

December 15, 2021

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**RE: Comments of Renewable Northwest and NW Energy Coalition, Docket UE-210832**  
 Avista Corporation’s Draft 2022 All-Source Request for Proposals.

**I. INTRODUCTION**

Renewable Northwest and NW Energy Coalition (“Joint Parties”) thank the Washington Utilities and Transportation Commission (“the Commission”) for this opportunity to comment in response to the Commission’s November 9, 2021, Notice of Opportunity (“Notice”) to File Written Comments on Avista’s Draft 2022 All-Source Request for Proposals (“RFP”) Pursuant to WAC 480-107, which Avista Corporation (“Avista” or “the Company”) originally filed on November 1, 2021.

In these comments, we support various components of the RFP, especially those that indicate a broader shift in Avista’s treatment of resources considering the Clean Energy Transformation Act (“CETA”) and the Northwest Power Pool’s (“NWPP”) Western Resource Adequacy Program (“WRAP”). However, given the ongoing nature of CETA implementation and WRAP development, we also address various related components of the RFP that would benefit from improved clarity. Finally, we raise a series of targeted points and, more broadly, emphasize the importance of transparency in Avista’s scoring methodology, the quantitative elements of which are currently treated as confidential.

We appreciate the Company’s efforts through this RFP to meet its system needs with new, CETA-compliant resources, and we are optimistic that the company can do so with a combination of renewables, storage, and demand-side resources at the lowest reasonable cost and risk to its customers. We are grateful for both the Company’s and the Commission’s consideration of these comments.

## II. COMMENTS

### **1. Avista’s revised methodology for considering peak capacity contributions to align with the NWPP’s WRAP is a promising development, and we suggest additional consideration of reduced planning reserve margins.**

The Joint Parties appreciate Avista’s early alignment with NWPP’s developing WRAP, a program that seeks to move the region away from a capacity factor approximation method to a more probabilistic effective load carrying capability (“ELCC”) method for assigning resource capacity contributions. Early adoption and integration of the information coming out of program design and implementation will likely result in improvements to not only the accuracy of Avista’s modeled peak needs but also the valuing of CETA-compliant resources to meet those needs. The latter benefit stems from the ability of ELCCs to incorporate varying load and weather conditions, two phenomena becoming quite typical in the region, thus capturing the most relevant information in the capacity contribution values assigned to resources.

The WRAP’s Phase 2B detailed design mentions that variable energy resources like wind and solar will be assigned ELCC values based on their load-resource zone. Energy storage resources like batteries will be assigned a Qualifying Capacity Contribution (“QCC”) based on their Installed Capacity (“ICAP”) dependent on a 5-hour duration requirement. And in Avista’s first technical advisory committee (“TAC”) meeting for its upcoming 2023 integrated resource plan (“IRP”) progress report, it was revealed that these load-resource zones will be further divided into sub-zones to capture additional accuracy in the corresponding ELCC values assigned. We recommend Avista follow these developments throughout WRAP design and implementation to ensure that, come time to model its short list of bidding resources with its own system, Avista will be using the most current resource assumptions to support the selection of the best suited resource for Avista’s need.

Further, in our review of Avista’s preliminary information regarding its 2023 IRP progress report, which incorporates the ELCC methodology discussed above, we were surprised to find that the Company’s winter planning reserve margin (“PRM”) did not see a more meaningful reduction.<sup>1</sup> We anticipate that the PRM does not capture the full benefits of the WRAP program design and footprint primarily because Avista did not change its primary PRM (16%) but instead incorporated WRAP benefits in its operating reserve margin. We request more information to clarify why the primary PRM did not reduce from 16% to a lower value in both the winter and summer seasons considering diversity in loads and resources across the program footprint. We recommend Avista expand on their PRM calculation methodology to explain to stakeholders how and where were reductions seen due to their participation in the WRAP . Avista notes in the draft RFP that “[e]ach proposal will be assigned a Qualifying Capacity Credit (QCC)

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<sup>1</sup> See slide 57 of Avista’s 2023 IRP TAC 1 Draft Presentations, or slide 2 of the presentation entitled “Resource Adequacy Program Impact to IRP” (Dec. 8, 2021), available here <https://www.myavista.com/-/media/myavista/content-documents/about-us/our-company/irp-documents/2023-irp-tac-1-presentations.pdf>.

for both winter and summer to demonstrate its ability to meet system peak load shortfalls.”<sup>2</sup> Thus, it is important that Avista assess whether its identified peak needs truly capture the benefits of WRAP participation in order for resources bidding into the RFP to be accurately measured against those needs.

**2. We recommend Avista treat the quantitative elements of its Evaluation Methodology as non-confidential in order to align with the transparency required by the Commission’s rules.**

RFP Exhibit D sets forth Avista’s 2022 All Source RFP Evaluation Methodology. Renewable Northwest and NW Energy Coalition appreciate the narrative elements of the Methodology but recommend that the quantitative elements, which are currently treated as confidential, be made available to all stakeholders including, in particular, bidders.

WAC 480-107-025(4) provides that “The RFP must explain the specific ranking procedures and assumptions that the utility will use in accordance with WAC 480-107-035” and “must include a sample evaluation rubric that quantifies, where possible, the weight the utility will give each criterion during the bid ranking procedure, and provides a detailed explanation of the aspects of each criterion that would result in the bid receiving higher priority.” In the Commission’s rulemaking to establish these rules, Renewable Northwest specifically supported this language, explaining in our October 2018 comments and reiterating in our January 2019 comments:

[T]he requirement either to quantify the weight the utility will afford to its scoring criteria or to provide a detailed narrative explanation regarding the relative priority of the scoring criteria should give bidders important information that allows them to tailor their bids to the utility’s needs. Ultimately, the result of this additional transparency will likely be the submission of more competitive bids and, at the conclusion of the RFP process, a better chance that the utility procures lowest reasonable cost resources.

In its order adopting the rules, the Commission specifically affirmed the importance of transparency to the success of the rules:

The proposed rules reduce the burden on small business participation in RFPs by increasing the transparency of the RFP process. The proposed rules require utilities to provide increased detail in RFPs regarding the utility’s resource need, evaluation rubric, and ranking procedures, which will reduce the time and expense to both small and large businesses to participate as bidders. For example, the expanded level of required detail will help small businesses understand how their specialty can be successfully bid.<sup>3</sup>

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<sup>2</sup> Draft Avista 2022 All-Source RFP at 7.

<sup>3</sup> General Order R-602 at para. 11.

Avista's decision to treat quantitative scoring criteria as confidential runs counter to the letter and intent of the Commission's Purchases of Resources rules, in particular the principle of transparency and the ability of bidders to undertake informed participation in RFPs. We therefore recommend that the company release -- or the Commission direct the company to release -- those scoring details publicly.

### **3. We request minor adjustments to the minimum threshold criteria of the RFP.**

As illustrated above, we appreciate Avista's general openness to revisiting its own considerations and practices to incorporate the best available data into its resource planning efforts. Relatedly, we support various elements of Avista's 2022 All-Source RFP that offer more flexibility than other recent RFPs in the region. For example, Avista's flexibility on a bidding project's commercial operation date ("COD") will allow a more diverse pool of resources, including those with long lead times, to participate in the RFP, driving up the level of competition particularly for more types of cost-effective capacity resources to bid into the RFP.

However, we recommend Avista strike the twenty-year maximum term for power purchase agreements ("PPAs") to even further bolster the competitiveness of the RFP and allow CETA-compliant resources to serve as examples of the extended benefits these resources can offer -- here, to Avista's system -- in the context of a state-mandated energy transition. Longer PPA terms for zero-marginal-cost renewables could additionally help Avista avoid the risk of stranded assets.

### **4. Additional comments**

#### **a. Section II - Resource Need**

We request that Avista clarify in Section II that the minimum bid size of "5 MW capacity" refers to nameplate capacity, as the capacity contribution values for some renewables can vary.

#### **b. Section IV - Evaluation Process**

We also request that Avista strike the following sentence from Section IV.3: "Avista may disqualify any Detailed Proposals from further consideration if the Detail Proposal contains, in Avista's sole discretion, material deficiencies or if the Detailed Proposal does not meet Avista's need for any reason."<sup>4</sup>

Especially without adequate transparency in Avista's evaluation methodology, this statement gives Avista unquestionable power - even before contract negotiations - to disqualify a project from further evaluation for the RFP. To ensure an equitable consideration of a diverse set of resources, we

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<sup>4</sup> Draft Avista 2022 All-Source RFP at 6.

recommend there be a more concrete disqualifier or that Avista exercise its right to disqualify a project *after* contract negotiations have been conducted.

c. Section V - Preliminary Information and Detailed Proposal Requirements

To start, we appreciate that Avista is making its Company-owned transmission assets available to bidding projects which fit certain requirements. And while it does not appear that the draft RFP requires bidders to demonstrate firm transmission service as a matter of eligibility, we recommend Avista go further in its narrative and evaluation methodology to encourage bidders with other transmission products (e.g., conditional firm service) to participate in the RFP, as these products may be perfectly capable of meeting the Company’s needs at the lowest reasonable cost and risk.

Further, this extended effort to welcome alternatives to firm transmission would be in direct support of the ongoing CETA-mandated transmission corridors work group tasked with identifying, in part, “areas where transmission and distribution facilities may need to be enhanced,”<sup>5</sup> which in the current version of the work group’s Charter includes efficiencies to be gained on the current system.<sup>6</sup> In fact, at the third work group meeting, Bonneville Power Administration (“BPA”) gave a presentation specifically to illustrate the unused capacity on the current system as a result of the common practice by utilities to require firm transmission rights for projects to be eligible for resource acquisition processes. Therefore, in the instance that Avista makes available its evaluation methodology, we hope to see other transmission products scored similarly to firm transmission.

### III. CONCLUSION

Renewable Northwest and NW Energy Coalition thank Avista and the Commission for their consideration of this feedback. We are optimistic that the changes and additional information we have recommended above will help Avista to identify a least-cost portfolio that also puts the Company on a path to achieving CETA’s clean energy standards and the Company’s own emission reduction goals.

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<sup>5</sup> See, e.g., Transmission Corridors Work Group, Energy Facility Site Evaluation Council, *available at* <https://www.efsec.wa.gov/energy-facilities/transmission-corridors-work-group>.

<sup>6</sup> See materials distributed to work group members (incl. Avista) by Ross Strategic, or find work group meeting recordings at [https://www.youtube.com/channel/UCqJBtz2-kc3EKTT\\_1oPlcQ/featured](https://www.youtube.com/channel/UCqJBtz2-kc3EKTT_1oPlcQ/featured).

Sincerely,



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