Service Date: December 21, 2020

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of AVISTA CORPORATION, d/b/a AVISTA UTILITIES, for a Declaratory Order Approving the Avoided Cost Rate Methodology for Power Purchases from Large Qualifying Facilities per WAC 480-106-050(5)	DOCKET UE-200455 ORDER 01 DECLARATORY ORDER

BACKGROUND

1 On June 26, 2020, Avista Corporation, d/b/a Avista Utilities, (Avista or Company) filed a Petition for Declaratory Order (Petition) with the Washington Utilities and Transportation Commission (Commission), requesting that the Commission approve Avista's proposed avoided cost rate methodology (Methodology) for power purchases from large qualifying facilities (QFs) of greater than five megawatts pursuant to WAC 480-106-050(5). Avista filed a revised Petition on August 6, 2020.

2 This Petition follows the Commission's recent rulemaking to implement provisions of the Public Utility Regulatory Policies Act (PURPA) in Docket U-161024. As required by General Order R-597 in that docket, Avista filed proposed tariff revisions on August 9, 2019, in Docket UE-190663 that included updated, estimated avoided cost pricing and a revised standard QF power purchase agreement. Following multiple rounds of comments and extensive discussions with Commission staff (Staff) and stakeholders, Avista filed tariff Schedule 62, which was approved by Order 01 in Docket UE-190663 on March 12, 2020.

3 As required by Order 01 in Docket UE-190663 and by rule, Avista filed its standard Power Purchase Agreement (PPA) as an attachment to Schedule 62 with a requested effective date of September 1, 2020. Avista filed a revised PPA on August 6, 2020, and additional revisions on September 4, 2020. Following a discussion at the Commission's regularly scheduled open meeting on September 24, 2020, Avista worked with its advisory groups to revise its filing. Avista filed revised standard PPAs on October 21, October 23, and October 26, 2020.

4 The Commission addressed the Company's proposed standard PPA at its regularly scheduled open meeting on October 29, 2020. At that meeting, Staff recommended the

Commission approve Avista's proposed standard PPA subject to the condition that Avista file revised pages to incorporate certain changes. On October 30, 2020, the Commission entered Order 02 in Docket UE-190663, which approved Avista's standard PPA subject to the conditions recommended by Staff.

5 Avista now seeks a declaratory order approving its Avoided Cost Rate Methodology for Power Purchases from Large Qualified Facilities (Methodology), attached as Exhibit A to the Petition. Avista submits that the proposed Methodology is based on methodologies and analyses contained in Avista's integrated resource plan to calculate an avoided cost rate for each large QF.[1] Avista explains in its Petition that its Schedule 62 includes estimated avoided costs for large QFs, which are also based on the Methodology.

6 On June 26, 2020, the Commission issued a Notice of Opportunity to Respond to Petition and on August 20, and September 11, 2020, the Commission issued additional notices allowing interested persons to respond to Avista's revised Petition. On July 20 and October 30, 2020, Staff filed comments stating that it is not aware of "any analysis demonstrating concerns with the Company's filing. In fact, Staff anticipates Avista's cost methodology to be similar to that of Puget Sound Energy's large QF methodology." The Commission received no other responses to the Petition.

7 Harry Fukano, Assistant Attorney General, Olympia, Washington, represents Staff. Michael G. Andrea, Senior Counsel, Spokane, Washington, represents Avista.

DISCUSSION

8 "Any person may petition an agency for a declaratory order with respect to the applicability to specified circumstances of a rule, order, or statute enforceable by the agency."[2] As relevant here, the petition must demonstrate (1) that uncertainty necessitating resolution exists; (2) that there is an actual controversy arising from the uncertainty; (3) that the uncertainty adversely affects the petitioner; and (4) that the adverse effect of the uncertainty on the petitioner outweighs any adverse effect on others.[3]

9 We find that the Petition satisfies the statutory requirements for a declaratory order. Avista seeks Commission approval of its Methodology for large QFs as required by

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[1] Petition p. 3.

[2] RCW 34.05.240; *accord* WAC 480-07-930(1).

[3] RCW 34.05.240.

Commission rules. Effective July 13, 2019, WAC 480-106-050(5) states, "Each utility shall file and obtain commission approval of its avoided cost rate methodology for qualifying facilities with capacity greater than five megawatts." Avista has legitimate concerns about whether its Methodology complies with this new regulation, giving rise to an actual controversy that adversely affects the Company to a greater degree than any adverse effect on others. Avista, therefore, appropriately seeks a declaratory order on the process it will use to negotiate rates with large QFs under the new regulatory framework. We note that a declaratory order addresses only the applicability of Commission rules or governing statutes to particular circumstances. In this case, however, we find that a declaratory order satisfies the requirement in WAC 480-106-050(5) for Commission approval of Avista's Methodology.

10 We begin our analysis of the merits of the Petition by outlining the requirements in WAC 480-106-050. Subsection (1) requires that rates for purchases from QFs be just and reasonable to the utility's customers and in the public interest; not discriminate against QFs; and not exceed the avoided costs to the utility of alternative energy, capacity, or both. Subsection (2) states that the utility should consider both (a) its schedule of estimated avoided costs filed pursuant to WAC 480-106-040 and (b) the factors set forth in WAC 480-106-050(5) to simplify negotiations with large QFs and imbue those negotiations with greater transparency and objectivity.

11 We conclude that Avista's Methodology satisfies these requirements. The outcome of the negotiations should be that the utility will pay the large QF at the Company's avoided cost for that specific project, thus leaving customers indifferent to the source of the electricity and resulting in fair, just, reasonable, and sufficient rates as required by WAC 480-106-050(1). To support its Methodology, Avista will include with each Schedule 62 QF tariff filing an Excel spreadsheet with data and an example resource for informational purposes only. The data included will be sourced from the Company's most recently acknowledged Integrate Resource Plan (IRP) and will include multiple values, including hourly base market energy prices, positions, and firm transmission utilization and surplus or deficit positions. Avista's Methodology thus provides the appropriate framework for those negotiations and reaching the desired outcome.

12 Avista's Methodology also appropriately incorporates its schedule of estimated avoided costs approved by the Commission in Docket UE-190663, which satisfies the requirements of WAC 480-106-050(2) and WAC 480-106-050(5). Avista states that its "Schedule 62 includes estimated avoided costs for large QFs," which are based on

Avista's Methodology.[4] Avista also filed supporting workpapers in this docket. Avista's incorporation of its Methodology from the standard offer, as demonstrated in its workpapers, satisfies WAC 480-106-050(5)(a). The Company states that, for the purpose of providing indicative pricing for non-standard QFs, energy value will, in most cases, "mirror the standard offering in Avista's Schedule 62,"[5] and that avoided energy prices are equivalent to energy market prices due to Avista's ability to transact in the wholesale energy marketplace. This is a reasonable starting point for negotiations. Avista's incorporation of its Schedule QF tariff in its Methodology satisfies WAC 480-106-050(5)(a).

13 WAC 480-106-050(5)(b) requires the parties to consider "[t]he availability of energy, capacity, and ancillary services from a qualifying facility during the system daily and seasonal peak periods." The rule then lists specific factors to consider that could have a material impact on the QFs' ability to deliver energy, capacity, and ancillary services. Ancillary services include voltage and frequency control, black start capabilities, and reactive services. We find that Avista's Methodology appropriately incorporates these requirements.[6] Exhibit A discusses how the Company will consider the specific characteristics of a project when determining whether it avoids or incurs additional costs to the system, noting, for example, that "a strategically sited QF might eliminate or defer transmission and/or distribution investments."[7]

14 WAC 480-106-050(5)(c) directs the parties to consider how a particular QF may defer a utility's need for additional capacity or reduce its reliance on fossil fuels: "The relationship of the availability of energy, capacity, or both, from the qualifying facility as derived in (b) of this subsection, to the ability of the utility to avoid costs, including the deferral of capacity additions and the reduction of fossil fuel use." Avista adequately addresses the ability of a QF to defer additional capacity. Exhibit A states that the peaking capacity value of non-standard QFs will be based on the Company's IRP and made in years where a QF contract avoids utility investment in renewable resources, and that Avista will update Schedule 62 where material resource acquisitions or reductions affect the need for new capacity. Appendix A further provides that, "in the unlikely event a QF resource has a generation profile not similarly defined in the IRP, Avista will re-run

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[4] Petition p. 3.

[5] Petition, Exhibit A, p. 1.

[6] Petition, Exhibit A, p. 3.

[7] *Id.*

its IRP Reliability Assessment Model and determine a customized factor."[8] Although Avista does not specifically reference a QF's ability to reduce the use of fossil fuels and meet statutory obligations such as the Clean Energy Transformation Act, RCW Chapter 19.405, we expect that the QF and the utility will negotiate the value of a specific QF to meeting those obligations.

15 WAC 480-106-050(5)(d) requires the negotiating parties to consider "[t]he costs or savings resulting from variations in line losses from those that would have existed in the absence of purchases from a qualifying facility." Avista's Methodology satisfies this consideration by addressing "on-system transmission and distribution benefits, including losses."[9]

16 We conclude that Avista's proposed avoided cost rate Methodology for the Company's power purchases from large QFs is consistent with the requirements in WAC 480-106-050(5), and that this conclusion satisfies the requirement in WAC 480-106-050(5) for Commission approval of that Methodology.[10]

ORDER

THE COMMISSION ORDERS:

17 (1) The Commission grants Avista Corporation's, d/b/a Avista Utilities, Petition for a Declaratory Order Approving the Avoided Cost Rate Methodology for Power Purchases from Large Qualified Facilities per WAC 480-106-050(5).

18 (2) Avista Corporation's, d/b/a Avista Utilities, Avoided Cost Rate Methodology for Power Purchases from Large Qualified Facilities is consistent with the requirements of WAC 480-106-050(5).

19 (3) This declaratory order satisfies the requirement in WAC 480-106-050(5) for Commission approval of Avista Corporation's, d/b/a Avista Utilities, Avoided Cost Rate Methodology for Power Purchases from Large Qualified Facilities.

[8] Petition, Exhibit A, p. 1.

[9] Petition, Exhibit A, p. 3.

[10] Page 3 of Avista's revised Exhibit A contains a typographical error. Under the heading "Other Values," Avista refers in error to "five primary values," rather than "six primary values." Avista should make this correction and file a replacement page with the Commission within 10 days of the date of this Order.

DATED at Lacey, Washington, and effective December 21, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner