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December 3, 2020

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

Re: Docket No. UE-191023 and UE-190698 – Comments of Avista Utilities

Dear Mr. Johnson,

Avista Corporation, dba Avista Utilities (Avista or Company), submits the following comments in accordance with the Washington Utilities and Transportation Commission’s (Commission) Notice of Opportunity to File Written Comments (Notice) issued in Docket UE-191023 on November 5, 2020 relating to Clean Energy Implementation Plans and Compliance with the Clean Energy Transformation Act and Docket UE-190628 relating to Integrated Resource Planning.

Pursuant to the Notice, Avista provides the responses below to the questions posed in the Notice. Avista continues to support the suggested rules in Attachment A to the Notice as proposed and does not support the rules set forth in Attachment B to the Notice.

1. Do the rules provided in Attachment A or B allow CETA to be enforced as an offset program?
 - a. If no, which portion of the rule language prevents CETA compliance from functioning as an offset program?
 - b. If yes, which portion of the rule language permits CETA compliance to function as an offset program?

Avista Response:

In the comments supporting the suggested rules in Attachment A filed jointly on July 31st by Avista, Pacific Power, Public Generating Pool, and Puget Sound Energy (Joint Utilities), the Joint Utilities commented that the verification of “use” of renewable resources and nonemitting electric generation is based on the retirement of renewable energy credits (RECs) and ownership or acquisition of nonemitting electric generation, as directed in 19.405.40. Avista assumes Staff’s use of the term “offset” means acquiring RECs only to be used for CETA compliance prior to 2045.

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This is allowable for alternative compliance purposes, but not for a utility's 80 percent obligation to use renewable or non-emitting resources.

The proposed rules in Attachment B would force a utility to deliver energy to its customers instantaneously as is illustrated in section 2(a) of the rules where a tracking system would track all renewable energy and to whom it was sold. Avista does not agree with this proposal as it does not align with the Company's interpretation of "use" and instantaneous delivery of energy would be impractical, if not impossible, not to mention unnecessarily increase costs to our customers.

2. Do the rules in Attachment A or B allow a utility to produce renewable electricity in excess of the amount required to serve its load and use the RECs from that excess renewable electricity, sold off system, to cover periods of load in which more than 20 percent of its load is served by GHG emitting resources as a means of complying with RCW 19.405.040(1)(b)(ii)? For example, can a utility comply with the 80 percent requirement through buying 1000 MWh of hydroelectricity in excess of its load service needs in every hour of the day during the spring runoff and resell that power while retaining the nonpower attributes for compliance?

Avista Response:

Specific to the Joint Utilities proposed draft rules included in Attachment A, the draft rules would allow for such a scenario as the one described with the example of spring hydro. The intent of CETA is that renewable and nonemitting generation is used to meet retail load over each four-year compliance period. So long as the utility owned, contracted for, or had control of a renewable generation source, it could comply with the 80 percent requirement so long as its total generation and associated RECs retained over the four-year period meet or exceed the sum of the retail load over the same period.¹ Further, CETA does not require renewable or nonemitting generation to serve retail load in every hour of the day. A utility could comply with the 80 percent requirement by using excess energy from spring hydroelectric generation for compliance while selling excess non-specified system energy so long as the utility meets its compliance obligation for the four-year period.

Regarding the proposed rules in Attachment B, as mentioned in the prior response, the rules would require a delivery to load requirement. As such, it appears the rules would not allow for the example of spring hydro presented in the question.

3. Attachment A states in (2)(C)(ii)(4) that the delivery of resources used for compliance may occur at "another point of delivery designated by an electric utility for the *purpose of subsequent delivery to the utility* [emphasis added]."
 - a. Does the term "purpose of subsequent delivery" mean that the electricity must be delivered to the utility, or only that it was intended to be delivered?
 - b. What constitutes "delivery to the utility"?

¹Avista assumes retail load is reduced by PURPA generation and voluntary renewable energy purchases pursuant to the definition of "Retail electric load" found in RCW 19.405.020(36)(a). Further, retail load is not known each hour to estimate the percent of renewable energy that is delivered.

Avista Response:

- a. The intent of the language in section (2)(C)(ii)(4) is to require either delivery to the utility or the ability for the utility to receive the power via either an organized market or transmission.
 - b. Delivery to the utility means the utility has received the energy and nonpower attributes.
4. How will the suggested rules in Attachment A and B affect long-term portfolio planning and acquisition?
- a. CETA requires that all of a utility's load be served by renewables or nonemitting resources by 2045. Do the rules in Attachment A or B support this objective? Do they allow compliance with the 2030 goal in a manner that diverges from the 2045 goal?
 - b. Do the suggested rules in Attachment A or B support a long-term resource portfolio plan that matches the production of renewable electricity with the utility's load and has sufficient transmission service between the point of injection of its planned source of renewable electricity and the utility's load to enable the renewable electricity to serve that load?

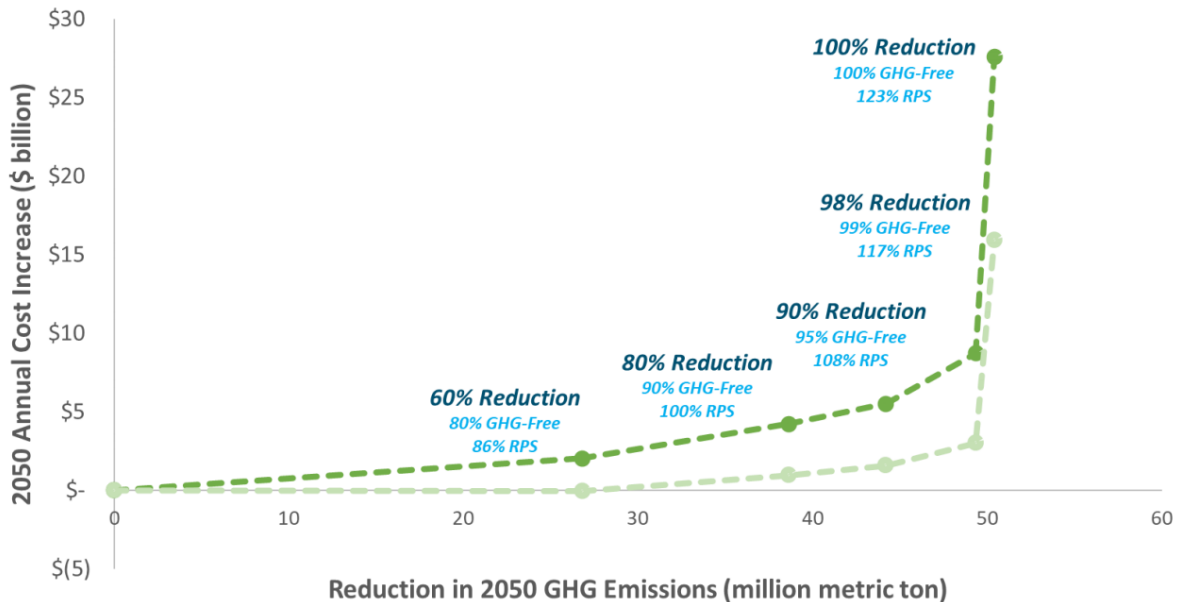
Avista Response:

The determination of "use" has many implications for long-term portfolio planning. The Commission has the authority to make rules to implement the intent of the legislature while also protecting customers from unnecessary financial burdens due to the complexities of the electric utility industry and markets. Current state renewable requirements, including Washington State's Energy Independence Act, are based on the acquisition of energy where retirement of RECs in WREGIS demonstrates compliance with the law, while the utility may also use the power to minimize costs to serve customers in a reliable manner. This method of accounting for clean energy satisfies both the 2030 and 2045 requirements.

Risk is the first major issue to consider from a planning perspective. Assuming a delivery to load requirement, whether hourly or instantaneously, requires perfect foresight of how much generation will be created for a future time period. Accurate generation levels over a future period of time are unknown when using intermittent generation resources. This means utilities will create plans with estimates of specific generation that likely will not materialize as planned. Since there is a high potential risk of no or low generation in some future hours, utilities would be forced to develop a significantly larger renewable fleet to diversify the risk of low or no generation periods and increase the probability of clean energy being generated in a given hour. This is further complicated by the four-year compliance period not covering significant hydro variability risk. Unfortunately, most of the additional energy created by this large overbuild would be wasted or exported since it would be unable to match with loads during most hours of the year. Alternatively, and again at very high cost, the utility might develop massive fleets of long-duration storage. The chart below summarizes the investment that might be necessary to make instantaneous delivery of

renewables possible in the Pacific Northwest: between \$15 and \$30 billion annually, roughly 4 to 8 times the cost of achieving 98% reduction in greenhouse gas emissions.²

Figure 15: Cost of GHG reduction



Resource capacity expansion modeling is another issue with “use” in portfolio planning. Currently capacity expansion models used in utility resource planning typically resolve resource needs using points in time to add resources, such as winter peak, summer peak, and annual energy using planning margin targets. Requiring a certain percentage of clean resources each hour would force the model to solve for an hourly constraint of renewable energy over a 20-year time horizon. Even if the data for delivered energy was known, which it is not, the ability to solve and optimize for the large time horizon with all of the available supply and demand side resources options is not possible with today’s computing technology. No modeling solutions currently exist in the marketplace today. The only realistic modeling possible today would be a massive effort to reflect the matching of intra-hour load and generation after a resource strategy is selected. Even with this modeling, a utility will never be able to guarantee satisfaction of an hourly/instantaneous delivery requirement given intermittent generation.

- a. Attachment A’s requirements serve both the needs of the 2030 obligation and the 2045 goal. Attachment B does not.

First, per RCW 19.405.040(1), utilities are to acquire clean energy and the associated RECs to meet 100 percent of “retail sales”, not load. The question posed seems to focus on actual load rather than retail sales. While the 2030 obligation allows for unbundled RECs to satisfy up to

² E3, Resource Adequacy in the Pacific Northwest, March 2019. https://www.ethree.com/wp-content/uploads/2019/03/E3_Resource_Adequacy_in_the_Pacific-Northwest_March_2019.pdf

20 percent of retail sales, after 2045 all REC's must be acquired with the energy and no "unbundled" RECs may satisfy the goal. In this regard, it is worth noting:

1. As pointed out by Avista in earlier comments, and by many of the participants to this rulemaking, the law does not require utilities to instantaneously serve 100 percent of retail sales from these resources.
2. The legislation does not address energy lost ("losses") in the transmission and distribution necessary to make retail sales. From an electrical perspective these losses can be served by other power sources.
3. The legislation places a social cost of greenhouse gas "penalty" on emitting resources for planning purposes. If the intent was to deliver clean energy instantaneously, there would be no need for this cost adder for planning because no greenhouse gas-emitting resources would exist.
4. Storage facilities consume 5 to 10 times the losses when compared to the transmission grid. Additional energy will be necessary to serve these parasitic loads. Tracking the differences between purchased and delivered power at a storage resource will be very difficult. For example, where unspecified and specified clean power fuels a storage resource, what share of its deliveries to support retail sales would count toward the law if storage losses are a part of the delivery requirement?

For these reasons it is important that the regulations focus on retail sales as the law intended. Beyond these arguments, there are practical issues to address when instantaneously delivering energy to load.

- 1) Utilities do not know what their instantaneous retail sales are and will not until after the fact because retail sales are not measured in real time even with smart metering technology.
 - 2) Utilities must balance their systems instantaneously by varying their generation fleets, varying their real-time contractual generation and load interruption rights, and by trading with other utilities. Limiting transactions to clean power resources at every moment will impact the availability of trading partners and market electricity that always has been important to ensuring grid reliability. A new market might be created to do this, but it would almost certainly require the participation of utilities, independent power producers, governments and governmental organizations beyond the regulation defined by this proposed rule.
 - 3) The 2045 requirement, unlike the 2030 requirement, defines a goal. Therefore, to infer that in 2045 all retail sales must be met with instantaneous delivery, is premature. Over the next 24 years there will be vastly greater experience in intra-hour marketplaces, more certainty about which nonemitting resources are available to the utilities to serve load, and new technologies to assist in matching sales with generation. This experience will allow the best means of meeting the 2045 goal.
- b. Attachment A supports a long-term resource portfolio plan that matches the production of renewable electricity with the utility's load and has sufficient transmission service between the point of injection of its planned source of renewable electricity and the utility's load to

enable the renewable electricity to serve that load. It describes acquisition of energy where it can be controlled by the utility for eventual service to load and the ability to trade excess energy to other market participants to reduce costs and maintain reliability. It further requires utilities to acquire equal amounts of “clean” power as to retail sales per the utilities’ CEIPs over the four-year compliance period.

Attachment B does not allow for the benefits of some market transactions. It requires specific delivery to customers in part 2(a) and not resold in part 2(b) in an unbundled manner, while this requirement equates energy delivered to load instantaneously, it does not support the ability for the utility to freely use its renewable energy generated over the four-year compliance period by requiring any excess generation to be sold (and in most cases sold as unspecified power). Further, utilities could be placed in an awkward position by trying to sell excess unspecified power in certain months where no utility is able to buy it. Some producers of energy may not be able to back off generation due to dissolved gas requirements on the hydro system, which could create additional negative pricing situations. As an additional issue, if other states require similar clean energy standards, there will be limited load to serve with excess generation without massive storage systems that do not exist at this time.

5. Could the Energy Imbalance Market (EIM) provide a prorated share of the attributes of the resources that provided energy in a market interval to the loads that received energy in that market interval?
 - a. If EIM loads were to receive the attributes of the generators providing energy in the market, should constraints in the dynamic transfer capacity be incorporated into the calculation of the distribution of those attributes to load? Is it possible to reflect those constraints in the distribution of attributes to locational loads?
 - b. If EIM loads could receive the attributes of the generators providing energy in the market, is there a means of allocating those attributes by a bid price mechanism?

Avista Response:

CETA should treat all resources used for compliance the same no matter if resources are owned, contracted for, or dispatched through a market such as the EIM. Utilities need to provide proper documentation of resource ownership or rights to the energy and RECs used to serve Washington load. Having the EIM provide prorated shares of the attributes likely will not be acceptable by many market participants, including Avista, and likely will inject unnecessary market inefficiencies and reduce participation and/or generation offerings into the EIM.

- a. Avista is not aware that the EIM has or could do these calculations. Further, the EIM operates to maximize transmission utilization and dispatch the most economic resources to meet the EIM footprint load obligation and therefore does not assign specific resources to certain loads. Any attempt to assign specific resources or renewable attributes to certain load will reduce the efficiency and benefits of the market dispatch.

- b. No. All resources dispatched by the market can have their attributes flow to either the resource owner or to the purchaser of the resource. The EIM does not need to allocate the attributes. The contract or power purchase agreement, if applicable, can dictate the ownership rights of the attributes.
6. Energy serving load in a day-ahead market (DAM) is unspecified. If the DAM bid awards were mostly surplus hydro, would the loads receiving energy from the DAM only receive unspecified energy under the rules in Attachments A and B? Does this mean that a utility that was a net buyer from the DAM at a time of excess hydroelectric generation would only receive unspecified power?

Avista Response: See response to question #5.

7. Rules in Attachment B, part (2)(b), state that a utility must make a demonstration that the electricity used for compliance was generated by the utility or acquired by the utility with the nonpower attributes and not resold.
- a. How would a utility make such a demonstration?
 - b. How would power generated and purchased by the utility be identified as sold, which documents would be used, and what process would be followed to reconcile purchases and sales?
 - c. How would Commission staff conduct audits under this proposal?

Avista Response:

Avista is unsure how the rules in Attachment B were intended to be put into practice and, therefore, cannot provide meaningful commentary on this question.

8. Please explain how double counting is prevented under the suggested rules in Attachment A and B?

Avista Response:

In the comments supporting the suggested rules in Attachment A filed jointly on July 31st by the Joint Utilities, there was a lengthy discussion related to the provisions of the suggested rules that prevent double counting.

iv. Ensuring Nonpower Attributes are Not Double Counted

We support the goal of establishing a transparent system that prevents the double counting of nonpower attributes. We believe the recommended rules would prohibit double counting while reducing the possibility of unintended consequences of limiting access and participation in wholesale markets that are associated with other approaches.

We understand the potential for double counting is primarily an issue associated with electricity generated by nonemitting or renewable resources and imported into another jurisdiction that counts that electricity import as containing no emissions. For example, under California's source-based accounting framework, electricity generated by a

renewable resource is considered to be non-emitting regardless of the disposition of the renewable energy credit. Our proposal would eliminate the potential for double counting and also avoid the need for a costly and technically infeasible compliance methodology.

The potential for double counting can arise in two scenarios: 1) in a bilateral contract and 2) through the EIM. The suggested rules in Attachment A specifically prevent double counting of nonpower attributes in section (4). Proof that double counting will not occur can be accomplished through the following:

- 1) Bilateral contract - (1) documentation through contracts or other supporting documentation of all specified sales to California; (2) supporting WREGIS documentation; and (3) a review of documentation by the appropriate auditing body to assure the REC is not also being used for CETA compliance.
- 2) EIM – through the review of EIM settlements for deemed-delivered resources to assure they are not part of a utility’s CETA compliance.

Note Avista is also concerned by a future state obligation for emissions reductions that could further complicate this issue.

Avista appreciates the opportunity to collaborate with the Commission and interested stakeholders on the development of CEIP rules, and we look forward to participating in further discussions and workshops. Please direct any questions regarding these comments to me at 509-495-2782 or shawn.bonfield@avistacorp.com

Sincerely,

/s/ Shawn Bonfield

Shawn Bonfield
Sr. Manager of Regulatory Policy & Strategy