Service Date: July 27, 2023

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of AVISTA CORPORATION d/b/a AVISTA UTILITIES, For An Order Approving its Four-Year Demand and Resource Supply Forecast Pursuant to the Climate Commitment Act	DOCKET UE-220770 ORDER 02 GRANTING PETITION IN PART, DENYING IN PART; APPROVING REVISED FORECAST

BACKGROUND

1 In 2021, the Washington State Legislature passed the Climate Commitment Act (CCA) through Engrossed Second Substitute Senate Bill 5126 into law, codified as RCW 70A.65, to reduce greenhouse gas (GHG) emissions. Also referred to as "Cap and Invest," the law establishes a declining cap on GHG emissions from covered entities, and is intended to reduce emissions in the state by 95 percent by 2050.[1] The CCA allows electric utilities, which are subject to the Clean Energy Transformation Act (CETA), to receive no-cost allowances to mitigate the cost burden of the Cap and Invest Program on electric customers.[2] The CCA required the Department of Ecology (Ecology) to adopt rules, in consultation with the Washington Utilities and Transportation Commission (Commission), to establish the methods and procedures for allocating allowances for investor-owned electric utilities (IOUs).[3]

2 On September 29, 2022, Ecology published final rules under Chapter 173-446 of the Washington Administrative Code (WAC), the Climate Commitment Act Program. WAC 173-446-230 specifies that Ecology will use utility-specific four-year demand and resource supply forecasts to determine the cost-burden effect and the allocation of no-cost allowances to each electric utility.

3 WAC 173-446-230(2)(g) provides that the initial allocation of allowances will be adjusted as necessary to account for any differential between actual GHG emissions and

---

[1] See [Climate Commitment Act - Washington State Department of Ecology.]()

[2] WAC 173-446-230(1).

[3] RCW 70A.65.120.

forecasted GHG emissions.[4] Commission staff (Staff) and other parties refer to this informally as the true-up mechanism (true-up). Ecology has clarified that it will not subtract allowances if actuals are less than forecasted emissions, but rather it will give the utility proportionately fewer allowances for the next year. Based on Staff's reading of the rules and discussions with Ecology, Staff also assumes that if an electric IOU receives too few allowances based on its forecast, Ecology will issue additional allowances to a utility in the following year.

4 On January 24, 2023, the Commission entered Order 01, Approving Supply and Demand Forecast (Order 01).

5 On June 22, 2023, Avista filed a Petition for an Amended Order Approving its Revised Four-Year Demand and Resource Supply Forecast (Petition) to clarify the portion of its resources that will be used to serve the Company's retail load. [5]

6 The Company explains that its Petition is based in part on discussions between Avista and Ecology after Order 01 was issued. Ecology clarified that an electric IOU would receive no-cost allowances corresponding to its retail load rather than its entire portfolio. Avista had included its entire portfolio emissions in its original approved forecast and had not disaggregated the resources that it projects will serve demand from the resources that it projects will be used for other purposes, such as balancing the bulk electric system and selling to the market. As such, Ecology applied the emissions factor from its rule corresponding to market *purchases*, [6] to market *sales*, and then subtracted that number from total allowances. This incorrectly accounts for which resources are projected to serve retail load, and resulted in the Company filing this Petition to clarify which resources are projected to serve retail load.

7 Staff has reviewed the Petition and recommends that the Commission grant it. Staff notes that it is comfortable recommending approving the Petition given the forecast's consistency with the earlier, approved forecast from January 2023, which was in turn consistent with the Company's CEIP.

8 Staff provides Table 1, below, showing that the proposed revision to Avista's four-year demand and resource supply forecast will clarify retail load through the removal of market-sales. The left side of Table 1 reflects the approved supply used to meet customer

[4] WAC 173-446-230(2)(g).

[5] *See* WAC 173-446-020 and RCW 19.405.020(36) for definition of "retail electric load."

[6] WAC 173-446-230(2)(d).

demand for years 2023-2026, which includes what is needed to be sold on the market. The right side of Table 1 reflects the removal of market sales, which is what the Company currently intends to clarify.

9 Staff observes that removing market sales has the net effect of decreasing the overall percentage of each resource used to meet retail load (except for market purchases), as the amount of that resource reserved to be sold on the market is no longer represented. As an example, in year 2023, 67.33 percent for non-emitting resources is now 47.5 percent. Critically, the percentage of energy resources from non-emitting plants does not fall below the threshold included in Avista's approved CEIP.[7]

10 Staff explains that this change in methodology results in net increases in the number of allowances the Company will receive in each compliance year. The proposed revision to Avista's four-year demand and resource supply forecast would result in a projected increase of allocated allowances of 30.17 percent for compliance year 2023, 22.80 percent for compliance year 2024, 11.47 percent for compliance year 2025, and 38.21 percent for compliance year 2026.

Table 1: Comparison of Approved versus Proposed Resources Supplied to Meet Retail Load in Washington State for Compliance Years 2023-2026, in Megawatt Hours

	Approved MWh from Order 01 (Operations-based Load)	**% of Total Supply Used to Meet Retail Load**	**Proposed MWh (Retail Load)**	**% of Total Supply Used to Meet Retail Load**
Annual MWh, Year 2023				
Resource Supply Category				
Non-emitting Plants	4,100,070	67.33%	2,892,705	47.50%
Coal	1,001,454	16.44%	875,926	14.38%
Gas	2,623,206	43.07%	2,294,399	37.68%

[7] See Avista CEIP Plan.

Market Purchases	26,876	0.44%	26,876	0.44%
Retail load	*6,089,906*	*N/A*	*6,089,906*	*N/A*
Operations-based load	*7,751,606*	*N/A*	*N/A*	*N/A*
Annual MWh, Year 2024				
Resource Supply Category				
Non-emitting Plants	4,360,319	71.31%	3,362,829	55.00%
Coal	960,184	15.70%	758,133	12.40%
Gas	2,466,722	40.34%	1,947,650	31.85%
Market Purchases	45,623	0.75%	45,623	0.75%
Retail load	*6,114,235*	*N/A*	*6,114,235*	*N/A*
Operations-based load	*7,832,848*	*N/A*	*N/A*	*N/A*
Annual MWh, Year 2025				
Resource Supply Category				
Non-emitting Plants	4,535,389	73.89%	3,836,309	62.50%
Coal	923,576	15.05%	666,690	10.86%
Gas	2,147,304	34.98%	1,550,045	25.25%
Market Purchases	85,051	1.39%	85,051	1.39%
Retail load	*6,138,095*	*N/A*	*6,138,095*	*N/A*

Operations-based load	*7,691,320*	*N/A*	*N/A*	*N/A*
Annual MWh, Year 2026				
Resource Supply Category				
Non-emitting Plants	4,649,652	75.36%	4,072,143	66.00%
Coal	0	0.00%	0	0.00%
Gas	1,949,415	31.60%	1,760,177	28.53%
Market Purchases	337,593	5.47%	337,593	5.47%
Retail load	*6,169,914*	*N/A*	*6,169,914*	*N/A*
Operations-based load	*6,936,660*	*N/A*	*N/A*	*N/A*

11 Staff submits that it reached out to interested persons who commented on Avista's forecast approved in January 2023, and Staff did not receive any comments on this Petition.

12 This matter came before the Commission at its regularly scheduled July 27, 2023, open meeting. The Commission heard brief comments from Staff and Avista expressing their support for the Petition.

DISCUSSION

13 We agree with Staff's recommendation and grant Avista's Petition. In Order 01, the Commission observed that CEIPs and IRPs are the best basis for CCA forecasts.[8] Because Avista's CEIP was approved, the Commission found that the Company's forecast was grounded in data that has been vetted and approved by the Commission. The Commission approved Avista's four-year supply and demand forecast subject to the

[8] Order 01 ¶ 11.

condition "that the Company must notify the Commission if there are any substantive changes, as that term may be defined by the Commission in a subsequent proceeding."[9]

14 In its Petition, Avista seeks an amended order from the Commission clarifying the portion of its supply that is to be used to serve its retail electric load. Avista maintains that it is not seeking approval of a new or revised forecast, but that it is merely providing additional detail to clarify the portion of Avista's supply that is used to serve retail electric load. Staff describes the Company's submission as a revision of the earlier forecast, removing market sales, but notes that the Company's submission remains consistent with the earlier, approved forecast from January 2023, which was in turn consistent with the Company's CEIP.

15 After reviewing Avista's Petition and giving due consideration to all relevant matters and for good cause shown, the Commission agrees with Staff that the revised forecast submitted with the Petition should be approved in part pursuant to RCW 70A.65.120 and WAC 173-446-230(2)(j).

16 We deny the Petition, in part, because we conclude that amending Order 01 is unnecessary. Despite requesting the Commission amend Order 01, the Company failed to identify any specific language or findings in Order 01 that should be amended. Nor does Company request that the Commission amend the condition imposed by Order 01 on the approval of its four-year supply and demand forecast.

17 Instead, the Company's Petition is properly characterized as a petition to approve a revised forecast. WAC 173-446-230(2)(j) provides that "if a revised forecast of supply or demand is approved in a form and manner consistent with the requirements of this section by July 30th of the same calendar year, then ecology may adjust the schedule of allowances to reflect the revised information provided by an updated forecast." In this case, the Company maintains that it is not submitting a "revised forecast" and that it is merely providing additional detail clarifying the portion used to serve electric load. The limited nature of the Company's update certainly weighs in favor of approving the Petition, and the Commission understands that the Company's submission does not reflect a new forecast with different inputs. But regardless, given the language of the regulations at issue in WAC chapter 173-446, we approve this as a "revised forecast" for purposes of WAC 173-446-230(2)(j) so that the Company may seek appropriate

---

[9] *Id.* ¶ 10.

adjustments from Ecology. We approve the Company's revised forecast subject to the same condition adopted in paragraph 10 of Order 01.

FINDINGS AND CONCLUSIONS

18 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.

19 (2) Avista is a natural gas company and a public service company subject to Commission jurisdiction.

20 (3) Avista is an investor-owned electric utility subject to the requirements of chapter 19.405 RCW.

21 (4) Avista properly calculated its four-year demand and resource supply forecast.

22 (5) Avista's 2023-2026 revised demand and resource supply forecast should be approved pursuant to 70A.65.120, subject to the condition that, should any substantive changes arise that would affect the forecast, Avista must file an update by June 15 of that year, beginning in 2023.

23 (6) This matter came before the Commission at its regular open meeting on July 27, 2023.

24 (7) After reviewing Avista's Petition and forecast and giving due consideration to all relevant matters and for good cause shown, the Commission approves Avista's four-year demand and resource supply forecast.

ORDER

THE COMMISSION ORDERS:

25 (1) The Commission partially grants Avista Corporation d/b/a Avista Utilities' Petition for an Amended Order Approving its Revised Four-Year Demand and Resource Supply Forecast, subject to the condition described in paragraph 10 of Order 01 in this Docket.

26 (2) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it.

27 (3) The Commission retains jurisdiction over the subject matter and Avista Corporation d/b/a Avista Utilities to effectuate the provisions of this Order.

DATED at Lacey, Washington, and effective July 27, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVE W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner