

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of Avista Corporation d/b/a  
Avista Utilities' Draft 2022 All-Source  
Request for Proposals for Resources**

**DOCKET UE-210832**

**COMMISSION STAFF COMMENTS REGARDING  
AVISTA'S 2022 ALL-SOURCE REQUEST FOR PROPOSALS FOR RESOURCES  
PURSUANT TO  
RCWs 19.405, 19.280 AND WAC 480-107**

December 14, 2021

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## **Introduction**

On November 1, 2021, Avista Corporation d/b/a Avista Utilities (Avista or Company), filed with the Washington Utilities and Transportation Commission (Commission) Draft All-Source Request for Proposals for Resources (RFP) in Docket UE- 210832, as required by rule.

On November 9, 2021, the Commission issued a Notice of Opportunity to Provide Written Comments. Consistent with WAC 480-107-017, the public participation schedule includes a 45-day period for public review and comments, and a 75-day period for the Commission to deliberate.

Avista filed its 2021 IRP with the Commission on April 1, 2021. WAC 480-107-017(1) requires that when a utility files an integrated resource plan (IRP) that identifies a resource need within the following four years, the utility must file a proposed RFP and accompanying documentation with the Commission within 120 days. The Commission approved a petition to extend the date Avista was required to file an RFP from August 1 to November 1 on July 29, 2021.<sup>1</sup>

The draft RFP is currently scheduled for Commission decision at the Commission's Open Meeting to be held on Thursday, January 14, 2022, to ensure Avista's draft RFP satisfies its public service obligations. The Commission will consider the information obtained through these bidding procedures when it evaluates the performance of the utility in rate and other proceedings.

## **Staff assessment of Avista's Draft RFP**

### ***Compliance with rules***

Staff's review is guided by rule and statute. The Commission rules most applicable to this filing are the recently promulgated Purchases of Resources rules in WAC 480-107. With the cover letter for this filing Avista included a matrix providing the location of compliance with each section of WAC 480-107-025. Staff appreciates the requirements checklist but recommends extending it beyond the single section outlining the contents of the RFP filing to include other applicable rules such as the bid ranking procedure described in section WAC 480-107-035.

Staff provides several specific recommendations to improve the RFP to ensure that all customers are benefiting from the transition to clean energy in compliance with RCW 19.280.030 and 19.405.040. Staff has also identified some areas of potential concern regarding possible modifications to the RFP and recommends transparency as the RFP process proceeds.

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<sup>1</sup> Docket UE-210486 Order 01.

***Resource need***

Avista's RFP seeks 275 MW of winter capacity and 160 MW of summer capacity intended to meet energy, capacity, and renewable energy needs by 2030 identified in the 2021 IRP.<sup>2</sup> No delivery of resources resulting from this RFP is expected before 2025. In accordance with WAC 480-107-009, this all-source RFP allows bids from all types of resources that may fill all or part of the resource need. Since the need is largely driven by Clean Energy Transformation Act (CETA) obligations, unbundled renewable energy credits are the only resource type that will not be considered.

While Avista submitted a Clean Energy Implementation Plan (CEIP), the Commission has not approved the CEIP, and changes in market conditions and the regulatory environment may cause modification to the Company's identified resource need in the near future. The Company highlights four reasons the resource need may change before the final RFP is released:

- Ongoing negotiations from the 2020 RFP
- Updated peak and energy load forecast
- Northwest Power Pool's Western Resource Adequacy Program requirements
- Adoption of "use" rules by the Commission for 2030 clean energy standard compliance

Staff recognizes that there are factors that may cause significant changes to Avista's resource need and recommends the Company make transparency a priority, including identifying any major changes to the final RFP, and consulting with stakeholders and advisory groups, as appropriate.

***Independent evaluator***

In the RFP Avista retains the option of utility ownership so, in accordance with WAC 480-107-023(1), was required to enlist the services of an independent evaluator (IE) for the 2022 All-source RFP.

On August 12, 2021, the Commission approved Avista's recommended IE, Sapere Consulting, in Docket UE-210545. Sapere provided review and feedback on the RFP design and will participate in the evaluation once the proposals are received. Staff looks forward to additional discussions with Sapere.

***Procedures and Criteria for Evaluation***

Avista proposes a two-step evaluation process for proposed projects that meet the defined minimum requirements. In consultation with the IE, Avista will first evaluate and rank based on preliminary information and develop a short list of proposals. A detailed proposal will be requested for bidders on the short-list. After screening the detailed proposals for minimum threshold criteria, all detailed proposals will be considered using a matrix that includes:

- risk management characteristics

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<sup>2</sup> Docket UE-200301 Updated 2021 Electric Integrated Resource Plan; Table 2: 2021 Preferred Resource Strategy Update; April 29, 2021.

- customer energy impact and price risk characteristics
- resource contribution to capacity requirements
- electric power characteristics
- environmental characteristics and
- non-energy impact.

In Exhibit D, 2022 All Source RFP Evaluation Methodology, Avista states, “The evaluation scoring may change depending upon Proposals with circumstances not considered in this evaluation methodology.” Staff contends modifying the ranking criteria based on unexpected content is consistent with rule as long as proper notification is provided and all bidders are given the opportunity to modify their bids in response.<sup>3</sup>

### ***Resource contribution to capacity requirements***

When determining the capacity contribution of a proposed project Avista intends to assign Qualifying Capacity Credit (QCC) values based off information provided in the proposal and estimates provided by the Northwest Power Pool (NWPP).

The Western Resource Adequacy Program (WRAP) is a regional capacity program relying on the current bilateral market structure under development by the NWPP.<sup>4</sup> Avista is currently participating in the first stage of program implementation, non-binding Phase 3A that is planned to move to binding implementation in January of 2023. As part of this program participants agree to common resource planning metrics.<sup>5</sup>

Staff supports additional discussions with the company regarding WRAP and resource contribution to capacity requirements, including modeling assumptions. Staff recommends prioritizing transparency for the first RFP under CETA directives. For any changes to the RFP, Avista should ensure that appropriate information is provided to bidders, stakeholders, and the Commission in a timely manner.

### ***Customer benefits from transition to clean energy***

CETA requires that an electric utility must, consistent with the requirements of RCW 19.280.030 and 19.405.040, ensure that all customers are benefiting from the transition to clean energy.<sup>6</sup> Further, each electric utility must incorporate RCW 19.405.050(1) into all relevant planning and resource acquisition processes.<sup>7</sup>

Staff understands that both the Commission and its regulated companies are new to these requirements, especially as it applies to RFPs, and that compliance will necessarily improve iteratively.

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<sup>3</sup> WAC 480-107-035(4).

<sup>4</sup> <https://www.nwpp.org/about/workgroups/12>

<sup>5</sup> Avista Technical Advisory Committee Meeting presentation December 8, 2021.

<sup>6</sup> RCW 19.405.040(8).

<sup>7</sup> RCW 19.405.050(2).

Staff commends Avista for taking important first steps toward incorporating this statute into its resource acquisition, including through the Company's request for supplemental information from short-listed bidders for thorough community engagement plans, and through incorporating a non-energy impacts section of evaluation criteria. Additionally, Avista identified that it contracted with DNV to quantify non-energy impacts (NEIs) of supply-side resources, and that it will use any timely information from DNV to inform this RFP. Staff looks forward to Avista using robust findings from this study to support the Company in considering previously unquantified costs and benefits.

Like all electric utilities, Avista recently submitted its first Clean Energy Implementation Plan (CEIP)<sup>8</sup>, which contains the Company's proposed customer benefit indicators (CBIs)<sup>9</sup>. The CEIP has also begun to identify vulnerable populations and highly impacted communities<sup>10</sup>, and should guide the Company's planning and resource acquisition efforts such that all customers benefit from the transition to clean energy. Though WAC 480-107-025 says that the Company will not be under obligation to include information related to its CEIP and CBIs until after the first CEIP is approved, Staff believes it is not too early to begin to incorporate CBIs into resource acquisition decisions. Staff provides these comments in line with feedback provided on the Company's CEIP.

First, Staff is concerned about the weight given to the non-energy impact criteria. Staff questions whether the weight given to these criteria would make a measurable difference in choosing a bidder that is well-equipped to comply with 480-107-025(2) over one that is not. As a point of comparison, PSE's approved All-Source RFP evaluation matrix weights bidders' CETA equity plan higher than any other single element in a submission.<sup>11</sup> Avista noted that criteria 2, customer energy impact, and criteria 5, environmental, also contain CETA-relevant provisions, in that the former implicates affordability and mitigating energy burden for all customers, and the latter favors projects with lower greenhouse gas emissions. In response to Staff concerns around weighting, the Company also stated that the comparatively lower weight for the non-energy impact criterion did make a measurable difference in their last RFP in ranking slightly more expensive projects with higher equity scores higher than slightly cheaper projects with lower equity scores. Nonetheless, Staff is struck by the weighting difference between the Avista and PSE RFPs, and believes policy consistency that more accurately reflects the importance of 480-107-025(2) may warrant increasing the weight of Criteria 2 and 5 in Avista's RFP. Staff looks forward to additional conversations with the Company to more fully understand the impact of the current weighting on projects with significant non-energy impacts.

Second, Staff does not believe that the current RFP proposal captures enough "information identifying energy and nonenergy benefits or burdens...or other information that may be relevant," per WAC 480-107-025(2) to evaluate a bidder's ability to contribute to equitable distribution of the clean energy transition. Staff believes the Company should add additional criteria in order to identify projects that are intentionally designed to deliver such benefits, rather

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<sup>8</sup> See *Final 2021 Clean Energy Implementation Plan (CEIP)*, Docket UE-210628 (October 1, 2021).

<sup>9</sup> See WAC 480-100-640(4)(c).

<sup>10</sup> WAC 480-100-640(4)(a) and (b).

<sup>11</sup> See *Final 2021 All-Source RFP*, p. A-3, Docket UE-210220 (June 30, 2021).

than ask bidders to explain how such benefits might theoretically be provided. Staff provides some suggestions in bullets below.

*Recommendations:* Staff recommends that Avista consider additional factors within the non-energy impact criteria, such as within Draft Exhibit C Short Listed Detailed Information Required of Shortlisted Proposals on page 8, subpart 3.13, "Local Support and Impact on Communities." These suggested criteria are in line with the Commission's approved evaluation matrix of PSE's recent Final All-Source RFP<sup>12</sup>, as well as informal feedback Staff has provided to Avista on its CEIP.

The Company is reviewing the following suggestions and noted that many large project developers that tend to provide the least expensive and most technically rigorous bids do not collect data that may be relevant to WAC 480-107-025(2). Specifically, Staff recommends Avista consider:

- The bidder's previous experience implementing programs in partnership with diverse communities and entities, including women-, minority-, disabled-, and veteran-owned organizations and businesses.
- Whether the bidder has a written diversity-equity-inclusion (DEI) commitment, policy or plan, and whether bidder or project leadership have received DEI training.
- Bidder employee diversity statistics, consistent with the Company's CEIP, which includes a CBI tracking supplier diversity<sup>13</sup>. The Company communicated in personal correspondence with Staff that this CBI does not apply to RFP awardees. Docket UE-210837 will address some of these issues. The Commission will hold a workshop on December 16, and Avista has indicated they will participate.
- The degree to which the project will influence other tentative Avista CBIs.

## Conclusion

Staff reviewed this Draft RFP and believes it is reasonably consistent with Avista's 2021 IRP and recent filings.

Staff will withhold final recommendations until after other stakeholders respond to the Commission's Notice. Staff intends to present its final recommendations at the Commission's January 14, 2022, Open Meeting.

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<sup>12</sup> See Final Exh. B, *Proposal Requirement Forms*, Tab 2a., Docket UE-210220 (June 30, 2021).

<sup>13</sup> See CEIP at 3-30.