BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of Avista Corporation, d/b/a Avista Utilities For an Order Authorizing Deferral of Costs Associated with Clean Energy Implementation Plan And Named Communities Investment Fund	Docket No. UE-220350 PETITION OF AVISTA CORPORATION FOR DEFERRED ACCOUNTING

I. INTRODUCTION

1 In accordance with WAC 480-100-203(3) and WAC 480-07-370(3), 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 authorizing it to utilize deferred accounting for the costs associated with the implementation of its 2021 Clean Energy Implementation Plan (CEIP) as required by the Clean Energy Transformation Act (CETA). As described more fully below, in its CEIP, Avista has proposed to implement a "Named Communities Investment Fund" (Fund) as a specific action to be dedicated to the equitable distribution of energy and non-energy benefits and reduction in burdens to Vulnerable Populations and Highly Impacted Communities (Named Communities). In addition to the Fund, the CEIP, and associated conditions to the CEIP, will result in new costs as a result of additional resources necessary to implement the CEIP. The need for deferred accounting for these costs that are not addressed in Avista's current GRC (Docket UE-220053 et. al.) is paramount, given the proposed two-year Rate Plan, and the Company's inability to recover CEIP expenditures after CEIP approval and during the two-year rate plan (i.e., costs through December 2024).

2 On May 20, 2022, the Company filed a set of conditions to its initial CEIP, first filed on October 01, 2021, in Docket UE-210268. Per RCW 19.405.606(1)(c), "The Commission, after a hearing, must by order approve, reject, or approve with conditions an investor-owned utility's clean energy implementation plan and interim targets"[1] These conditions reflect what the Company believes to be consensus among most, if not all, stakeholders who participated in the ongoing review of the CEIP, allowing the Commission to approve the CEIP with conditions.[2] At it's Open Meeting held on June 16, 2022, the Commission approved of Avista's CEIP with conditions, which was memorialized by Order 01 on June 23, 2022.

3 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.

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

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[1] RCW 19.405.060(1)(c).

[2] Commission Staff, Public Counsel Unit of the Washington Attorney General's Office, The Energy Project, Northwest Energy Coalition, Alliance of Western Energy Consumers, Front & Centered, Sierra Club, Renewable Northwest, the Northwest Intermountain Power Producers Coalition, and Renewable Energy Coalition participated in ongoing discussions, culminating in a set of conditions to the CEIP. At the time of filing of this Petition, these parties either support, do not object, or take no position on the filed conditions. Avista requests that this Petition be acted upon at the same time as Commission action on the Company's CEIP, June 16, 2022, inasmuch as they are interrelated. (See set of conditions filed on May 19, 2022 in Docket UE-210628).

5 Rules and statutes that may be brought at issue in this Petition include RCW 80.01.040, RCW 80.28.020, RCW 19.405.060, WAC 480-07-370(3), and WAC 480-100-640.

II. BACKGROUND

6 Avista's 2021 CEIP, its first developed in compliance with CETA, RCW 19.405, and pursuant to WAC 480-100-640, provides an overview of Avista's plan for progressing towards the clean energy requirements of CETA. The CEIP describes identified interim and specific clean energy targets, specific actions demonstrating progress towards these goals for the next four years and identifies Customer Benefit Indicators (CBIs) to measure progress while meeting the cost-cap limitation.

7 Specific targets and actions include the following:

- Pursuing all cost-effective, reliable, and feasible conservation, efficiency and demand response resources;
- Maintaining and protecting the safety and reliability of the electric system; and,
- Ensuring that all customers are benefiting from the transition to clean energy through: (i) the equitable distribution of energy and nonenergy benefits and reduction of burdens to Named Communities; (ii) long-term and short-term public health and environmental benefits and reduction of costs and risks; and (iii) energy security and resiliency.[3]

8 In order to implement the CEIP, and associated conditions that may be approved by the Commission, it will require significant additional costs and resources beyond what the Company currently has available to complete this work. For purposes of developing the CEIP, the Company utilized existing individuals from Regulatory Affairs, Power Supply, Energy Assistance, Energy Delivery, Energy Efficiency, Environmental, and Corporation Communications, as well as others. However, once the CEIP is approved, implementation will

[3] Avista 2021 CEIP, at pp.1-1.

require resources well beyond those that helped develop the CEIP. These resources include employees in the Company's Energy Efficiency, Power Supply, and System Planning departments, as well as resources to help manage the CEIP and meet required due dates, tracking of CBIs and metrics, translation services, and customer outreach, for example. In addition, the Company anticipates consulting fees related to a distributed energy resources potential assessment, additional Non-Energy Impacts studies, public participation and outreach, and advisory group facilitation.

9 In addition to the resources mentioned above to implement the CEIP, as a specific action in the CEIP, the Company has proposed the establishment of its Named Communities Investment Fund. The following is the description of the Fund from the CEIP, at pp. 4-34 to 4-35:

> CETA encourages investment in Named Communities by helping to ensure all customers equitably benefit from the transition to clean energy. This will require new investments in programs, projects, initiatives, and other support that Avista has not traditionally undertaken and may not find as cost effective in current resource analysis processes. Some of these new investments may be funded through existing tariff riders, such as the energy efficiency tariff rider Schedule 91 or the energy assistance tariff rider Schedule 92, but many new investments will require new sources of funding. Avista plans to implement a Named Communities Investment Fund (Fund) as a specific action dedicated to the equitable distribution of energy and non-energy benefits and reduction in burdens to Named Communities. The Company would spend up to 1 percent of electric retail revenues or approximately $5 million in total for the Fund starting in 2022, inclusive of any efforts that qualify for funding under existing tariff riders or are a part of specific capital investments. Approximately $5 million per year would be the maximum cap on total funds spent; actual funding may be less.
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> The Fund will be utilized for direct investment in projects to improve the equitable distribution of energy and non-energy benefits in Named Communities. The Fund may be invested into these communities directly by Avista projects or used as incentives or grants to develop projects led by local customers or third parties. Avista would also seek matching funds from government sources to complement the utility Fund. These funds may help make uneconomic projects cost-effective for Named Communities.
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> Of the approximate $5 million of annual Fund spending, the Company will limit funding to the following categories:

- 40 percent or up to $2 million would be dedicated to supplement and support the Company's targeted energy efficiency efforts for Named Communities as described above. If approved, this funding would be recovered from the energy efficiency tariff rider (Schedule 91 – Energy Efficiency).
- 20 percent or up to $1 million would be dedicated towards distribution resilience efforts for Named Communities.
- 20 percent or up to $1 million would be dedicated towards incentives or grants to develop projects led by local customers or third parties.
- 10 percent or up to $500,000 would be used for new targeted outreach and engagement efforts specifically for Named Communities. This is intended to reduce barriers to participation for Named Communities' access to clean energy.
- 10 percent or up to $500,000 would be used for all other projects, programs, or initiatives.

Upon Commission approval of the Fund concept, the Company would file a deferred accounting petition to defer any expenses made through the Fund that are not recoverable through an existing tariff rider (i.e., Schedule 91 – Energy Efficiency or Schedule 92 – Low Income Rate Assistance Program) or normal capital recovery process through a general rate case.

Examples the Company would utilize the Fund for may include, but are not limited to, the following:

- Projects to develop local clean energy infrastructure for, including roof top or community solar;
- More LED street and area lighting for greater health and safety in Named Communities;
- Non cost-effective energy efficiency;
- Health, Safety, and Repair measures;
- Programs targeted towards landlords and renters;
- Distribution resilience efforts including microgrids or wildfire mitigation efforts; and,
- Non-traditional methods of customer outreach and engagement.

If the Commission approves the development of the Fund and deferred accounting, Avista will immediately begin collaborating with its advisory groups and EAG to determine where specific investments would benefit Named Communities the most. Prioritization of projects, programs, and initiatives funded must be supported by the applicable advisory group and EAG before moving forward; however, final determination on funding will be made by the Company. Any projects, programs, or initiatives funded will not be individually submitted to the Commission for approval. Avista will be responsible for showing the prudence of any investment made through the Fund when it seeks cost recovery. Lastly, the Company will communicate investments decisions to customers in Public Participation Meetings throughout the CEIP implementation period.

10 While the Company stated it would file a deferred accounting petition upon approval of the Fund, the Company believes the Commission should, when taking action on the CEIP including the Fund, consider approval of the Petition for deferred accounting of the Fund and other new costs to implement the CEIP simultaneously.

III. PROPOSED ACCOUNTING TREATMENT

11 Beginning on June 16, 2022, when the Company's CEIP was approved with conditions, Avista proposes to begin deferring the new costs associated with the implementation of its 2021 CEIP, including its proposed Named Communities Investment Fund. Avista proposes to record the deferral as a regulatory asset in FERC Account 186 (Miscellaneous Deferred Debits). A carrying cost equal to the then-published FERC rate[4] will be applied to any costs while being deferred and later amortized. To mitigate the potential impact of such carrying costs on its customers, the Company will file annual tariff revisions to recover the deferred costs associated with the Fund, with adjustments taking place on August 1st of each year to coincide with several existing Company rate filings. It is during the annual tariff revisions that the Commission will be able to determine the prudency of deferred costs associated with the Fund. For purposes of the other new costs to implement the CEIP, the Company proposes to defer them until such time that it can propose a level of expense in base rates in its next general rate case, as well as recovery of the deferred costs.

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[4] https://www.ferc.gov/interest-calculation-rates-and-methodology

IV. ESTIMATED AMOUNTS SUBJECT TO DEFERRAL

12 The Company is unable to provide an accurate and complete cost estimate at this time for the total amount that may be deferred to implement the CEIP but will address the costs associated with this deferral at the time any ratemaking treatment is proposed. While the Company has proposed to spend up to $5 million annually for the Fund, the actual amount spent each year will depend on projects and programs implemented that are not recovered through an existing tariff rider or are capital investments to be recovered through a future general rate case. As detailed above, the Company will limit spending of the Fund to the five categories identified.

13 Preliminary estimates of <u>other</u> new costs to implement the CEIP, and associated conditions, could be up to $2 million the first year for employee resources, consulting fees and other potential costs, with lesser amounts in the years following dependent on the level of consultant services required. A non-exhaustive list of items that will cause an increase in expense for the Company include:

- Overall management of the CEIP, including facilitation of actions, targets, and requirements found within the CEIP and associated conditions, as well as development and ongoing tracking and monitoring of Customer Benefit Indicators and associated metrics.
- Management and facilitation of the Fund.
- Facilitation and development of the Biennial CEIP Update due on November 1, 2023, along with future CEIPs and compliance reports.
- Inclusion within the CEIP and biennial CEIP updates, descriptions of quantitative (i.e., cost based) and qualitative (e.g., equity considerations) analyses that support interim targets to comply with the Clean Energy Transformation Act's (CETA) 2030 and 2045 clean energy standards.
- Inclusion within the CEIP and biennial CEIP updates, quantitative and qualitative risk analysis, if risk is used to justify deviating from the lowest reasonable cost solution that complies with CETA.
- Updated and expansion of Avista's identified Vulnerable Populations, including development of a consistent methodology and data source identification.
- Identification of a specific action that will serve a designated subset of Named Communities, to be funded by the Fund, and to identify and track all CBIs relevant to this specific action.
- Commitment to develop a demand response program when the Department of

Commerce adopts a permanent standard for grid-enabled water heaters in WAC 194-24-180.

- Initiation of Avista's new Distribution Planning Advisory Group (DPAG) and facilitation of public DPAG meetings.
- Completion of a Distributed Energy Resources (DERs) potential assessment for each distribution feeder no later than the Company's 2025 electric Integrated Resource Plan.
- Evaluation of the need for a DER Request for Proposals (RFP) and issuance of an RFP if needed.
- Adoption of a metric related to decreased wood use for home heating and associated data tracking.
- Creation of a metric for Indoor Air Quality and associated data tracking.
- Development and implementation of customer engagement plan, identifying barriers to engagement and solution to overcome those barriers, including customer education, outreach, and communications in multiple languages.
- Consulting services for DER potential assessment, customer engagement plan, public participation, customer outreach and engagement, Non-Energy Impact studies, etc.

14 The Company's current estimate is that at least six (6) additional FTEs will be required, which are in addition to the three FTEs proformed into the revenue requirement of the Company's pending general rate case related to CETA, as well upwards of $500,000 to $1 million in consulting fees, and additional costs for customer outreach. There may be additional new costs identified during the CEIP implementation period that are not known today. Once the CEIP is approved and implementation is underway, additional detail will be known about the extent of these new costs.

V. REQUEST FOR RELIEF

15 WHEREFORE, Avista respectfully requests that the Commission issue an Order approving the requested deferred accounting and ratemaking treatment, as described above, without which the Company will not fully recover its reasonable costs associated with the CEIP – a requirement of the law. Customer rates would not be presently impacted by this approval, and any deferral of costs will be addressed with annual tariff filings or through the Company's next general rate case, where the prudency of any deferred costs will be considered.

DATED this 08th day of July 2022

By: ________________________________

Patrick D. Ehrbar
Director of Regulatory Affairs