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 Revised 2026 Demand and Resource Supply Forecast Pursuant to the Climate Commitment Act	)))))))	Docket No. UE-220770 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 order approving its demand and resource supply forecast for the 2026 compliance year pursuant to RCW 70A.65.120 and WAC 173-446-230, otherwise known as the Climate Commitment Act (CCA). In Order 02 issued on July 27, 2023, the Commission approved the Company's revised four-year supply and demand forecast. Since approval, the Company's demand forecast has changed, thereby affecting the resource supply forecast needed to serve its customers and corresponding emissions.

2 Avista is a utility that provides service to approximately 418,000 retail electric customers and 382,000 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, 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.[1] The CCA creates a framework intended to reduce greenhouse gas (GHG) emissions from Washington's largest emitting sources and industries. The law directed Ecology to design and implement a cap and invest program to reduce statewide GHG emissions, integrating equity into the program. The program works by setting an emissions limit, or cap, and then lowering it over time to meet GHG reduction targets. On September 29, 2022, Ecology adopted its final cap and invest rules.[2] The allocation of the cap and invest program's no-cost allowances to each investor-owned utility must be consistent with a utility's Commission-approved four-year forecast of 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:[3]

[1] Senate Bill 5126.
[2] Washington Administrative Code, Chapter 173-446.
[3] Order 01.

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

Resource Category	P/T Ratio	CO2e Rate	Total CO2e Allowances	2023 (CEIP) Total MWh	2023 (CEIP) WA MWh	2023 (CEIP) CO2e	2024 (CEIP) Total MWh	2024 (CEIP) WA MWh	2024 (CEIP) 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**

Resource Category	2025 (CEIP) Total MWh	2025 (CEIP) WA MWh	2025 (CEIP) CO2e	2026 (2021 IRP) Total MWh	2026 (2021 IRP) WA MWh	2026 (2021 IRP) 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**

6 Within Order 1, the Commission also addressed the topics of annual updates to the forecast and Ecology's "true-up" mechanism included in its final CCA rules,[4] stating the following:

> *Annual Updates and True-Up Mechanism*
>
> *Avista recommends the Commission not require annual updates, but rather provide a means whereby utilities could propose to update their Commission approved forecasts when material deficiencies or surpluses are expected to occur and are outside the control of a utility. We agree. Since Ecology's final rules include a "true-up" mechanism, the Commission should not require annual updates to the forecasts, because the "true-up" is intended to account for any differences between forecasted emissions and actuals, rendering an annual update unnecessary. We thus approve these forecasts, subject to the condition detailed above regarding notification in the event of substantive changes affecting the forecasts. The Commission reserves the right to determine the definition of substantive changes requiring notification, and trusts that Avista will open a dialogue with Staff regarding any arguably substantive changes. This approach strikes a balance that ensures that the most updated forecast is publicly available and that the true-up mechanism can work as an administrative buffer, rather than as a fix for large discrepancies.*[5]

7 On April 24, 2023, Ecology published its Allowance Allocation to Electric Utilities for the First Compliance Period[6] (Allowance Allocation), prescribing the initial no-cost allowance

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[4] 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."

[5] Order 01 ¶13.

[6] Allowance Allocation to Electric Utilities for the First Compliance Period (Revised)

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.

8 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 failed to recognize the resources Avista forecasted to use to serve its retail electric load and the resources from its portfolio that 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.

9 As a result of Ecology's decision, on June 22, 2023, Avista filed a Petition for an amended order approving its revised four-year demand and resource supply forecast to clarify the resources that will be used to serve its retail electric load. In the revised forecast, the Company included clear indication of which resources would be used to serve its retail electric load based on its approved CEIP interim renewable energy targets. 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, ¶31, Appendix A, Condition #7

10 On July 27, 2023, in Order 02, the Commission approved of the Company's revised four-year demand and resource supply forecast.

III. ECOLOGY'S TRUE-UP MECHANISM

11 As adopted in Ecology's rules and discussed by the Commission in Order 01 as noted above, Ecology's true up mechanism is intended to account for any differences between forecasted and actual emissions. Avista's expectation was that the true-up mechanism would be in place beginning with the first compliance year of the CCA, i.e., 2023; however, Ecology has stated the following:

> *Regarding allocation provided to electric utilities to mitigate the potential cost burden of the Cap-and-Invest Program on Washington customers incurred for calendar year 2023, Ecology has determined:*
>
> - *Except for adjustments made to account for administrative costs, Ecology will not initiate further adjustments to the allowance allocation schedule accounting for allocation methods, forecasts, or cost burden associated with calendar year 2023, including any adjustments made pursuant to WAC 173-446-230(2)(g). However, Ecology may make further adjustments for any entity with an adverse verification statement, per WAC 173-441-085.*
> - *Ecology will not adjust previously allocated vintage 2023 allowances per WAC 173-446-230(2). Accordingly, Ecology will not request that a utility return previously allocated vintage 2023 allowances as part of any adjustment.*

- *An additional number of allowances will be allocated to account for administrative costs of the Cap-and-Invest Program associated with calendar year 2023, consistent with WAC 173-446-230(2)(h).*[7]

12 Ecology's failure to institute a true-up mechanism for 2023 has added cost pressures for Avista's customers due to the need to purchase allowances to cover the difference between forecasted and actual emissions (i.e., approximately 20,000 allowances), as well as created significant uncertainty for future compliance years. Because of this uncertainty, Avista now must rethink the necessity of annual updates to its CCA demand and supply forecast and urges the Commission to raise this issue with Ecology. If a true-up mechanism is not instituted as it should be, it may become a necessity for Avista to annually update its CCA demand and supply forecast based on up-to-date information, regardless of the materiality of change in the forecast from prior approval. Absent a revised forecast, even if it is only a small change, Avista customers risk being harmed by not receiving the amount of no cost allowances they are entitled to.

IV. AVISTA'S UPDATED 2026 DEMAND AND SUPPLY FORECAST

13 As discussed above, because of the lack of clarity around Ecology's true up mechanism, Avista seeks an approval of an update to its 2026 demand and supply forecast. This is the only year remaining of the first four-year compliance period that may be updated as allowances for 2025 were granted on October 1, 2024.

14 In Avista's forecast approved in Order 02, it used its 2021 Electric Integrated Resource Plan (IRP) as the basis for its 2026 demand and supply forecast. On December 30, 2024, Avista filed

[7] Department of Ecology Publication 24-14-085, Information on adjustments to no-cost allowance allocation for electric utilities, Published November 20, 2024: Adjustments to no-cost allowance allocation for electric utilities - Nov. 2024

its 2025 IRP,[8] which included an updated forecast beginning in 2026. The 2025 IRP showed an increase in loads, increase in clean energy generation, and decrease in emitting generation. The result of using the 2025 IRP for the 2026 demand and supply forecast is shown in Table No. 3 below.

Table No. 3 – Avista 2026 Retail Load Service-Based Forecast

	CO2e	2026 (2021 IRP Original)		2026 (2025 IRP Update)		Delta	
Resource Category	**Rate**	**WA MWh**	**CO2e**	**WA MWh**	**CO2e**	**WA MWh**	**CO2e**
WA Retail Load		**6,169,914**	**913,909**	**6,403,093**	**948,845**	**233,179**	**34,936**
CEIP Clean Requirement		66.0%		66.0%		0.0%	-
Non-Emitting Plants	-	4,072,143	-	4,226,041	-	153,898	-
Coal Plants	1.0614	-	-	-	-	-	-
Gas Plants	0.4354	2,097,771	766,381	1,578,781	687,401	(518,989)	(78,980)
Market Purchases	0.4370	337,593	147,528	598,270	261,444	260,677	113,916

15 The result of updating the 2026 forecast is an increase in demand of 233,179 MWh of retail load, an increase of supply of 153,898 MWh from non-emitting plants and 260,677 MWh from market purchases, and a decrease of supply of 518,989 MWh from natural gas plants. The result of these changes is an increase of 34,936 metric tons of CO2e to serve retail load. At an allowance price of $50, this would amount to over $1.7M that Avista's customers would have to pay to purchase these allowances if not granted by Ecology in the true-up mechanism. The risk of not getting these allowances in the true-up mechanism is the primary driver of Avista seeking approval of an updated 2026 forecast.

V. REQUEST FOR RELIEF

16 WHEREFORE, Avista respectfully requests that the Commission issue an order approving its 2026 demand and resource supply forecast as discussed above and shown again here below:

[8] Docket UE-230793.

Table No. 3 – Avista 2026 Retail Load Service-Based Forecast

	CO2e	2026 (2021 IRP Original)		2026 (2025 IRP Update)		Delta	
Resource Category	**Rate**	**WA MWh**	**CO2e**	**WA MWh**	**CO2e**	**WA MWh**	**CO2e**
WA Retail Load		**6,169,914**	**913,909**	**6,403,093**	**948,845**	**233,179**	**34,936**
CEIP Clean Requirement		66.0%		66.0%		0.0%	-
Non-Emitting Plants	-	4,072,143	-	4,226,041	-	153,898	-
Coal Plants	1.0614	-	-	-	-	-	-
Gas Plants	0.4354	2,097,771	766,381	1,578,781	687,401	(518,989)	(78,980)
Market Purchases	0.4370	337,593	147,528	598,270	261,444	260,677	113,916

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

DATED this 19th day of February 2025.

By: __Shawn Bonfield _____________
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