

**Exh. SSAG-1T
Dockets UE-240006/UG-240007
Witness: Sofya Shafran Atitsogbe
Golo**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

AVISTA CORPORATION,

Respondent

**DOCKETS UE-240006 & UG-240007
(Consolidated)**

TESTIMONY OF

SOFYA SHAFRAN ATITSOGBE GOLO

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Distribution System Capital Additions

July 3, 2024

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LIST OF EXHIBITS

- Exh. SSAG-2 Avista's Response to UTC Staff Data Request No. 86
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1 I. INTRODUCTION

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Q. Please state your name and business address.

A. My name is Sofya Shafran Atitsogbe Golo, and my business address is 621 Woodland Square Loop SE, Lacey, Washington, 98503. My business mailing address is P.O. Box 47250, Olympia, Washington, 98504-7250. My email address is sofya.atitsogbe@utc.wa.gov.

Q. By whom are you employed and in what capacity?

A. I am employed by the Washington Utilities and Transportation Commission (Commission or UTC) as a Regulatory Analyst 3 in the Energy Planning section of the Regulatory Services division.

Q. Would you please state your educational and professional background?

A. I graduated from Ludwig Maximilian University of Munich in 2018 with a B.Sc. in Business Administration. In the spring of 2024, I completed NARUC’s Training on Distribution System Planning and Resilience and Benefit-Cost Analysis for Distributed Energy Resources (DERs) Training. Since April 2023, I have worked at the Washington Utilities and Transportation Commission and presented recommendations at open public meetings, attended Avista’s Energy Efficiency Advisory Group, Distribution Planning Advisory Group, and Technical Advisory Committees for Avista’s electric and gas integrated resource plans (IRPs). Before my employment at the Commission, I worked in the private sector as a business analyst.

1 **Q. Have you previously testified before the Commission?**

2 A. No.

3

4 **II. SCOPE AND SUMMARY OF TESTIMONY**

5

6 **Q. What is the purpose and scope of your testimony?**

7 A. The purpose of this testimony is to provide an analysis of whether Avista
8 Corporation's (Avista or Company) distribution planning aligns with the goals of
9 Washington's statutes, regulations, and policies in terms of distribution system
10 investments and programs throughout the proposed general rate case (GRC) period.
11 In short, I will explore whether Avista's distribution planning and some of the
12 accompanying investments are prudent.

13

14 **Q. Please summarize your recommendations.**

15 A. I conclude that Avista has failed to present sufficient evidence to establish the
16 prudence of its electric distribution system investments because the Company has
17 not complied with many of the planning requirements relevant to its distribution
18 system and has not offered sufficient evidence supporting the specific distribution
19 investments included in this rate case. However, I recommend that the Commission
20 tentatively allow into rates provisional plant additions sponsored by the Company's
21 witness DiLuciano, subject to the Company producing evidence of prudence by
22 March 31 following the completion of each calendar year, as proposed by Avista's

1 witness Benjamin.¹ In order to establish the prudence of these investments, this
2 evidence must include a comprehensive financial analysis of the Company's
3 distribution system as a whole, with the required analysis of investment alternatives
4 and an investment forecast. Additionally, I recommend that the Commission order
5 Avista to update the chapter of its 2025 electric IRP on distribution planning
6 according to Staff's proposed requirements outlined later in the testimony and to file
7 it no later than June 1, 2025.

8
9 **Q. Have you prepared any exhibits in support of your testimony?**

10 A. Yes. I prepared Exhibits SSAG-2 through SSAG-4.

- 11 • Exh. SSAG-2 is Avista's Response to UTC Staff Data Request No. 86
- 12 • Exh. SSAG-3 is Avista's Response to UTC Staff Data Request No. 98
- 13 • Exh. SSAG-4 is Avista's Response to UTC Staff Data Request No. 193

14
15 **III. BACKGROUND**

16
17 **Q. What are distributed energy resources (DERs) and why are they important for**
18 **this case?**

19 A. According to the Clean Energy Transformation Act (CETA), "Distributed energy
20 resource' means a nonemitting electric generation or renewable resource or program
21 that reduces electric demand, manages the level or timing of electricity consumption,
22 or provides storage, electric energy, capacity, or ancillary services to an electric

¹ Benjamin, Exh. TCB-1T at 30:5-9.

1 utility and that is located on the distribution system, any subsystem of the
2 distribution system, or behind the customer meter, including conservation and energy
3 efficiency.”² Common DER examples include conservation, electric vehicles,
4 demand response, distributed generation, distributed storage, and building
5 electrification.

6 DERs are an important part of this rate case because they can be a cost-
7 effective alternative to traditional solutions, like building new power plants and
8 expanding transmission and distribution lines, with the potential to enhance the
9 reliability and efficiency of the distribution grid. Some services that DERs can
10 provide to the grid include:

- 11 • Generation services, such as energy and capacity;
- 12 • Ancillary services, such as contingency reserves, frequency regulation, and
13 ramping; and
- 14 • Delivery services, such as non-wires alternatives³ and voltage support.⁴

15 Effective integration of DERs can lead to cost savings for both utilities and
16 consumers by deferring or avoiding the need for infrastructure upgrades.⁵ DERs can
17 contribute to the transition toward cleaner energy resources, aligning with CETA’s
18 goals. Proper distribution planning can ensure that the grid can accommodate these

² RCW 19.405.020(13).

³ Non-wires alternatives, or non-wires solutions, “are applications of DERs in specific locations that defer or eliminate an investment in traditional and costlier ‘wires-and-poles’ infrastructure.” Mark Dyson et al. of Rocky Mountain Institute, *The Non-Wires Solutions Implementation Playbook* at 6 (2018).

⁴Mims Frick et al., *Locational Value of Distributed Energy Resources*, Lawrence Berkeley National Lab, February 2021, at 5-6.

⁵ Mims Frick et al., *Time-Varying Value of Electric Energy Efficiency*, Lawrence Berkeley National Lab, June 2017.

1 resources, maximize their benefits, minimize potential disruptions, and promote
2 equitable outcomes. DERs have received a large amount of attention in Washington
3 state law due to these qualities. I will elaborate on this topic later in my testimony.
4

5 **Q. What industry trends is Staff seeing over time regarding distribution**
6 **investments?**

7 A. The industry has been experiencing a trend of increasing distribution investments for
8 at least 24 years,⁶ and the Commission is likely to see Avista’s investments increase
9 in the future.⁷ Much of Avista’s distribution plant’s remaining life is over 50 years,⁸
10 meaning many current investments might still serve the grid in the 2070s. The
11 investments made today will have a long-term impact and determine future
12 investments in the distribution system. With its projects, Avista must not only
13 address the immediate infrastructure needs, but also accommodate future demand
14 and technological advancements to be able to support sustainable, efficient, and
15 resilient energy delivery.

⁶ *Major Utilities’ spending on the electric distribution system continues to increase*, U.S. Energy Information Administration (EIA) (May 27, 2021). Available at: <https://www.eia.gov/todayinenergy/detail.php?id=48136> (Accessed: May 31, 2024); *Industry Capital Expenditures*, Edison Electric Institute (July 2023). Available at: <https://www.eei.org/resources-and-media/industry-data> (Accessed: May 31, 2024).

⁷ DiLuciano, Exh. JDD-1T at 3-4.

⁸ *In re Avista Corporation, d/b/a Avista Utilities’ Petition for an Accounting Order Authorizing a Revision to Depreciation Rates and Authorizing Deferred Accounting Treatment for the Difference in Depreciation Expense*, Docket UE-230123, Petition Attachment B: Depreciation Study Schedule at 5-6 (Feb. 22, 2023).

1 **Q. Does Avista’s distribution grid presently face any challenges?**

2 A. Yes. Avista’s distribution system faces challenges brought on by the effects of
3 climate change and extreme weather and needs modernization. As described in the
4 Company’s business case for its distribution system reinforcements:

5 As mentioned previously, in 2021 and 2022 our electric distribution
6 system experienced extreme weather events that stressed the system
7 so much so that we struggled keep the power on for some of our
8 customers. Not funding this business case now will perpetuate our
9 system’s inability to withstand these unforeseen weather events. The
10 best way to ensure that our electric distribution system can withstand
11 unforeseen weather events is take a big picture planned approach to
12 system reinforcements, completing projects that help keep everything
13 running within our system performance criteria.⁹

14 More recently, the Martin Luther King Jr. weekend 2024 Weather Event surprised
15 the region and brought utilities such as Avista close to their maximum capacity. Due
16 to the present trend of electrification through the Washington State Energy Code,
17 compiled with extreme weather events and the rise of electric vehicle adoption,
18 Avista soon might find its electric daily demand tripling,¹⁰ with its distribution
19 system unable to support such load.

20
21 **Q. How much of Avista’s provisional capital additions (provisional investments)**
22 **are allocated to its distribution system in its proposed MYRP?**

23 A. Distribution provisional capital additions (average of monthly averages (AMA)) for
24 the calendar year 2025 (closely aligned with rate year one) amount to \$50 million¹¹

⁹ DiLuciano, Exh. JDD-2 at 324.

¹⁰ 2025 Electric Integrated Resource Plan Technical Advisory Committee Meeting No. 3, MLK Weekend 2024 Weather Event, Slide 4. Available at: <https://www.myavista.com/about-us/integrated-resource-planning>.

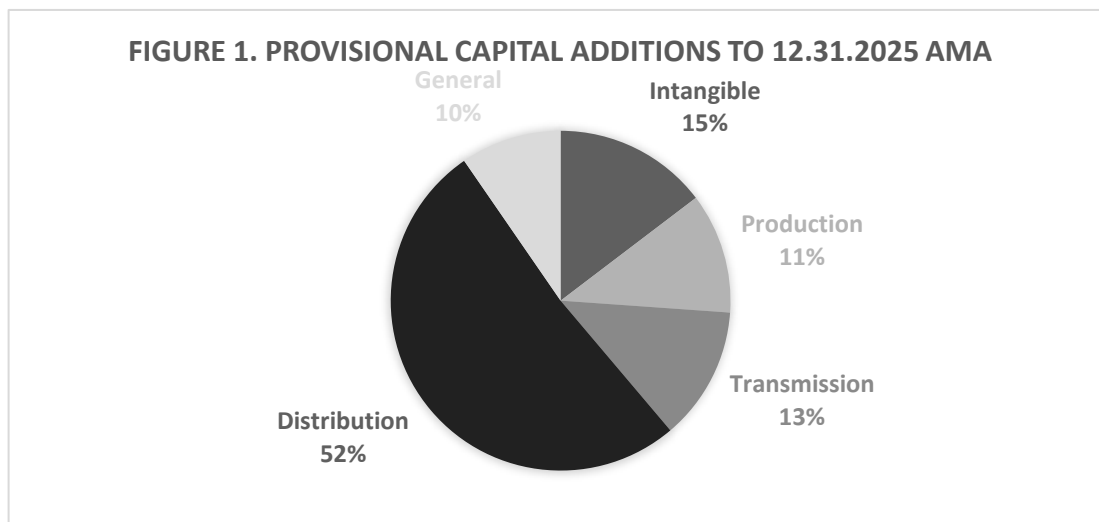
¹¹ Atitsogbe, Exh. SSAG-3 at cell AG93. Numbers rounded for clarity.

1 out of \$96 million total.¹² That is, distribution investments account for 52 percent of
2 total plant investments in 2025.

3 Distribution provisional capital additions (AMA) for the calendar year 2026
4 (closely aligned with rate year two) amount to \$107 million¹³ out of \$227 million in
5 total.¹⁴ Distribution investments account for 47 percent of total investments in 2026.

6 For comparison, generation investments that are informed by the IRP process
7 amount to \$11 million¹⁵ in 2025 and \$46 million¹⁶ in 2026, or 11 percent and 20
8 percent respectively.

9 Figures 1 and 2 provide a visual representation of the distribution share in
10 total plant provisional investments.



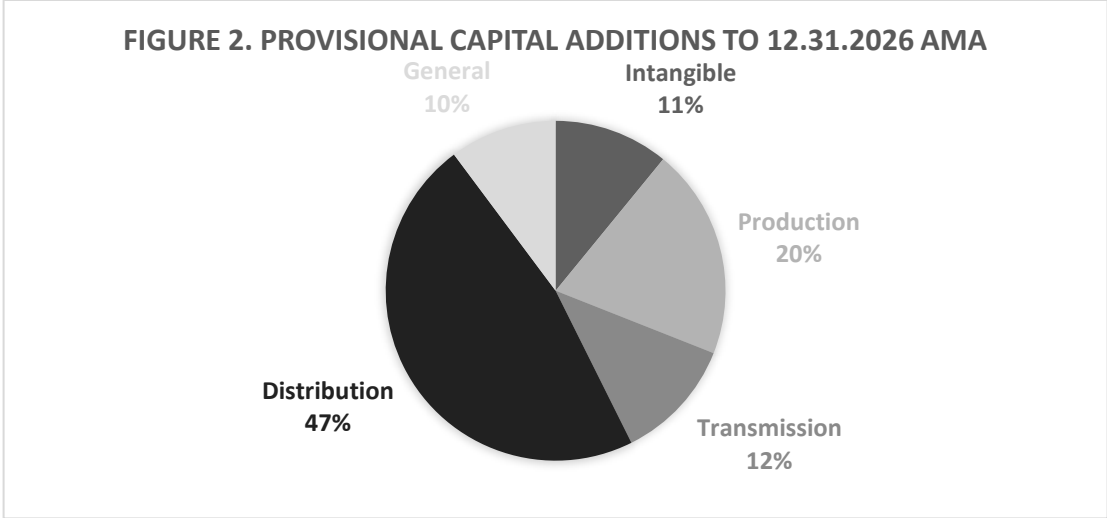
¹² *Id.* at cell AG95. Numbers rounded for clarity.

¹³ *Id.* at cell AN93. Numbers rounded for clarity.

¹⁴ *Id.* at cell AN95. Numbers rounded for clarity.

¹⁵ *Id.* at cell AG91. Numbers rounded for clarity.

¹⁶ *Id.* at cell AN91. Numbers rounded for clarity.



- 1 **Q. Does Staff have concerns regarding Avista’s distribution investments?**
- 2 A. Yes. Staff is concerned that Avista’s significant investments into the distribution grid
- 3 do not align with the Commission’s and the Legislature’s vision¹⁷ of a modern grid
- 4 that is flexible,¹⁸ resilient,¹⁹ DER-ready,²⁰ and equitable.²¹ If a company doesn’t
- 5 invest in the modernization of a distribution grid, it means it invests in reinforcing
- 6 the traditional grid structure.

¹⁷ RCW 19.405.010(1): The legislature finds that Washington must address the impacts of climate change by leading the transition to a clean energy economy. One way in which Washington must lead this transition is by transforming its energy supply, modernizing its electricity system, and ensuring that the benefits of this transition are broadly shared throughout the state.

¹⁸ Washington State Department of Commerce, Washington 2021 State Energy Strategy at 122 (December, 2020).

¹⁹ WAC 480-100-610(4)(c)(iii).

²⁰ WAC 480-100-610(4)(a).

²¹ WAC 480-100-610(4)(c).

1 **Q. Why is it not desirable to reinforce the traditional grid structure?**

2 A. The traditional electric system design is about a century old and has many flaws. As
3 relevant to the distribution system, some of the known historic shortfalls of such a
4 design include:

- 5 • Cascading disruption effects due to the linear one-way structure of the energy
6 delivery system from fuel supply, to generation, to transmission, to distribution,
7 to customer;
- 8 • Susceptibility to extreme or abnormal weather, natural disasters, and wildfires;
- 9 • Challenges associated with integrating inverter-based resources (solar arrays,
10 wind turbines, batteries);
- 11 • Backup power risks such as fuel supply issues for diesel backup generators and
12 the inability of customer-side solar arrays to “island” in case of power outage,
13 meaning they cannot operate as energy resource unless their inverter is connected
14 to an energized grid.²²

15 These vulnerabilities are also applicable to Avista’s distribution grid.
16 Moreover, Avista’s reliance on the continued large-scale investment in the traditional
17 grid structure may prevent it from sufficiently exploring and pursuing more cost-
18 effective and energy-efficient alternatives, such as DERs.

²² Mark Dyson & Becky Xilu Li of Rocky Mountain Institute, *Reimagining Grid Resilience* at 17-27 (2020).

1 IV. POLICIES AND REGULATIONS

2
3 A. Statutes and Rules

4
5 Q. Are there any statutory or regulatory requirements for electric distribution
6 planning?

7 A. Several statutes on electric utility resource plans provide guiding requirements for
8 distribution planning,²³ as does the UTC rule that supports these laws.²⁴ In this case,
9 Staff is focusing on two areas of distribution planning: distributed energy resources
10 and modernization of the distribution grid.

11
12 Q. Why does Staff believe these two areas are an important part of electric
13 distribution planning for Washington?

14 A. Two bills demonstrate legislative intent to facilitate a transformation of the
15 relationship between utilities and customers through DER planning.

16 First, Engrossed Second Substitute Senate Bill 5116, “Supporting
17 Washington's clean energy economy and transitioning to a clean, affordable, and
18 reliable energy future” became law on May 7, 2019. Along with the enactment of
19 CETA, it added new requirements to the electric utility resource plan law. An
20 electric IRP must now contain, at a minimum, a forecast of DERs potentially
21 installed and their effect on the utility’s load.²⁵

²³ Chapter 19.280 RCW.

²⁴ WAC 480-100-620.

²⁵ RCW 19.280.030(1)(h).

1 Next, Washington House Bill 1126, “Enabling electric utilities to prepare for
2 the distributed energy future” (DER law) became effective on July 28, 2019. This
3 law added a new distributed energy resource planning section to the electric utility
4 resource plans chapter.²⁶ In this statute, the legislature states that electric utilities
5 should engage in a rigorous DER planning process, for example, by providing the
6 UTC, at a minimum, with “a ten-year plan for distribution system investments and an
7 analysis of non-wires alternatives for major transmission and distribution
8 investments.”²⁷

9 The DER planning process envisioned by the legislature aims, among other
10 things, to identify and quantify non-energy impacts; reduce, defer, or eliminate
11 costly transmission and distribution capital additions; and maximize system benefits
12 for all retail electric customers.²⁸

13
14 **Q. Do any other legislative actions guide distribution planning?**

15 A. Yes. In its 2023 finding, the legislature, citing the 2021 Washington State Energy
16 Strategy, asserts that the Washington grid will require using more energy storage and
17 customer-side resources. It also states that electric utilities must, when making
18 investments into new resources, “rely on energy efficiency, demand response,
19 renewable resources, and energy storage to the maximum extent feasible, while
20 transitioning away from coal and natural gas-fired generation.”²⁹

²⁶ RCW 19.280.100.

²⁷ RCW 19.280.100(2)(e).

²⁸ RCW 19.280.100(1).

²⁹ LAWS OF 2023, Chapter 200, sec. 1.

1 **Q. Given these various forms of guidance, do you believe that Washington law**
2 **provides reasonable guidance for utility distribution system planning?**

3 A. Yes, Washington law provides a defined position on distribution investments:
4 utilities must do their best to properly evaluate the non-energy impacts of various
5 investment options, control costs, and use all available options to achieve compliance
6 with CETA. Staff has already voiced that position to utilities, including Avista, in the
7 past.³⁰

8

9 **B. Prudence of Provisional Capital Additions**

10

11 **Q. How does Staff determine what future investments should be allowed in rates?**

12 A. Staff relies on the Commission's Used and Useful Policy Statement³¹ and the
13 existing Commission standard³² to determine whether provisional pro-forma plant
14 additions should be provisionally allowed into Washington's rates. Because the
15 investments are not yet in service at the time of the rate case proceeding, Staff must
16 determine whether the investment passes the initial test, or prudence threshold.³³

³⁰ *In re Avista Corporation d/b/a Avista Utilities' 2021 Draft Integrated Resource Plan*, Docket UE-200301, Staff's Comments, Appendix 1 (Feb. 5, 2021) (Staff's 2021 IRP Comments).

³¹ *In re Commission Inquiry into the Valuation of Public Service Company Property that Becomes Used and Useful after Rate Effective Date*, Docket U-190531, Policy Statement on Property That Becomes Used and Useful after Rate Effective Date (Jan. 31, 2020).

³² *Wash. Utils. & Transp. Comm'n v. Puget Sound Power & Light Co.*, Dockets UE-111048 & UG-111949, Order 8, ¶ 409 (May 7, 2012).

³³ *In re Commission Inquiry into the Valuation of Public Service Company Property that Becomes Used and Useful after Rate Effective Date*, Docket U-190531, Policy Statement on Property That Becomes Used and Useful after Rate Effective Date at ¶ 35 (Jan. 31, 2020).

1 Staff interprets the Commission’s guidance on threshold prudence as the
2 prudence of the Company’s decision to *initiate* a project.³⁴ Staff then applies the
3 Commission’s policy standard for determining whether a Company demonstrated
4 that its decision to *initiate* was prudent. Staff examines whether a company:

- 5 1. Demonstrated the need for a project,
- 6 2. Evaluated alternatives,
- 7 3. Involved the Board of Directors in the decision process, and
- 8 4. Maintained adequate documentation.³⁵

9 Should a company satisfy all these criteria for a provisional pro-forma investment,
10 Staff can determine that the initial decision was prudent and can recommend
11 provisionally including such an investment into Washington’s rates.

12 Staff examines various short- and long-term planning documents in its
13 threshold prudence determination. One such document is an IRP which has a
14 planning horizon of 20 years. Another document is a Clean Energy Implementation
15 Plan (CEIP), with a planning horizon of four years. Further, Staff relies on statutes,
16 Commission rules, previous Commission guidance, and investment documentation
17 that companies file with their rate cases or provide as responses to data requests.

18
19 **Q. Why are planning documents important in a GRC?**

³⁴ *Wash. Utils. & Transp. Comm’n v. Puget Sound Power & Light Co.*, Dockets UE-220066, UG-220067 & UG-210918, Order 24/10 at ¶ 393 (Dec. 22, 2022).

³⁵ *Wash. Utils. & Transp. Comm’n v. Puget Sound Power & Light Co.*, Dockets UE-111048 & UG-111949, Order 8, ¶ 409 (May 7, 2012).

1 A. A 20-year IRP contains a 10-year clean energy action plan (CEAP) for implementing
2 CETA.³⁶ A CEAP and an IRP inform specific actions described in a four-year
3 CEIP,³⁷ and the specific actions or investments included in an approved CEIP are
4 more likely to meet threshold prudence examination because there is a greater degree
5 of certainty that an investment is known and measurable if it is part of a
6 Commission-approved plan.³⁸

7 An IRP, CEAP, and CEIP are thus of particular interest to Staff in a GRC
8 because these planning documents inform a part of investments a company presents
9 in a GRC. All these planning documents have provisions for distribution grid
10 development to help meet the state’s electricity needs.³⁹

11
12 **V. AVISTA’S DISTRIBUTION SYSTEM**

13
14 **A. Avista’s Compliance with Planning Policies**

15
16 **Q. Does Avista’s distribution planning comply with the CETA’s goal for a flexible**
17 **grid?**

18 A. It is unclear whether Avista conducts its distribution planning according to CETA’s
19 goal for the networked or flexible grid as opposed to the traditional radial grid.

³⁶ WAC 480-100-620(12).

³⁷ WAC 480-100-640(6)(b)(ii).

³⁸ *In re the Commission Inquiry into the Valuation of Public Service Company Property that Becomes Used and Useful after Rate Effective Date*, Docket U-190531, Policy Statement on Property That Becomes Used and Useful after Rate Effective Date at ¶ 35 (Jan. 31, 2020).

³⁹ RCW 19.280.010.

1 In the business case supporting the Company’s distribution system
2 reinforcements, Avista characterizes its distribution system as “radial . . . using a
3 trunk and lateral configuration.”⁴⁰ As described in Section III of my testimony, a
4 traditional (radial) grid is susceptible to cascading disruption effects, low ability to
5 adopt DERs, and reduced resiliency in extreme weather events. A networked
6 distribution grid could be a step towards community microgrids, which could
7 improve community energy security and resiliency, particularly for vulnerable
8 populations and highly impacted communities. A resilient, reliable, and customer-
9 focused distribution system is also one of the overarching goals to consider in this
10 MYRP, according to the Commission’s recent Interim Policy Statement.⁴¹

11
12 **Q. Has Avista complied with its distribution planning requirements for DER**
13 **integration, energy efficiency, and demand response in its recent filings?**

14 A. No. In Staff’s comments on Avista’s 2021 electric IRP⁴² and 2023 electric IRP
15 update,⁴³ Staff noted that Avista did not meet the requirements of the DER section of
16 the IRP rule,⁴⁴ five years after the passage of the DER law.

17 As part of the utility’s obligation to meet resource needs with the lowest
18 reasonable cost mix of conservation, generation, DERs, and delivery system

⁴⁰ DiLuciano, JDD-2 at 321; Distribution System Planning Introduction Presentation, slide 18 (Mar., 2023). Available at: <https://www.myavista.com/about-us/integrated-resource-planning/distribution-planning-advisory-group>.

⁴¹ *In re the Proceeding to Develop a Policy Statement Addressing Alternatives to Traditional Cost of Service Rate Making*, Docket U-210590, Interim Policy Statement Addressing Performance Measures and Goals, Targets, Performance Incentives, and Penalty Mechanisms, ¶ 9 (Apr. 12, 2024).

⁴² Staff’s 2021 IRP Comments at 15 and at 18 — 19.

⁴³ *In re Avista Corporation d/b/a Avista Utilities’ 2023 Electric Integrated Resource Plan Progress Report*, Docket UE-200301, Commission Staff Comments at 7—8 (Aug. 1, 2023).

⁴⁴ WAC 480-100-620(3)(a) and (b)(iv).

1 investments, IRPs must include assessments of a variety of DERs and their effect on
2 the utility’s load and operations. Additionally, the Commission “strongly
3 encourages” utilities to engage in the DER planning process laid out in RCW
4 19.280.100. Staff commented that Avista did not provide a sufficient DER
5 assessment in either its 2021 IRP or 2023 IRP Update. It was not until 2023 that
6 Avista engaged in a DER potential study as a result of Condition 14 to the
7 Commission’s order approving its 2021 CEIP.⁴⁵ However, as of June 6, 2024, the
8 final study results are not available and therefore not usable.⁴⁶ Avista has failed to
9 make any additional headway to fulfill the Legislature’s detailed distribution
10 planning expectations laid out in RCW 19.280.100 and the Commission’s
11 requirement codified in WAC 480-100-620.

12 In 2024, Avista is only starting to roll out its demand response pilot.⁴⁷ In the
13 2022-2023 biennium, Avista failed to meet its biennial conservation target, totaling
14 84,827MWh of actual savings out of 106,644MWh target savings.⁴⁸ Staff is
15 particularly concerned about Avista’s decision to pursue increasingly costly
16 distribution investments while underachieving in the field of energy efficiency,
17 which is a preferable resource under the state Energy Independence Act⁴⁹ and federal
18 Northwest Power Act.⁵⁰

⁴⁵ DER Potential Study Presentation by AEG, slide 4 (Mar. 27, 2024). Available at:
<https://www.myavista.com/about-us/integrated-resource-planning/distribution-planning-advisory-group>.

⁴⁶ DER Forecasting Methodology Prefinal by AEG (Jan. 5, 2024). Available at:
<https://www.myavista.com/about-us/integrated-resource-planning/distribution-planning-advisory-group>.

⁴⁷ Avista Tariff WN U-28, Schedule 7 - Time-of-Use – Residential Service – Washington, Sheet 7 at 3.

⁴⁸ *Re Avista’s 2022-2023 Electric Biennial Conservation Plan*, Docket UE-210826, Avista’s 2022-2023
Biennial Conservation Report at 3 (May 31, 2024).

⁴⁹ Chapter 19.285 RCW.

⁵⁰ 16 USC Chapter 12H.

1 These shortcomings illustrate a wholesale deficiency in Avista’s planning
2 process for its distribution system. Avista’s conservation, demand response, and
3 DER integration efforts have been sparse and dilatory. Staff therefore opines that
4 Avista has not complied with the planning requirements pertaining to distribution
5 system.

6
7 **B. Avista’s DER Projects**

8
9 **Q. Does Avista propose any DER integration projects in this GRC?**

10 A. Avista proposes three projects that it asserts will prepare its electric system to
11 accommodate DERs.⁵¹ Only one of the three projects was part of the initial filing,
12 namely the Outage Management System (OMS) and Advanced Distribution
13 Management System (ADMS) project. Staff learned about the other two projects
14 through data discovery. The DER integration projects are:

- 15 1. Solar Plus Storage Microgrid Project⁵² - a pilot of a resilience center in Spokane.
16 The Department of Commerce awarded a \$1,500,000 grant to the Martin Luther
17 King Jr. Community Center, and Avista will be a subrecipient of the battery
18 energy storage system.
19 2. Connected Communities program⁵³ - a grant from the Department of Energy that
20 aims to show the benefits of coordinating energy storage with other DERs. This

⁵¹ Atitsogbe, Exh. SSAG-4.

⁵² *Id.* at 3-12.

⁵³ *Id.* at 13-22.

1 business case is not part of Exhibit JDD-2 and little information is available
2 about this project. Staff is aware that Avista recently filed an affiliated interest
3 agreement with Spokane Eco District I,⁵⁴ which Staff understands is part of the
4 Connected Communities program. Staff understands that Avista projects to
5 complete it by 2026⁵⁵ and that the requested budget is \$4,700,000. To understand
6 the status of the project, Staff conducted an Internet search across Avista’s
7 project partners, but found no further details. Only Lawrence Berkeley National
8 Laboratory’s website mentioned Connected Communities, the location of the
9 project, and the affected infrastructure. One of the affected substations is the 3rd
10 and Hatch Substation. The website reports that this project “will help defer or
11 avoid major capital investments in a 55MW-peak distribution substation.”⁵⁶ At
12 the same time, in Exh. JDD-2, Staff found another project that aims to address
13 transmission, distribution, and substation issues at 3rd and Hatch Substation,
14 called the Metro 115kV Substation project with an estimated cost of
15 \$73,000,000.⁵⁷ Staff is unclear whether these projects support each other, or if
16 the Connected Communities program did not come to fruition on time which
17 triggered the need for the substation upgrade.

- 18 3. Outage Management System (OMS) and Advanced Distribution Management
19 System (ADMS) project - this project is a “foundational technology required for

⁵⁴ *In re Affiliated Interest Agreement between Avista Corporation and Spokane Eco District I*, Docket UE-240402, Avista Corporation Affiliated Interest Filing Cover Letter (May 29, 2024).

⁵⁵ Atitsogbe, Exh. SSAG-4 at 19.

⁵⁶ Spokane Connected Communities Project, Lawrence Berkeley National Laboratory. Available at: <https://connectedcommunities.lbl.gov/spokane-connected-communities-project>

⁵⁷ DiLuciano, JDD-2 at 27-45.

1 situational awareness, operation and automation related to distributed energy
2 resources.”⁵⁸ ADMS is an important step towards aggregated DER management
3 and provides the potential to create a virtual power plant for an impactful demand
4 response after its completion in 2028. Avista plans to spend \$35,250,000 on the
5 project from 2024 to 2028.⁵⁹
6

7 **Q. What problems exist within Avista’s DER integration efforts?**

8 A. Based on the information in the previous answers, Staff sees significant delays, lack
9 of clarity, and insufficient progress in Avista’s efforts to integrate DER into the
10 distribution network. The issues include the following:

- 11 1. Non-compliance with the DER rules. As discussed in the previous section,
12 despite the passage of the DER law five years ago, Avista still has not completed
13 a sufficient assessment of a variety of DERs and their potential effects on load
14 and operations, as required under Commission rules. This failure points to a
15 significant delay and lack of progress in Avista’s efforts to align its distribution
16 system with the Commission’s planning expectations.
- 17 2. Incomplete DER potential study. Despite Avista engaging in a DER potential
18 study, the final results are still not available. This delay significantly hinders
19 Avista’s ability to make informed decisions on DER integration and distribution
20 system planning generally. Moreover, Avista has provided nothing to indicate

⁵⁸ Atitsogbe, Exh. SSAG-4.

⁵⁹ Atitsogbe, Exh. SSAG-4 at 23-42.

1 that its planning process will meet the Legislature’s objectives for DER planning,
2 as laid out in RCW 19.280.100.

- 3 3. Failure to meet conservation and demand response goals. Avista’s failure to meet
4 its most recent biennial conservation target indicates limited success in
5 implementing effective measures promoting energy efficiency and could
6 contribute to the strain facing the Company’s distribution system.
- 7 4. Unclear project coordination. Two DER projects out of the three Avista included
8 in this rate case have limited information and unclear timelines.
- 9 5. Delayed implementation of ADMS. The completion date of 2028 for this project
10 means that the benefits of the aggregated DER management and impactful
11 demand response will not be achievable for several more years.

12 These shortcomings collectively show that Avista has failed to adequately
13 consider its regulatory planning obligations and the legislative intent to develop a
14 modern grid in making investment decisions related to its distribution system.

15
16 **Q. Does Staff believe that the projects proposed in this rate case are sufficient to**
17 **remedy the Company's significant DER integration concerns?**

18 A. No. While the proposed projects are steps towards accommodating DERs, their
19 delays, lack of clarity, and incomplete integration efforts summarized in the previous
20 answer do not sufficiently address the significant DER integration concerns that Staff
21 identified.

1 **C. Avista’s Compliance with the Evaluation of Non-Wires Alternatives**

2

3 **Q. Why is it important for a utility to evaluate non-wires alternatives when**
4 **deciding on investments in its distribution system?**

5 A. A utility’s evaluation of non-wires alternatives is crucial for three reasons. First, as
6 previously addressed in Section IV of my testimony, the Legislature has declared
7 that it is the policy of the state of Washington that any DER planning process should
8 include a ten-year plan for distribution system investments and an accompanying
9 analysis of non-wires alternatives for major transmission and distribution
10 investments.⁶⁰ Second, the UTC requires electric utilities to assess a variety of DERs
11 as a part of their planning process and “strongly encourages” utilities engage in the
12 DER planning process described in RCW 19.280.100.⁶¹ Finally, the evaluation of
13 alternatives is a mandatory step of a prudent decision to initiate a project according
14 to the UTC policy.⁶²

15

16 **Q. How does Avista evaluate non-wires alternatives?**

17 A. Witness DiLuciano explains that “Non-wire and non-pipe alternatives tend to be
18 most applicable to electric or gas system capacity related project justifications.
19 Examples of applicable business cases include projects 20, 23, 28, 30, 36, 44, and 46

⁶⁰ RCW 19.280.100(2)(e).

⁶¹ WAC 480-100-620(3)(a).

⁶² *In re the Commission Inquiry into the Valuation of Public Service Company Property that Becomes Used and Useful after Rate Effective Date*, Docket U-190531, Policy Statement on Property That Becomes Used and Useful after Rate Effective Date at 9, n.34 (Jan. 31, 2020).

1 provided in Exh. JDD-2.”⁶³ The witness also provides an internal Company
2 “playbook” to evaluate non-wires alternatives.⁶⁴

3

4 **Q. Did Avista evaluate non-wires alternatives for said projects?**

5 A. Staff found that the Company did not utilize that playbook’s guidance and did not
6 sufficiently evaluate the alternatives in any of the named projects. For example, in
7 project 23 “Westside 230/115kV Station Brownfield Rebuild Project” the evaluated
8 alternatives are:

- 9 • Alternative 1 – Status Quo/Do Nothing;
- 10 • Solution/Alternative 2 - Westside Transformer Replacement;
- 11 • Alternative 3 - Garden Springs 230kV Station Integration;
- 12 • Alternative 4 - Replace Westside Transformers without Station Rebuild.⁶⁵

13 None of these considered alternatives qualifies as a non-wires alternative.
14 The same issue is present in each of the above-named projects. Only project 30
15 mentioned non-wires alternatives and stated that “the preliminary evidence is
16 showing that these options are not cost-effective or timely when compared to our
17 traditional solutions (replacing wire/equipment),”⁶⁶ without providing further details.

18

19 **Q. Did Avista comply with the Commission’s prudence standard on the decision to**
20 **initiate regarding projects 20, 23, 28, 30, 36, 44 and 46?**

⁶³ Atitsogbe, Exh. SSAG-2.

⁶⁴ *Id.*

⁶⁵ DiLuciano, Exh. JDD-2 at 271.

⁶⁶ DiLuciano, Exh. JDD-2 at 327.

1 A. Staff believes that Avista complied with the first (project need) and fourth (adequate
2 documentation) criteria⁶⁷ of the prudence standard through the detailed project
3 descriptions provided in Exh. JDD-2. However, because Avista did not complete the
4 integral analysis of non-wires alternatives, Avista did not provide sufficient evidence
5 to satisfy the second criterion (evaluate alternatives) for any of the projects. Staff did
6 not analyze the third criterion (involvement of the Board of Directors) because the
7 decisions cannot be prudent unless they fulfill all four criteria, and Staff found
8 enough evidence to conclude that they did not.

9 Staff therefore concludes that Avista’s decisions to initiate these projects
10 were not prudent.

11

12 **D. Conclusion and Recommendation**

13

14 **Q. Based on your analysis, can you conclude that Avista provided sufficient**
15 **evidence showing that its distribution planning, including DER efforts and**
16 **discussed projects, is prudent?**

17 A. No. Staff did not find sufficient evidence that Avista’s distribution investment
18 planning meets the threshold prudence requirement or serves the public interest.

19 Avista’s proposed distribution system investments, DER projects, and most
20 recent planning filings all demonstrate that the Company has not made sufficient
21 progress in planning and shaping its distribution system to the expectations of the

⁶⁷ See supra, section IV.B.

1 Commission and the Legislature. Avista has: (1) failed to include sufficient DER
2 assessments in any of its recent planning documents, (2) not yet completed a DER
3 potential study to inform its investment decisions, (3) failed to offer any evidence
4 that it is engaging in the planning process contemplated by the Legislature in RCW
5 19.280.100, (4) fallen well short of its most recent conservation targets, and (5)
6 presented nebulous distribution investments for the proposed MYRP which wholly
7 lack an accompanying analysis of non-wires alternatives and do not appear to be a
8 part of a larger strategy to bring Avista's distribution planning and grid up to modern
9 standards.

10 Based on this analysis, Staff concludes that Avista's distribution planning
11 does not comply with Washington's policy favoring a customer-focused, flexible,
12 and resilient distribution grid. Avista's slow progress in implementing DERs
13 contradicts both the UTC rule and the legislative intent. Additionally, Avista's
14 failure to adequately assess non-wires alternatives in its projects falls short of the
15 Commission's prudence standard.

16
17 **Q. What is your recommendation regarding Avista's distribution investments?**

18 A. Staff recommends the Commission tentatively allow Avista's provisional
19 distribution capital additions into rates as part of this MYRP, subject to two
20 conditions that will establish the prudence of Avista's distribution investments and
21 ensure that the Company's distribution system planning aligns with state policy.

22 These conditions are summarized here:

- 23 1. By March 31st following the completion of each calendar year, as proposed

1 by Avista’s witness Benjamin,⁶⁸ Avista must produce and concurrently file
2 evidence of prudence of the incurred costs. This evidence must include a
3 comprehensive financial analysis of alternatives and outline the dates when
4 the Company re-evaluated the projects and the results of such a re-evaluation
5 for projects with a duration longer than two years.

6 2. For the Company’s 2025 electric IRP, Avista must update its chapter on
7 distribution planning according to Staff’s proposed additional requirements
8 outlined below and file it no later than June 1, 2025.

9
10 **1. Condition 1**

11
12 **Q. Please elaborate on Staff’s first condition.**

13 A. The goal of the first condition is to ensure that Avista prudently incurred the costs
14 and to provide for accountability and transparency of Avista’s distribution
15 investments. It states:

16 Condition 1. In addition to compliance with the CEIP rule⁶⁹ and the
17 Commission’s guidance on specific actions,⁷⁰ as evidence of prudence supporting the

⁶⁸ Benjamin, TCB-1T at 30, 5-9.

⁶⁹ WAC 480-100-640(5)(a): Specific actions. Each CEIP must include the specific actions the utility will take over the implementation period. The specific actions must meet and be consistent with the clean energy transformation standards and be based on the utility's clean energy action plan and interim and specific targets. Each CEIP must present the specific actions in a tabular format that provides the following information for each specific action:

(a) The general location, if applicable, proposed timing, and estimated cost of each specific action or remaining resource need, including whether the resource will be located in highly impacted communities, will be governed by, serve, or otherwise benefit highly impacted communities or vulnerable populations in part or in whole.

⁷⁰ *In re Puget Sound Energy’s Clean Energy Implementation Plan Pursuant to WAC 480-100-640*, Docket UE-210795, Order 08 Approving Clean Energy Implementation Plan Subject to Conditions, ¶ 243 (Jun. 6, 2023).

1 Company's distribution capital additions, Avista must provide the following
2 financial data by March 31st of each year:

- 3 1. For each of the preceding five years, Avista's distribution system investments
4 by the investment categories tracked by Avista, including, but not limited to:
 - 5 a. new business,
 - 6 b. facility relocation,
 - 7 c. capacity expansion,
 - 8 d. system performance,
 - 9 e. preventive maintenance,
 - 10 f. corrective maintenance,
 - 11 g. the total amount of investments associated with the integration of DERs,
 - 12 h. the total amount of charges to DER developers and retail customers for
13 interconnection of DERs to the distribution system, and
 - 14 i. a list of each major investment category Avista used to maintain its
15 routine standing operational activities and the associated plant in service
16 amount for each category in which the plant in service amount is at least
17 \$2,000,000;
- 18 2. For each of the preceding five years, data on and a discussion of Avista's
19 distribution system operation and maintenance expenses;
- 20 3. A five-year long-range forecast of distribution system capital investments and
21 operational and maintenance expenses, including a discussion of any
22 projections for expenses for the categories listed in paragraph 1 of this
23 condition.

1 **Q. Can Staff make a thorough prudence determination regarding the distribution**
2 **investments without this data?**

3 A. No.

4

5 **Q. Why does Staff request this financial data?**

6 A. With this data, Avista can demonstrate how it allocates resources across different
7 investment categories. Staff can assess operational and maintenance expense trends,
8 evaluate efficiency, and assess the effectiveness of the Company's maintenance
9 practices. Staff will also be able to track the total amount of investments associated
10 with the integration of DERs as well as whether the costs that consumers must bear
11 are reasonable and fair. A five-year forecast will allow Staff to assess whether
12 Avista's plans are aligned with regulatory expectations and promote prudent
13 financial management.

14

15 **2. Condition 2**

16

17 **Q. Please elaborate on Staff's second condition.**

18 A. The goal of the second condition is to ensure Avista conducts comprehensive,
19 transparent, and forward-looking distribution planning that is in Washington's public
20 interest.

21 Condition 2. Avista's 2025 electric IRP must include:

22 1. DERs in Avista's distribution system.

23 a. System data on DERs in Avista's distribution system, including:

- 1 i. distributed energy resource deployment by type, size (MW),
2 customer class (if applicable), and geographic dispersion, to the extent
3 that granular geographic information does not disclose personally
4 identifiable information, as to those DERs that have completed the
5 interconnection process;
- 6 ii. the total number and nameplate capacity of DERs that completed
7 interconnection in the prior four years by year; current DER
8 deployment by type (DR, BESS, solar, etc.), customer class, size
9 (MW), and geographic dispersion, to the extent that granular
10 geographic information does not disclose personally identifiable
11 information.
- 12 b. Compliance with RCW 19.280.100(2)(e), specifically for transmission
13 and distribution investments over \$10,000,000.⁷¹
- 14 2. Grid development scenarios.

⁷¹ RCW 19.280.100(2)(e): Provide, at a minimum, a ten-year plan for distribution system investments and an analysis of non-wires alternatives for major transmission and distribution investments as deemed necessary by the governing body, in the case of a consumer-owned utility, or the commission, in the case of an investor-owned utility. This plan should include a process whereby near-term assumptions, any pilots or procurements initiated in accordance with subsection (3) of this section or data gathered via current market research into a similar type of utility or other cost/benefit studies, regularly inform and adjust the long-term projections of the plan. The goal of the plan should be to provide the most affordable investments for all customers and avoid reactive expenditures to accommodate unanticipated growth in distributed energy resources. An analysis that fairly considers wire-based and non-wires alternatives on equal terms is foundational to achieving this goal. The electric utility should be financially indifferent to the technology that is used to meet a particular resource need. The distribution system investment planning process should utilize a transparent approach that involves opportunities for stakeholder input and feedback. The electric utility must identify in the plan the sources of information it relied upon, including peer-reviewed science. Any cost-benefit analysis conducted as part of the plan must also include at least one pessimistic scenario constructed from reasonable assumptions and modeling choices that would produce comparatively high probable costs and comparatively low probable benefits, and at least one optimistic scenario constructed from reasonable assumptions and modeling choices that would produce comparatively low probable costs and comparatively high probable benefits.

- 1 a. Identification and discussion of the scenarios considered in the
2 development of this Chapter, including DER scenarios, and discussion of
3 base-case and alternative scenarios, how the scenarios were developed
4 and selected, and how the scenarios include a reasonable mix of DER
5 scenarios, types, and geographic dispersion. Scenarios should at least
6 consider the ten-year forecast horizon but may also consider longer-term
7 scenarios where data is available.
- 8 b. Consistent with RCW 19.280.100(2)(a), (b), and (c),⁷² an evaluation of
9 the short-term and long-run benefits and costs of distributed energy
10 resources located on the distribution system, including, but not limited to,
11 the locational, temporal, and performance-based benefits and costs of
12 distributed energy resources, as well as to whom these benefits and costs
13 accrue. Avista must use the results of this evaluation to inform its analysis
14 of sourcing opportunities, including non-wires alternatives.

15 By meeting these requirements, Avista can create a robust, adaptable, and
16 transparent distribution plan that supports the integration of DERs, promotes cost-

⁷² RCW 19.280.100(2)(a), (b), and (c): Therefore, it is the policy of the state of Washington that any distributed energy resources planning process engaged in by an electric utility in the state should accomplish the following:

(a) Identify the data gaps that impede a robust planning process as well as any upgrades, such as but not limited to advanced metering and grid monitoring equipment, enhanced planning simulation tools, and potential cooperative efforts with other utilities in developing tools needed to obtain data that would allow the electric utility to quantify the locational and temporal value of resources on the distribution system;

(b) Propose monitoring, control, and metering upgrades that are supported by a business case identifying how those upgrades will be leveraged to provide net benefits for customers;

(c) Identify potential programs that are cost-effective and tariffs to fairly compensate customers for the actual monetizable value of their distributed energy resources, including benefits and any related implementation and integration costs of distributed energy resources, and enable their optimal usage while also ensuring reliability of electricity service, such as programs benefiting low-income customers.

1 effective investments, and enhances grid resilience, as required by CETA.

2

3 **Q. Why is Staff's second condition critical to incorporate into this GRC?**

4 A. This condition is critical to incorporate into this GRC because these data and
5 planning requirements directly impact the rate setting and Avista's future investment
6 decisions. This condition also allows for a quick resolution of any shortcomings,
7 should Avista's 2025 electric IRP filed on January 1, 2025, not comply with the
8 statutes and rules.

9

10 **Q. If Avista's distribution planning does not comply with distribution system rules**
11 **and statutes, nor with the Commission's prudence standards, why does Staff**
12 **recommend provisionally allowing Avista's distribution investments into rates?**

13 A. Staff recommends provisionally allowing Avista's distribution planning costs into
14 rates to ensure continuity of service and to avoid immediate financial disruptions that
15 could negatively impact customers. This provisional approval is contingent on Avista
16 taking specific corrective actions to align its distribution planning with the
17 Commission's prudence standards and relevant policies. Allowing these costs into
18 rates temporarily provides Avista with the opportunity to address deficiencies,
19 improve its planning processes, and demonstrate compliance in future reviews. This
20 approach balances the need for regulatory compliance with the practical necessity of
21 maintaining a stable and reliable distribution system for customers.

22

23

1 **Q. Does this conclude your testimony?**

2 A. Yes.