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Ms. Kathy Hunter
Acting Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

RE: Docket U-210183 - Relating to Electricity Markets and Compliance with the Clean Energy Transformation Act “USE” Rules – Comments of Avista Utilities

Dear Ms. Hunter:

Avista Corporation, dba Avista Utilities (Avista or the Company), submits the following comments in accordance with the Washington Utilities and Transportation Commission’s (WUTC or the Commission) Notice of Opportunity to File Written Comments on Draft Rules (Notice) issued in Docket U-210183 on October 25, 2023, relating to electricity markets and compliance with the Clean Energy Transformation Act (CETA) “use” rules.

In general, Avista is supportive of the compliance period approach for complying with RCW 19.405.040 and 19.405.050, which aligns with the “use” rules adopted by the Department of Commerce (Commerce). Consistency in rules between the two state agencies that affect all electric utilities in the State of Washington is crucial to ensure a level playing field for all utilities along with impacts to electric customers across the state. Importantly, the proposed rules attempt to balance the requirements of both the CETA and the Climate Commitment Act (CCA). However, Avista identifies one aspect the Commission should consider changing to ensure clean energy sold in energy markets continue to qualify as clean energy for CETA compliance.

The current rules do not allow a buyer of specified clean energy in an organized market to use the clean energy purchase toward CETA compliance. At the time Commerce’s version of the “use” rule was contemplated and formally adopted, the CCA rules and their effects on the marketplace were not known. Based on the relationship between the two laws, the proposed rules will be unsustainable unless a change is made to address how the CCA impacts the electricity market.

To clarify this point, the following example is useful. If Avista sells the output from its Noxon #4 as a specified clean energy sale in the organized market to Puget Sound Energy (identified after the transaction), neither Avista nor Puget Sound Energy may use the generation to qualify toward CETA compliance. Avista cannot use the energy due to 480-100-670(5)(a) where it sells the resource as

specified source, and Puget Sound Energy cannot use the energy as it purchased the energy without the REC. Currently RECs are not transferred in the organized market and typically buyers and sellers are not identified prior to, or during, the transaction. While it is possible for Puget Sound Energy to buy the associated RECs from Avista at a later time, the specified energy and REC would be prohibited from being used for CETA compliance per 480-100-670(2). Avista suggests the following modifications to proposed WAC 480-100-670(2), which would resolve this issue:

(2) The utility must acquire the REC and the electricity associated with the REC in a single transaction through ownership or control of the generating facility or through a contract for purchase or exchange unless the energy is purchased as a specified carbon free resource in an organized market.

While future markets could move RECs between counterparties as contemplated in WAC 480-100-475, that is not the case with markets at this time.

Proposed WAC 480-100-675 anticipates a future clean electricity market with RECs included in the transaction to address Avista's concern in 2045. While Avista appreciates allowance of wholesale market power purchases in this section, 480-100-670 does not for the 2030 standard as described above. Regardless, this clean electricity market including RECs does not exist today. Rather clean electricity markets are moving toward a greenhouse gas accounting mechanism rather than REC accounting.

Lastly, Avista requests additional clarification in the rule adoption order of the requirements of the hourly analysis required in WAC 480-100-670(4), as the rule can be interpreted in multiple ways. Absent additional clarification of expectations for the hourly analysis, Avista intends to provide a single table of expected hourly generation for each compliance period, assuming median hydro conditions and renewable/nonemitting generation, compared to retail load (in normal expected weather conditions). If qualifying generation exceeds retail load for the hour, this excess generation will not meet the 80% standard for planning purposes, however, use of this excess generation for actual compliance may differ per the proposed rules.

If you have any questions regarding these comments, please contact me at 509-495-2782 or shawn.bonfield@avistacorp.com.

Sincerely,

/s/ *Shawn Bonfield*

Shawn Bonfield
Sr. Manager of Regulatory Policy & Strategy