heavy market reliance by one party could lead to "double counting" and resource adequacy issues.

b. Should the degree of reliance be tied to a separate metric? If so, what metric should be used?

Avista Response: Please see the Company's response to 4a.

c. Should an RFP be required for firm resources whenever there is significant market risk?

Avista Response: Avista is comfortable with an RFP requirement that: 1) doesn't look out into the future beyond a reasonable time necessary to construct new resources; 2) is tied to actual utility needs; and 3) recognizes that responsible levels of market reliance during times of regional surplus is a good alternative to new resource development/RFPs.

d. This section also uses the undefined term "short-term market purchases." Please provide comments on the following proposed definition: "Purchases of energy or capacity on the spot or forward market contracted for a term less than four years."

Avista Response: Generally the industry defines short-term as a period of less than one year. For this rule, a different definition might be acceptable, but it might be better to define the maximum length of short-term to allow the time necessary to procure a new generation resource.

5. RFP Transparency

In their September 21, 2018, comments Public Counsel provided redline edits to the draft rules that state "The RFP must include a sample evaluation rubric that either quantifies the weight each criterion will be given during the project ranking procedure or provides a detailed explanation of the aspects of each criterion that would result in the bid receiving higher priority." Here Staff will provide one additional edit for comment. "The RFP must include a sample evaluation rubric that either quantifies the weight each criterion will be given during

the project ranking procedure or provides a detailed explanation of the aspects of each criterion specifically identified that would result in the bid receiving higher priority.”

- a. Is this language sufficient to elicit the transparency stakeholder’s desire in an RFP? Is this language reasonably flexible?

Avista Response: This language would be acceptable as long as the utility can interpret this language to mean that the utility can describe the attributes it values in an RFP.

- b. Will this requirement result in the utility being tied to and limited to criterion established prior to review of the bids that does not fit or account for the complexity of the evaluation of actual bids?

Avista Response: Yes. Based on information learned in an all-resource RFP (all-source means we will learn from the bids), original rubrics with weightings did not necessarily lead to the best project selection. In the worst case, the RFP process may have to start over.

- c. Should instead the utility be required to establish contemporaneous documentation of its criterion prior to receipt of bids and provide its contemporaneous reasoning for any changes to its criterion?

Avista Response: This documentation seems a reasonable compromise to enable a fair and flexible acquisition process.

6. General Comments.

Imposing new RFP processes will reduce the ability of utilities to efficiently acquire resources and will increase the costs to customers without any commensurate benefits. As noted above, the utility is required to show that its acquisitions are prudent. Providing guidance that an RFP is a mechanism to demonstrate prudence is helpful, but an RFP should not be required in every instance. The Commission should provide guidance that, where a utility deems it appropriate to acquire a resource without conducting an RFP, it should take other steps to ensure that the Commission can perform its prudence review and make an appropriate determination.

In any event, it is clear that an RFP is not required in every instance. And, where an RFP is used, an IE is not always necessary. Avista, for example, has acquired several resources or the output of resources, including Avista recent community solar, solar select, Palouse Wind, Coyote Springs 2, and Lancaster projects. Avista used RFPs and even IEs with regard to some, but not all of those acquisitions. In some cases, it is beneficial to customers for utilities to have the ability to acquire resources without using an RFP. Imposing rigid RFP requirements removes utilities’ ability to move quickly when it can benefit customers. More importantly, such requirements

inevitably result in additional costs that are ultimately borne by customers. In some cases, the costs associated with an RFP, and even an IE, may be beneficial. In other cases those costs are not warranted.

Avista appreciates the opportunity to provide these comments. Please direct any questions regarding these comments to Clint Kalich at (509) 495-4532 or Steve Silkworth at 509-495-8093 or myself at 509-495-4975.

Sincerely,

/s/Linda Gervais

Sr. Manager, Regulatory Policy & Strategy

linda.gervais@avistacorp.com

509-495-4975

Avista Utilities