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February 16, 2024

Mr. Jeff Killip  
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 Mr. Killip:

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 January 25, 2024, relating to electricity markets and compliance with the Clean Energy Transformation Act (CETA) “use” rules.

**1. Should retained nonpower attributes be allowed to be used toward the 80 percent compliance option?**

**Response:** First, Avista continues to support the “use” rules as drafted in October 2023, with one suggestion that the Company made in its comments submitted on November 27, 2023, and reiterated below. Importantly, the draft rules do not include the concept of retained nonpower attributes; rather, the draft rules include a planning standard and criteria for demonstration of compliance through the retirement of Renewable Energy Credits (RECs). Regarding the discussion of retained nonpower attributes, this concept does not exist today and is not necessary for purposes of CETA compliance. Regarding the use of RECs other than unbundled RECs to comply with the 80 percent compliance standard (i.e., primary compliance), yes this should be allowed as this concept mirrors what was approved by the Department of Commerce (Commerce) for consumer-owned utilities. A change from the draft rules would lead to inequitable treatment amongst electric utilities across Washington.

**2. If retained nonpower attributes are not allowed to be used towards the 80 percent compliance obligation, how would this change affect a utility’s planning processes, costs,**

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**and operations? What impact would this restriction have on customers?**

**Response:** If RECs other than unbundled RECs are not allowed to be used towards primary compliance, it would result in increased costs to comply with CETA, meaning higher customer rates. Such a decision would not impact a utility's planning processes but would impact operations of all utilities throughout the region. Energy markets would have decreased market liquidity and utilities would have to limit operational flexibility to move clean energy generation to load rather than help meet regional need. The whole region would be deoptimized, leading to higher cost for all entities and their customers. Further, most clean energy resources do not have predictable energy delivery, thus if this provision existed, utilities would be at the mercy of weather patterns of wind and solar to comply with the law.

The purpose allowing RECs other than unbundled RECs to be used towards demonstration of compliance is to ensure the region continues to operate in a coordinated fashion and not let accounting of unpredictable clean energy hinder serving customers at the lowest cost. As this change would only apply to investor-owned utilities, it would lead to inequities across the State of Washington if consumer-owned utilities had more flexible rules.

**3. If retained nonpower attributes are not allowed to be used in planning for compliance towards the 80 percent compliance obligation, but are allowed to be used for compliance, how would this affect a utility's planning processes, costs, and operations? What impact would this restriction have on customers?**

**Response:** Avista currently assumes RECs other than unbundled RECs are not available for the 80 percent compliance obligation if the monthly renewable or nonemitting generation level exceeds monthly load. So long as the requirement does not require an hourly analysis, no change in planning at Avista would be required. Importantly, an hourly analysis should not be required, as planning for an uncertain delivery of a variable energy resource would create a plan based on unrealistic expectations of knowing what hour wind or solar will generate at a specific level. If an hourly analysis is required, it would result in increased costs to customers by requiring the acquisition of additional generation or energy storage resources which would not otherwise be needed for reliability or energy delivery. Alternatively, if utilities are allowed to plan and acquire resources for its system to utilize RECs over a year, customers would have lower costs versus the alternative, as the utility would require fewer generation resources to serve customers.

**4. How would a restriction on retained nonpower attributes interact with utility requirements under the Climate Commitment Act?**

**Response:** RECs are not a component of the Climate Commitment Act (CCA). Compliance with the CCA is based on having enough allowances to cover emissions associated with serving retail load and making market sales. As such, a restriction of the use of RECs would not affect compliance with the CCA. Rather, the CCA may reduce the need to use RECs if utilities could acquire RECS from market transactions. Given both environmental policies have goals of reducing greenhouse gas emissions and encouraging clean energy production and delivery to Washington customers, the Commission should identify opportunities to align rules, reporting,

and compliance obligations where possible.

**5. If a utility engages in a day-ahead market, such as SPP’s Markets+ or CAISO’s Extended Day-Ahead Market, how would a restriction on retained nonpower attributes affect market participation?**

**Response:** RECs are not included as part of transactions in day ahead market alternatives, nor the existing EIM market. Current day ahead market proposals will require sellers to cover any greenhouse gas obligations (if bid into a GHG zone) required by these markets with either specified clean power resources or allowances. RECs are not transferred in these transactions and are a relic of past state policies encouraging renewable energy development and not timed delivery.

An issue does arise when attempting to connect CETA compliance rules with energy markets. If a party sells specified clean power in these markets and retains the REC, it is clear in previous workshops and statute that the power would not be available for CETA compliance as it would result in double counting. That said, Avista believes the buying utility should be able to claim the clean energy it purchases in these markets for CETA compliance if the utility acquires the REC at a later time. Without this change, when higher renewable energy targets are required, utilities would not be able to buy any power from markets unless the purchase included a REC (which is not an option), and any sales of excess clean energy (which there will be a lot) would be to out-of-state buyers.

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

Sincerely,

/s/ *Shawn Bonfield*

Shawn Bonfield  
Sr. Manager of Regulatory Policy & Strategy

