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**RE: Comments of Swan Lake and Goldendale
Avista Corporation – Draft Request for Proposals for All Generation Sources
UTC Docket UE-210832**

The companies working to develop the Swan Lake and Goldendale pumped hydro storage projects (the “Projects”) appreciate many aspects of Avista Corporation’s (“Avista”) 2022 All Source Energy and Capacity Draft Request for Proposals (the “Draft RFP”), including some of the optionality and flexibility with regard to transmission arrangements that Avista has included in the Draft RFP.

The Washington Utilities and Transportation Commission (“Commission”) issued a notice, on November 9, 2021, indicating it would accept comments on Avista’s Draft RFP until December 15, 2021.¹ In response to that notice, the Projects are filing these comments. As further explained below, the Projects have identified several areas where the Draft RFP could be improved, particularly with respect to the ability of pumped storage resources like the Projects to fairly and fully compete in this Draft RFP.

I. Comments on the Draft RFP

These comments begin by expressing the Projects’ support for Avista’s flexibility and optionality with respect to the need for transmission rights to bid into the Draft RFP. Next, these comments address some of the Projects’ potential concerns and/or areas where the Projects believe the Draft RFP could be improved, particularly with respect to its treatment of pumped storage resources. Finally, these comments reference the Projects’ prior comments on Avista’s Draft Integrated Resource Plan that were filed in Commission Docket UE-200301 to reiterate the Projects’ concerns around Avista’s assignment of an unreasonably low Peak Capacity Credit to pumped storage.

A. The Projects Support Avista’s Treatment of Transmission Rights in the Draft RFP.

Before turning to the Projects’ comments on where the Draft RFP could be improved and/or refined, the Projects would like to begin by expressing their support for Avista’s flexibility and optionality with respect to acquisition of transmission rights for projects seeking to bid into the Draft RFP. For example, the Draft RFP notes that, for off-system resources like the Projects, “Proposals with off-system interconnections must be deliverable to Avista’s system, pricing shall

¹ Notice of Opportunity to File Written Comments, Docket UE-210832, Nov. 9, 2021, available at: <https://apiproxy.utc.wa.gov/cases/GetDocument?docID=45&year=2021&docketNumber=210832>.

include both an option for Bidder to provide transmission wheeling and appropriate ancillary services required to deliver the output of the eligible clean energy resource and an option with Avista providing these services.”² The Projects support Avista’s approach of seeking alternative bids that rely on transmission being acquired by the bidder or Avista. This optionality allows bidders flexibility with respect to their transmission arrangements and prevents transmission from becoming a barrier to all resources competing fairly in the Draft RFP.

B. Several Aspects of the Draft RFP Could be Improved and/or Refined to Allow Pumped Storage Resources to More Fairly and Fully Compete in the Draft RFP.

While the Projects support Avista’s approach to transmission rights in the Draft RFP, the Projects have identified several other areas where the Draft RFP could be improved to make it fairer and more impartial with respect to how pumped storage resources are able to compete with other resources.

First, the Projects request that Avista entertain a possible extension of the maximum allowable PPA term in the Draft RFP to at least 30 years.³ While there are certainly benefits to a 20-year PPA, the Projects believe that Avista and its customers may realize additional benefits when looking out over a 30-year (or longer) horizon. By extending the maximum PPA term to 30 years or more, bidders would have greater flexibility and optionality in crafting their bids. Such flexibility and optionality would be beneficial to Avista and its customers because, for large resources like pumped storage, the economics of such projects will be more favorable over a longer-term PPA. Thus, in order to ensure Avista is getting the most cost-competitive bids from all resource types, the Projects recommend allowing bidders to propose a 30-year (or longer) PPA term.

Second, the Evaluation Methodology contained in Exhibit D of the Draft RFP contains a section entitled “Fuel Supply Risk” under the “Price Risk” heading, which the Projects seek to confirm would not unfairly penalize a pumped storage project. Specifically, the “Fuel Supply Risk” category indicates that a bidder must demonstrate “that the resource can support the production profile,” and provides examples of the different types of generation resources and how they could make that demonstration.⁴ At the end of this “Fuel Supply Risk” section, the Draft RFP includes a category of “Other” for which these projects must “Demonstrate adequate source of supply,” or if a project is “None of the above,” it appears that it would be subject to a reduction in points.⁵ The Projects request that Avista confirm pumped storage would at least fall into the “other” category, given that there is no discrete category for pumped storage. In so confirming, the Projects ask Avista to also confirm that pumped storage would not be subject to the “none of the above” category, thereby resulting in a reduction in points. Pumped storage projects can easily show fuel availability through things like water rights agreements or options, so they should not be unfairly penalized with a reduction for having no fuel supply to support the production profile.

² Draft RFP at V.4.b, p. 10.

³ *Id.* at III, p. 5 (stating that the PPA Delivery Period will be “a minimum 3-year term and maximum 20-year term.”).

⁴ *Id.* at Ex. D, pp. 4-5.

⁵ *Id.* at p. 5.

Third, the Evaluation Methodology contains a section entitled “Generation Project Development Experience in the United States” under the heading of “Risk Management.” This “Generation Project Development Experience” section unfairly penalizes pumped storage projects, given that there hasn’t been a pumped storage resource constructed in the United States in over a decade. Instead, the criteria in this section seem to unfairly favor small developers who have completed multiple projects of the same type, even if they’ve got very little development experience (and, therefore, represent a riskier investment for Avista and its customers). Instead of using the criteria Avista has proposed in the Draft RFP, the Projects recommend Avista consider an alternative method for measuring the experience of a bidder, such as combined years of relevant development experience on the development team or by treating the criteria of “projects of similar technology and capacity” to include hydropower development as a proxy for pumped storage development. In the case of pumped storage, using construction of only pumped storage resources as a proxy for experience level effectively ensures pumped storage resources would receive the greatest reduction in points possible, given that no pumped storage resources have been constructed in the past decade. However, despite the lack of newly constructed resources, the development team of the Projects have decades of combined experience that make them far more capable and experienced than some new-to-the-industry, Distributed Energy Resource developers, in addition to the fact that Swan Lake is one of the only pumped storage resources in the Western Interconnection that has its FERC license and is ready to construct. Nevertheless, Avista’s proposed scoring system for experience would put more value on a new entrant with less actual experience (and more potential uncertainty for a particular project than, say, Swan Lake), but that has been able to construct several projects of the same technology (*e.g.*, small-scale solar).

Fourth, the Projects request that Avista treat pumped storage as a “commercialized technology” under the “Technology Evaluation Criteria” contained under the “Electric Risk Factors” heading of Exhibit D.⁶ Specifically, pumped storage projects have been in operations for 50+ years in both the United States and abroad, so these resources are far more commercialized and operationally proven than other storage resources such as batteries, which have virtually no data or experience to support their commercial application for utilities, particularly with respect to being used to provide capacity. In the same vein, the Projects would highlight that batteries are also subject to significant supply chain risks in the coming years,⁷ so it appears these types of resources should fall under the second bullet listed under the “Technology Evaluation Criteria” category. As a result, batteries should be subject to some reduction in points, given the significant uncertainties associated with their future supply of the needed raw materials and the fact that those materials are predominantly located outside of the United States.

⁶ *Id.* at pp. 5-6.

⁷ By way of example, the International Energy Agency estimates that just growth in demand for lithium as a result of Electric Vehicle adoption could result in an increase in demand for lithium of over 40 times by 2030. See *Lithium Shortage May Stall Electric Car Revolution and Embed China’s Lead: Report*, Forbes, Nov. 14, 2021, available at: <https://www.forbes.com/sites/neilwinton/2021/11/14/lithium-shortage-may-stall-electric-car-revolution-and-embed-chinas-lead-report/?sh=175ae8e946ef>; see also *A 100-Day Look at U.S. Battery Supply Chain Challenges*, Power Magazine, April 2, 2021, available at: <https://www.powermag.com/blog/a-100-day-look-at-u-s-battery-supply-chain-challenges/>.

C. The Projects Reiterate their Continued Concerns with Avista’s Arbitrarily Low Peak Capacity Credit that is Assigned to Pumped Storage.

The Projects continue to have concerns with Avista’s arbitrarily low Peak Capacity Credit that is assigned to pumped storage projects. Without repeating the Projects’ comments that were filed in Avista’s IRP docket,⁸ the Projects would emphasize here that the arbitrarily low Peak Capacity Credit for pumped storage negatively impacts these resources’ ability to fairly compete in the Draft RFP. The Peak Capacity Credit values that Avista assigns to pumped storage are as low (or lower) than some intermittent, non-dispatchable resources. These arbitrarily low Peak Capacity Credit values negatively impact the economics of pumped storage, thereby making them appear uneconomic and/or not cost competitive in the IRP and/or RFP.

Assigning pumped storage such a Peak Capacity Credit value does not make sense when pumped storage resources are large, grid-scale, dispatchable, flexible resources that can provide significant capacity and energy within a rapid timeframe over a very long duration, which is largely unmatched by any other clean resource. Therefore, the fact these resources have a Peak Capacity Credit similar to resources such as Montana Wind, run-of-river hydro, or demand response is borderline non-sensical and should be reconsidered by Avista, or alternatively, further investigated by the Commission and Commission Staff.

II. Conclusion

The Projects appreciate the opportunity to provide these comments on the Draft RFP. The Projects appreciate Avista’s flexibility and optionality with respect to acquiring transmission rights or using Avista’s own rights for purposes of bidding into the Draft RFP. Additionally, the Projects suggest that Avista make certain modifications and improvements in order to allow all resource types, including pumped storage, to fairly compete in the Draft RFP. Absent these improvements, pumped storage resources are likely to be disproportionately penalized and lose points, thereby making them very unlikely to be selected for the short-list, despite the many unique attributes they provide, including clean, dispatchable capacity, which utilities in the Pacific Northwest desperately need.

⁸ See *Comments of Swan Lake and Goldendale on Avista Corporation – Draft Integrated Resource Plan* at pp. 2-3, Docket UE-200301 (filed Feb. 5, 2021), available at: <https://apiproxy.utc.wa.gov/cases/GetDocument?docID=18&year=2020&docketNumber=200301>.

If you have any questions, please contact the undersigned.

Sincerely,

/s/ Michael Rooney

Michael Rooney
michael@ryedevelopment.com