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**UE-240402**  
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Mr. Jeff Killip  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

**RE: Avista Corporation Affiliated Interest Filing pursuant to RCW 80.16.020**

Dear Mr. Killip:

Pursuant to RCW 80.16.020 and WAC 480-100-245, please find enclosed for electronic filing with the Washington Utilities and Transportation Commission (“Commission” or “UTC”) (1) a Power Purchase Agreement (“PPA”) between Avista Corporation (“Avista” or “Company”) and Spokane Eco District I, LLC (“SED1”) for the operation and maintenance of a central utility plant; (2) a Surplus Interconnection Agreement (“Interconnection Agreement”) between Avista and SED1 to interconnect and use the output of a solar facility, an inverter and battery to serve certain loads behind the meter and to sell additional output, if any, to Avista; and (3) a Letter Agreement for Shaping Services (“Shaping Services Agreement”) between Avista and SED1 to allow SED1 to use an Avista-owned battery to provide shaping services for an SED1-owned solar facility.

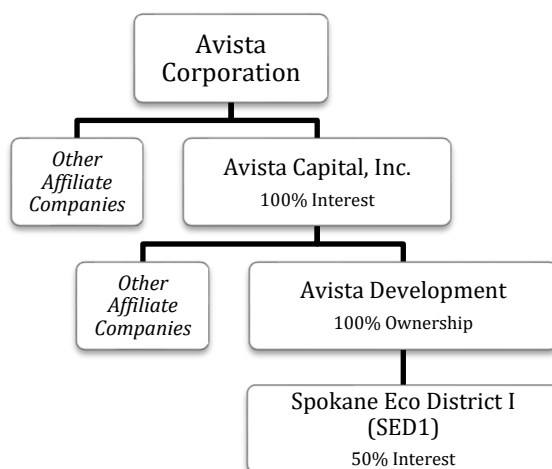
The PPA (Attachment A), Interconnection Agreement (Attachment B), and Shaping Services Agreement (Attachment C) may be referred to herein collectively as the “Agreements”. Avista and SED1 may be referred to herein individually as a “Party” or collectively as the “Parties”.

Avista is providing notice to the Commission that it is Avista’s intent to enter into the Agreements with SED1 to allow the Parties to operate, or cause the operation of, a central utility

plant to perform certain tests to enhance overall grid usage and reliability. This project will help Avista meet its obligations under its Clean Energy Fund 3 grant award (“CEF3”), as funded by the Washington Department of Commerce to advance the clean energy economy in the state. The CEF3 project, also known as the “Eco-District Grid Modernization Project”, seeks to leverage Avista's presence in Spokane’s South Landing/University District to operate a central utility plant and demonstrate use cases that benefit customers and the grid. With this filing, Avista hereby requests Commission approval of the Agreements (or otherwise take no action), attached hereto as Attachments A-C.

**Background**

As illustrated in the organizational chart below, Avista Development, Inc. (“Avista Development”), a subsidiary of Avista Capital Inc. and, by extension, Avista Corporation, holds a 50% ownership interest in SED1. Consequently, SED1 is an affiliate, most recently described in Commission Dockets UE-240285 and UG-240286, Avista’s 2023 Affiliated Interest and Subsidiary Transactions Report filed in April 2024. The Agreements between Avista and SED1, as they relate to the project described further below, are attached hereto as Attachments A-C.



**About Avista, SED1, and CEF3**

SED1 is a partnership between Avista Development and McKinstry Essention, LLC (“McKinstry Essention”) that was formed to pursue the design, finance, development, and construction of a central utility plant capable of providing heating, cooling, and power to multiple facilities in Spokane’s South Landing/University District, also known as the Eco District (the “Eco

District”). SED1 owns a 248kW solar facility (“Solar Facility”) located on (i) the Catalyst Building located at 601 E Riverside Ave in Spokane, which is owned by South Landing Building A, LLC (the “Catalyst Building”) and (ii) the Morris Center Building located at 12 N Sheridan St in Spokane, which is owned by 611 E Sprague, LLC (the “Morris Center Building”). The Catalyst Building and the Morris Center Building may be collectively referred to herein as the “Buildings”, are both located in the Eco District.<sup>1</sup> Avista owns a 660kW/1320kWh battery electric storage system and associated conversion equipment including isolation transformer, inverter, DC bus, DC/DC converter, and control system (collectively, the “Battery”) located outside of the Morris Center Building.

SED1 and Avista intend to use the Battery to shape the output of SED1’s Solar Facility and to perform certain tests to enhance overall grid usage and reliability. Avista will configure and integrate (including training) the Battery to be an operational part of SED1’s Solar Facility. SED1, will designate personnel from McKinstry Essention to operate, or cause the operation of, the Solar Facility and the Battery (“Combined Facility”). Any output from the Combined Facility that is not used behind the meter will be sold to Avista on an as-available basis pursuant to the PPA (under the existing Schedule 62), provided as Attachment A. The Interconnection Agreement to allow for the sale is provided as Attachment B.

CEF3 funds the development, demonstration, and deployment of clean energy technology, and Avista intends to enable grid edge devices such as solar, energy storage, building management systems to respond to grid needs. Avista Utilities and its partners are proposing work to deploy electric and thermal resources in a central plant to balance the value of flexible load between building owners and the utility distribution system. This is achieved through the Shaping Services Agreement, which aligns with CEF3’s vision of leveraging a built environment to improve utilization of the grid.<sup>2</sup> Pursuant to Avista’s CEF3 obligations, the Shaping Services Agreement

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<sup>1</sup> These facilities are also generally discussed in the Company’s 2023 Affiliated Interest and Subsidiary Transactions Report filed in April 2024, Dockets UE-240285 and UG-240286.

<sup>2</sup> The building owner has goals to consume their rooftop solar on site to directly reduce their carbon footprint and achieve certifications like net zero. The storage systems can enable this, but it requires active management via predictions of building load and solar, thus “shaping” the total impact of the development on the grid. Shaping services is effectively a set of active methods for controlling and operating the assets together. Avista has different uses for the storage on the distribution system, and the shaping services agreement allows for Avista to use the storage systems to provide grid resilience as needed, increasing infrastructure utilization, and reducing cost via deferral of capital

(attached hereto as Attachment C) will allow Avista to direct various modes of operation to test and enhance grid usage and reliability.

**The Agreements with SED1 are in the Public Interest**

Avista has invested in SED1 to develop a central utility plant, which Avista believes to be an essential component in transforming how the utility and the built environment collaborate to improve grid utilization by attenuating peak loads. A high-performance grid optimizes its utilization of existing delivery infrastructure by active demand management. The overall purpose of the engagement between the Parties is to maintain the Buildings' comfort while improving grid utilization and peak demand management.

The project, which the Parties hope to successfully replicate in the future, is intended to explore and demonstrate optimized grid utilization and increase resilience. This project will provide the utility the ability to effectively dispatch utility assets to mitigate building demands to improve grid utilization without compromising customers' needs and comfort.

SED1's participation with Avista will help drive grid resilience and allow Avista to model, simulate, and test grid integrations in a controlled environment. For the reasons discussed herein, Avista believes the Agreements are in the public interest. Avista respectfully requests that the Commission complete its review of the Agreements and promptly notify Avista if it believes that the Agreements are inconsistent with public interest.

Please direct any questions regarding this filing to John Gibson at 509-495-4115.

Sincerely,



Patrick D. Ehrbar  
Director of Regulatory Affairs

Enclosures

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upgrades. In the end, the shaping services agreement maximizes the value of the investments, providing benefits to the distribution grid and to the customer.