

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)	Docket No. UE-220770
)	
Avista Corporation, d/b/a Avista Utilities)	
)	
For an Amended Order Approving Its Revised Four- Year Demand and Resource Supply Forecast Pursuant to the Climate Commitment Act)	PETITION OF AVISTA CORPORATION

I. INTRODUCTION

1 Avista Corporation, doing business as Avista Utilities (Avista or the Company), at 1411 East Mission Avenue, Spokane, Washington, hereby petitions the Commission for an amended order approving its four-year demand and resource supply forecast for the compliance years 2023-2026 pursuant to RCW 70A.65.120 and WAC 173-446-230, otherwise known as the Climate Commitment Act (CCA). In Order 01, the Commission approved the Company’s four-year supply and demand forecast. However, The forecast approved by the Commission in Order 01 does not clearly indicate the portion of Avista’s resources to be used to serve the Company’s retail electric load,¹ which is needed by the Department of Ecology (Ecology) to calculate Avista’s allocation of no-cost allowances for 2023-2026.² As a result, Avista seeks an amended order from the Commission clarifying the portion of its supply is to be used to serve its retail electric load, in alignment with Avista’s approved 2021 Clean Energy Implementation Plan (CEIP).³ Importantly, Avista is not seeking approval of a new or revised forecast, as its supply

¹ See WAC 173-446-020 (defining “retail electric load”); RCW 19.405.020(36) (same).

² See WAC 173-446-230(2)(e).

³ Docket UE-210628, Order 01.

and demand, as shown in Table No. 1 below and approved by the Commission, remains the same.⁴

2 Avista is a utility that provides service to approximately 403,000 retail electric customers and 369,000 retail natural gas customers in a 30,000 square-mile service territory covering portions of Washington, Idaho, and Oregon. The largest community served by Avista is Spokane, Washington, which is the location of its corporate headquarters.

3 The Company requests that all correspondence related to this Petition be sent to the following:

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II. BACKGROUND

4 In 2021, the State of Washington enacted the CCA.⁵ The CCA caps and reduces greenhouse gas (GHG) emissions from Washington's largest emitting sources and industries, allowing businesses to find the most efficient path towards meeting Washington's carbon emissions goals. The Legislature directed Ecology to design and implement a cap and invest program to reduce statewide GHG emissions, integrating an equity lens into the program. This program works by setting an emissions limit, or cap, and then lowering that cap over time to ensure

⁴ Calculations supporting all tables can be found in Confidential Attachment A.

⁵ Senate Bill 5126.

Washington meets its GHG reduction commitments. On September 29, 2022, Ecology adopted its final cap and invest rules.⁶ The allocation of the cap and invest program’s no-cost allowances to each investor-owned utility must be consistent with the utility’s Commission-approved four-year forecast of the utility’s supply and demand, and the cost burden resulting from the inclusion of covered entities in the first compliance period of the CCA.

5 On October 20, 2022, the Company filed with the Commission its Petition for an order approving its four-year demand and resource supply forecast pursuant to the CCA. On December 27, 2022, Avista filed a revised petition with the Commission. On January 24, 2023, the Commission approved of Avista’s forecast as outlined in Table No. 1 below.⁷

Table No. 1 – Avista 2023-2026 Supply and Demand Forecast

Resource Category	P/T	CO2e	Total CO2e	2023 (CEIP)			2024 (CEIP)		
	Ratio	Rate	Allowances	Total MWh	WA MWh	CO2e	Total MWh	WA MWh	CO2e
Non-Emitting Plants	65.64%	-	-	6,246,298	4,100,070	-	6,642,778	4,360,319	-
Coal Plants	65.64%	1.0614	3,062,366	1,525,677	1,001,454	1,062,943	1,462,803	960,184	1,019,139
Gas Plants	65.64%	0.4354	3,999,866	3,996,353	2,623,206	1,142,144	3,757,956	2,466,722	1,074,011
Market Purchases (unspecified)	65.64%	0.4370	216,377	40,944	26,876	11,745	69,505	45,623	19,937
Market Sales	65.64%	-	-	(2,531,535)	(1,661,700)	-	(2,618,240)	(1,718,613)	-
Total			7,278,609	9,277,736	6,089,906	2,216,832	9,314,801	6,114,235	2,113,087
				2025 (CEIP)			2026 (2021 IRP)		
Resource Category	Total MWh	WA MWh	CO2e	Total MWh	WA MWh	CO2e	Total MWh	WA MWh	CO2e
Non-Emitting Plants	6,909,490	4,535,389	-	7,083,565	4,649,652	-	-	-	-
Coal Plants	1,407,033	923,576	980,284	-	-	-	-	-	-
Gas Plants	3,271,334	2,147,304	934,936	2,969,858	1,949,415	848,775	-	-	-
Market Purchases (unspecified)	129,571	85,051	37,167	514,310	337,593	147,528	-	-	-
Market Sales	(2,366,279)	(1,553,225)	-	(1,168,108)	(766,746)	-	-	-	-
Total	9,351,150	6,138,095	1,952,387	9,399,625	6,169,914	996,303			

In particular, the Commission approved the Company’s forecasted Washington demand of 6,089,906 MWh in 2023, 6,114,235 MWh in 2024, 6,138,095 MWh in 2025, and 6,169,914 MWh in 2026. As shown in Table No. 1, Avista included a forecast of supply for its entire resource portfolio available to serve its combined Washington and Idaho load areas, in addition to the Washington allocated share of its resource supply using its Production/Transmission ratio

⁶ Washington Administrative Code, Chapter 173-446.

⁷ Order 01.

of 65.64 percent from Docket UE-200900. Neither Avista's forecast, nor the Commission's order, clarified what portion of the available supply would serve Avista's Washington retail electric load, as it was not clear how Ecology would use the approved forecast or that this was necessary.

6 On April 24, 2023, Ecology published its Allowance Allocation to Electric Utilities for the First Compliance Period⁸ (Allowance Allocation), prescribing the initial no-cost allowance amounts each electric utility was to receive for 2023-2026. The initial Allowance Allocation showed that Avista would receive 1,490,669 allowances in 2023, 1,362,053 allowances in 2024, 1,273,628 allowances in 2025, and 661,235 allowances in 2026. This initial allowance determination was much lower than Avista anticipated, as compared to Table No. 1 above.

7 Following the publication of Ecology's initial Allowance Allocation, the Company sought to understand how Ecology arrived at its initial allowance determination. Ultimately, because it was not clear to Ecology from Avista's approved forecast which resources would be used to serve its retail electric load and which resources contributed to its market sales, Ecology arbitrarily applied the unspecified emissions factor of 0.437 per MWh associated with unspecified market purchases to Avista's forecasted market sales, then subtracted this number of emissions from Avista's Washington portfolio emissions to arrive at its initial allowance determination for Avista. Applying the unspecified emissions factor for market purchases to Avista's market sales fails to recognize the resources Avista is forecasted to use to serve its retail electric load and the resources from its portfolio that will contribute to its market sales. Ecology's failure to use an emissions factor for market sales that is consistent with Avista's approved CEIP resulted in an incorrect no-cost allowance determination.

⁸ [Allowance Allocation to Electric Utilities for the First Compliance Period \(Revised\)](#)

III. AVISTA’S RESOURCE SUPPLY USED TO SERVE RETAIL LOAD

8 As shown above in Table No. 1 above, Avista’s forecast of its resource supply indicated it had enough resources to serve its Washington retail electric load and a significant amount of surplus supply that it forecasted to sell into the market. What was missing from Table No. 1 was a clear indication of which resources would be used to serve the Company’s retail electric load. Avista’s approved CEIP interim renewable energy targets should be used to determine how much of its clean supply it will use to serve its load. The result is shown in Table No. 2 below.

Table No. 2 – Avista Retail Load Service-Based Forecast

CEIP/IRP-Based Emissions Forecast for WAC 173-446-230 Retail Load Service-Based Forecast

Resource Category	CO2e Rate	2023 (CEIP)		2024 (CEIP)		2025 (CEIP)		2026 (2021 IRP)	
		WA MWh	CO2e	WA MWh	CO2e	WA MWh	CO2e	WA MWh	CO2e
WA Retail Load		6,089,906	1,940,434	6,114,235	1,672,626	6,138,095	1,419,681	6,169,914	913,909
CEIP Clean Requirement*		47.5%		55.0%		62.5%		66.0%	
Non-Emitting Plants	-	2,892,705	-	3,362,829	-	3,836,309	-	4,072,143	-
Coal Plants	1.0614	875,926	929,708	758,133	804,682	666,690	707,624	-	-
Gas Plants	0.4354	2,294,399	998,981	1,947,650	848,007	1,550,045	674,890	1,760,177	766,381
Market Purchases	0.4370	26,876	11,745	45,623	19,937	85,051	37,167	337,593	147,528

* See docket UE-210628, Order 01, ¶131, Appendix A, Condition #7

Regarding the line labeled “CEIP Clean Requirement”, or interim renewable energy targets, the values for 2023-2025 were approved by the Commission within Avista’s 2021 CEIP. For 2026, the value is the tentative interim target the Company is likely to propose, which represents the annual increase needed between 2026 through 2030 for Avista to reach the Clean Energy Transformation Requirement (CETA) requirement of serving 80% of its load with clean resources by 2030.⁹ The Company is not seeking approval from the Commission at this time for

⁹ The calculation to arrive at the tentative 2026 target is, $80 - 62.5 = 17.5 / 5 + 62.5 = 66$.

the 2026 target, and recognizes the Commission may order a higher or lower target.¹⁰ Nevertheless, the 2026 value should be used for purposes of determining the forecasted percent of clean resources used to serve Avista’s retail electric load in order to determine Avista’s allocation of no-cost allowances.

9 As presented, Table No. 2 shows the Company’s four-year supply and demand forecast to serve retail electric load, along with the corresponding emissions. Also of importance is that the Company is not seeking approval of a new or revised supply and demand forecast. Table No. 2 is the supply and demand forecast already approved by the Commission with additional detail to clarify the portion of Avista’s supply that is used to serve retail electric load.

10 The result of applying the Company’s CEIP interim renewable energy targets to determine what portion of the resource supply is used to serve its retail electric load, in regard to the amount of emissions and the corresponding allowances, is shown in Table No. 3 below. This table compares the number of allowances needed to cover Avista’s Washington portfolio emissions forecast with Ecology’s initial no-cost allowance determination, and the allowances needed based on the Avista’s meeting its CEIP interim renewable energy targets.

Table No. 3 – Avista’s Emissions and Corresponding Allowance Need

	2023	2024	2025	2026	Total
Avista WA Portfolio Forecast Approved in Order 01	2,216,832	2,113,087	1,952,387	996,303	7,278,609
Ecology Initial Allowance Determination	1,490,669	1,362,053	1,273,628	661,235	4,787,585
Avista CEIP/IRP Retail Load Service-Based Forecast	1,940,434	1,672,626	1,419,681	913,909	5,946,651

As shown, clarifying which resources are used to serve Avista’s Washington retail electric load has a significant impact on the emissions and corresponding allowances Avista needs and, therefore the number of no-cost allowances that should be allocated to Avista. Accordingly,

¹⁰ Avista will seek approval of Avista’s 2026 target with its 2025 CEIP.

Avista anticipates that the amended order requested herein will provide a significant financial protection to its customers.¹¹

Even with the adjustment to the no-cost allowance allocation discussed herein, Avista could still see a shortfall of over 1.3 million allowances over the four-year compliance period. Ecology's final rules included a "true-up" mechanism,¹² which Avista's understanding of the true-up is that it is intended to account for any differences in Ecology's allocation of allowances and those needed to cover actual emissions; however, it is unclear what the approved forecast will be compared to in order to calculate the true up. If the true-up does not provide these allowances, at a conservative price of \$50 per allowance, customers may face more than \$65 million of costs or lost value in market sales. Given the uncertainty regarding how the true up mechanism will work, and the potential significant impact on customers if the true up does not resolve any shortfall in allowances, it is essential that the initial allocation of no-cost allowances is adjusted as requested herein.

IV. REQUEST FOR RELIEF

11 WHEREFORE, Avista respectfully requests that the Commission issue an amended order approving its four-year demand and resource supply forecasts, as outlined in Table No. 2 above, and shown again here below:

¹¹ The actual benefit to Avista's customers will not be clear until Ecology clarifies how its true up mechanism will work.

¹² WAC 173-446-230(2)(g) states, "The initial allocation of allowances will be adjusted as necessary to account for any differential between the applicable reported greenhouse gas emissions for the prior years for which reporting data are available and verified in accordance with chapter 173-441 WAC and the number of allowances that were allocated for the prior year through this process."

Table No. 2 – Avista Retail Load Service-Based Forecast

**CEIP/IRP-Based Emissions Forecast for WAC 173-446-230
Retail Load Service-Based Forecast**

Resource Category	CO2e Rate	2023 (CEIP)		2024 (CEIP)		2025 (CEIP)		2026 (2021 IRP)	
		WA MWh	CO2e	WA MWh	CO2e	WA MWh	CO2e	WA MWh	CO2e
WA Retail Load		6,089,906	1,940,434	6,114,235	1,672,626	6,138,095	1,419,681	6,169,914	913,909
CEIP Clean Requirement*		47.5%		55.0%		62.5%		66.0%	
Non-Emitting Plants	-	2,892,705	-	3,362,829	-	3,836,309	-	4,072,143	-
Coal Plants	1.0614	875,926	929,708	758,133	804,682	666,690	707,624	-	-
Gas Plants	0.4354	2,294,399	998,981	1,947,650	848,007	1,550,045	674,890	1,760,177	766,381
Market Purchases	0.4370	26,876	11,745	45,623	19,937	85,051	37,167	337,593	147,528

* See docket UE-210628, Order 01, ¶31, Appendix A, Condition #7

To reiterate, the Company does not seek to amend the Commission’s prior approval of its four-year forecast of demand, which is as follows: 6,089,906 MWh in 2023, 6,114,235 MWh in 2024, 6,138,095 MWh in 2025, and 6,169,914 MWh in 2026. The Company does seek clarification from the Commission of the forecasted resource supply used to serve its Washington retail electric load as outlined in Table No. 2.

12 Ecology has stated that utilities may submit revised forecast of supply and/or demand by July 30, 2023, which for IOUs must come in the form of an approved Commission order, thus the Company requests an amended order no later than July 30th.

DATED this 22nd day of June 2023.

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