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Mr. Jeff Killip
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

RE: Docket U-240013 - Relating to the “Commission-led Workshop on the Inflation Reduction Act (IRA) and Infrastructure Investment and Jobs Act (IIJA) – 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 the IRA and IIJA issued in Docket U-240013 on January 18, 2024.

The Company also notes that these issues are also being addressed, at a higher level than that posed in the questions below, in the Company’s pending general rate case, Dockets UE-240006/UG-240007.

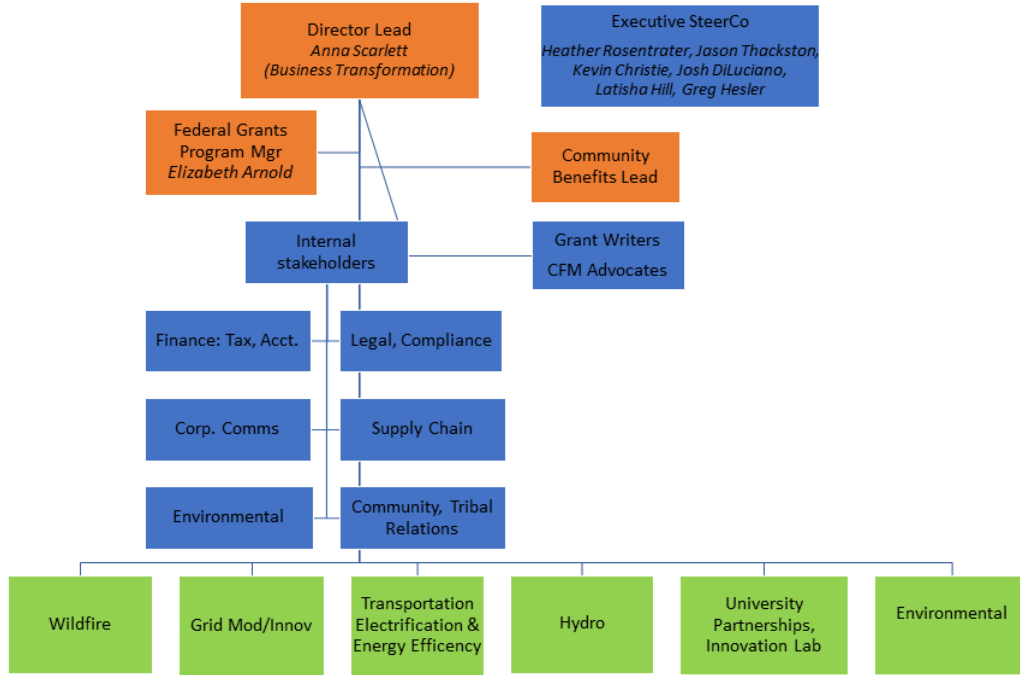
1. What is the utility's current evaluation process for IRA/IIJA opportunities? Who in the utility is responsible?

Avista’s Response: As opportunities are announced for specific grant funding, Avista’s process is to review them first for eligibility. Once Avista’s eligibility has been verified, the funding opportunity is reviewed with Company directors and managers overseeing business units where projects are located to see what current projects may fit, how much funding is available, and how the opportunity aligns with the Company’s overall grant approach and prioritization as described above. Before making a formal application, grants are approved by Avista’s executive steering committee. Once Avista has determined to move forward with a grant opportunity, depending on the specific application requirements, Avista assigns a team to compile any pre-application requirements and, if approved by the granting agency, submit a full application.

The Director of Strategy and Transformation has responsibility for Avista’s Federal grant program, which is in Strategy and Clean Energy, under Senior Vice President, Chief Strategy & Clean Energy Officer, Jason Thackston. The program has evolved since 2021, and now has a full-time program manager and cross-functional governance. Illustration No. 1 below provides our present governance

structure. Over the next two years, Avista will continue to develop our federal grant strategy and program, which the Company anticipates will include management and compliance of a growing number of grant awards.

Illustration No. 1 – Grant Org Chart



- Recent resources and draft IRS guidance have been provided (although still in the comment period); does the company believe there is adequate guidance to move forward?

Avista’s Response: This depends on the source of the resources and the legislation it is applied to. For instance, the U.S. Department of Energy (DOE) has several resources related to IIJA grant opportunities, funding opportunity announcements, and grant tracking. Regarding the IRA, the IRS, state websites, and industry partners such as CLEAResult have been our primary resources for information. Guidance related to the IRA seems scattered and less easy to obtain, requiring more research on our end.

- What resources are you currently utilizing or relying on?

Avista’s Response: Avista is actively monitoring the DOE’s Office of Clean Energy Demonstrations (OCED), Clean Energy Infrastructure Funding Opportunity Announcements (Infrastructure Exchange), Advanced Research Projects Agency-Energy (ARPA-E), and Office of Energy Efficiency & Renewable Energy (EERE), and subscribe to multiple e-mail distribution lists, and attend DOE webinars. The DOE’s CEJST mapping tool is our primary reference for Justice40 information; we have overlaid the map with our own internal mapping system to cross-reference Justice40 disadvantaged communities with our Washington named communities.



4. What opportunities are you currently pursuing?

Avista's Response:

Direct Grants (Avista is primary grant applicant and recipient)				
Grant	Avista Project	Est. Grant Amount \$	Approx. Match \$	Status
Grid-Enhancing Data Analytics Demonstrations for Operations, Monitoring and Control	Utility Digital Alliance (UDA)	\$1M	\$400K	Concept submitted on 1/23/2024, waiting for DOE encouragement/discouragement
Water Power Technologies Office (Topic Area 3) - Strategies to Increase Hydropower Flexibility	Attributing Value to Coordinated Operation of Large Cascading Hydro Systems, and the Incremental Values of Pumped Storage	\$1.1M	\$390K	Concept submitted on 2/2/2024, waiting for DOE encouragement/discouragement
DOE Grid Resilience & Innovation Partnerships (GRIP) Round 2	Lolo-Oxbow Transmission Upgrade & Optimization (Topic Area 1)	\$100M	\$59M	Partnership with Idaho Power Concept submitted on 1/12/2024, waiting for DOE encouragement/discouragement
DOE Grid Resilience & Innovation Partnerships (GRIP) Round 2	Wildfire/All Hazards Consortium (Topic Area 1)	\$250M	\$35M	Partnership with Portland General Electric, Chelan County Public Utility District, City of Drain, City of Monmouth, Consumers Power, Forest Grove Light & Power, Blachly-Lane Electric Cooperative, Clark Public Utilities, Northern Lights, Inc., Douglas Electric Cooperative, Puget Sound Energy, Inland Power & Light Company, Kootenai Electric Cooperative, Northwestern Energy, Lawrence Berkeley National Lab, Pacific Northwest National Lab Concept submitted on 1/12/2024, waiting for DOE encouragement/discouragement
DOE Grid Resilience & Innovation Partnerships (GRIP) Round 2	Mobile Batteries for Adaptive Resilience (Topic Area 2)	\$20M	\$17M	Partnership with Portland General Electric Concept submitted on 1/12/2024, waiting for DOE encouragement/discouragement
Career Connect Washington	CCW Program Builder Funding Round 12	\$100K-\$175K	No	
DOE Maintaining & Enhancing	Projects across 3 categories: Dam Safety, Environmental, Grid	Up to \$5M per Project	No	15 Letters of Intent Submitted 6/22/23, full applications

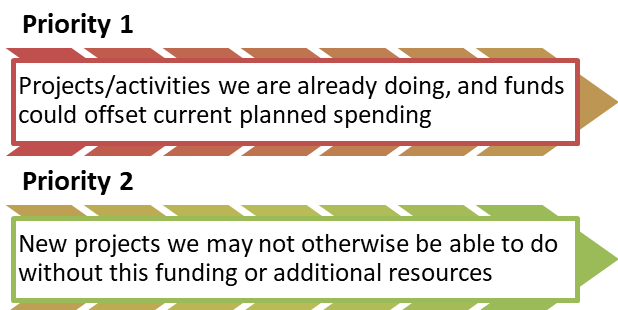


Hydroelectricity Incentives Sec. 247	Resiliency Selected for application: <ul style="list-style-type: none"> • Long Lake Modernization • Cabinet Gorge Fishway • Little Falls Fishing Platform 			Submitted 10/06/23, awaiting notification – expect Summer 2024
DOE Hydroelectric Efficiency Improvement Incentives Sec. 243	<ul style="list-style-type: none"> • Post Falls • Upper Falls • Noxon Rapids 	Up to \$5M per Project	No	Submitted 6/20/23, notified 11/6/23 all three projects were approved for next round of evaluation. Awardees announced 2/2/2024 and Post Falls received the max \$5M grant. Upper Falls and Noxon were declined an award.
Energy Improvements in Rural or Remote Areas	Spokane Tribe Geothermal Project	Up to \$5M	No	Pre-application submitted 7/13/23. Not approved to proceed to full application
IJA & Idaho Office of Energy & Mineral Resources (OEMR)	Idaho Energy Resiliency Grant Program – Various Projects in grid hardening, vegetation management	Up to \$230K	50% Cost-Share	Received a \$230K grant in Round 1. Round 2 application process did not allow enough time to submit.
DOE Grid Resilience & Innovation Partnerships (GRIP) Round 1	Wildfire Risk Mitigation Program	\$50M	\$50M	Submitted 4/6/23, Notified in Oct. that we were not awarded in this round – will apply in next round of funding
DOE Grid Resilience & Innovation Partnerships (GRIP) Round 1	Community Grid Platform – Digital Substation	\$17M	\$19M	Submitted 3/17/23, Notified in Oct. that we were not awarded in this round – will apply in next round of funding
WA EV Charging Program	<ul style="list-style-type: none"> • Public Charging • Fleet Depot & Workplace Charging • Multi-Family Housing 	\$3M	No, grant covers cost-share	Applications Due Dec. 1, 2023. In January 2024, Avista learned that we received a \$2.1M grant for charging stations
WA DOT National Electric Vehicle Infrastructure (NEVI) Formula Program	Avista EV Program	\$10.5M Year 1, \$71M over 5 years		Still waiting for funding opportunity announcement
WA Dept of Commerce, DOE Clean Energy Fund 1-4	<ul style="list-style-type: none"> • Energy Storage • Microgrid • Eco-District HUB • Transportation Electrification • Avista/PNNL Digital Lab • Spokane Tribe Microgrid 	\$12M	Typically, 50%	Since 2014, we have received various grants.
DOE Connected Communities	EDO/Avista Connected Communities Program	\$1.4M	\$3.2M	Awarded 10/21/23

5. How does your utility intend to maximize the benefits of the IRA/IIJA for its customers and system?

Avista’s Response: Avista has a history of evaluating and pursuing grant funding when it makes sense, in order to reduce or offset customer costs, drive utility innovation, bolster ongoing efforts related to grid resiliency and modernization, community, and economic development, or for work that the Company either plans to do already or that it couldn’t otherwise do because of resource constraints or other limitations. Regarding the current funding opportunities under the IRA/IIJA, Avista is taking the same approach, by actively monitoring opportunities. As grant programs were defined and announced, Avista narrowed its focus to Hydropower Incentives, Grid Resilience and Innovation Partnerships, Transportation Electrification for direct funding opportunities, and Energy Efficiency and Transportation Electrification for indirect funding opportunities. As shown in Illustration No. 2, within these categories, grants that would be prioritized for pursuing align to 1) existing planned work where grant funding could help to offset costs, thereby reducing the cost of a project to customers, or 2) work Avista would otherwise do, but doesn’t currently have planned because of cost or other resource constraints.

Illustration No. 2 – Funding Priorities for Avista



6. Are you collaborating with other utilities (in WA or national) or organizations?

Avista’s Response: Yes. For the Section 247 Hydroelectric grants, we submitted grants in partnership with local Tribal nations. With the latest round of DOE Grid Resiliency and Innovation Partnership (GRIP) grants open for application, Avista has pursued partnerships for all submissions. As listed above, three GRIP concept papers have been submitted with various partnerships which include Idaho Power, Portland General Electric, Chelan County Public Utility District, City of Drain, City of Monmouth, Consumers Power, Forest Grove Light & Power, Blachly-Lane Electric Cooperative, Clark Public Utilities, Northern Lights, Inc., Douglas Electric Cooperative, Puget Sound Energy, Inland Power & Light Company, Kootenai Electric Cooperative, Northwestern Energy, Lawrence Berkeley National Lab, and the Pacific Northwest National Lab. Other concept submissions also include partnerships with universities such as Washington State University.

7. How/Are you building these opportunities into the 2025 Integrated Resource Plan (IRP) or next Clean Energy Implementation Plan (CEIP)?

Avista’s Response: As grant opportunities are pursued, we evaluate them against what is in the IRP, listing associated grants opportunities as subsequent information details in the IRP if relevant. Avista



has not yet started development of the 2025 CEIP. If there are grants that we have been awarded related to specific actions in the CEIP, we will incorporate them in the CEIP as it is developed.

8. Have you considered how these opportunities can help offset utility customer costs embedded in rates for energy justice and reducing energy burden/insecurity?

Avista's Response: Yes, and our initial grant applications focused on projects where we could directly offset costs. However, the DOE's priority for the IJJA grant funding is not to reduce our costs for existing or planned projects, but rather to drive new and broad infrastructure projects, jobs, and clean energy innovation. We submitted two grant applications under Round 1 of DOE's Grid Resilience & Innovation Partnerships (GRIP) program, both for existing projects in our capital plan. In those applications, we proposed work that would add to the original projects to bolster the applications; however, we did not receive awards for either application. Direct feedback from DOE representatives included comments (paraphrased) that they are not looking to augment our budgets for undergrounding or building out smart devices on our substations. Rather, the DOE is looking for new, innovative projects that will advance adoption of new technologies and methodologies. Those types of innovative programs are typically not funded in Avista's capital budget, as the needs of the organization for more traditional utility infrastructure investment far surpasses the budgets set by the Company, in part to mitigate cost pressures to our customers. Regarding energy justice, the Justice40 Initiative has been a valuable tool, which, while not a direct cost benefit, is a resource we are using as we build out our energy equity plan.

9. What barriers remain to pursuing/successfully obtaining these opportunities?

Avista's Response: The main barriers to successfully obtaining federal grant opportunities are the following:

- All grants require a match of some percentage, up to half of the grant amount. If a project is not already in our work plan and budgeted for, we will need to allocate budget dollars to meet the match requirements. Not only does this defeat the goal of offsetting or reducing costs, but this activity could also require us to find new funding, adding cost, or redirect funding currently allocated to another project.
- Any proposed project receiving a grant award needs to be staffed, from project management to engineering, construction, and through the life of the grant, reporting and compliance. Without knowing which grants we might receive, it is difficult to plan for staffing, and since it appears that most projects that will receive grants will be driven by new work, we will need to find capacity in our existing workforce, or, more likely, add new resources.

10. Does the utility believe the Energy Infrastructure Reinvestment (EIR) loan program is a viable option? Please be prepared to provide the rationale for your response.

Avista's Response: Yes, the EIR loan program could be a viable option if Avista has the projects to meet the criteria of the program, as well as the \$100M estimated threshold. In addition, the financing costs would have to be lower than the utility's current avenues of borrowing. In the current list of eligible project areas, Avista did not have any projects that would meet the criteria.

11. Do you believe the utilities can claim savings that result from federal rebates?

Avista's Response: It really depends on the grant opportunity and the project aligned with the grant. Some grants will qualify as contribution of capital and therefore not be subject to tax, while others might be a mixture of taxable and non-taxable or just plain taxable. Avista is always analyzing the grant opportunities to make sure proper treatment is applied.

12. How should utilities treat federal rebates and tax credits in cost-effectiveness calculations?

Avista's Response: Avista reviews and factors in the tax savings applied from grants received and any tax credits that might apply when deciding on the cost-effectiveness of a project. Our Tax Department meets with project teams to help project tax impacts and make sure we are maximizing grant opportunities.

13. Some of the federal incentives focus on fuel-switching. How do utilities account for these savings when it comes to the EIA targets?

Avista's Response: At this point Avista does not have plans to include federally-incentivized fuel switching projects as savings towards our EIA targets. Avista has been engaged on a number of fronts with Commission Staff and members of its Energy Efficiency Advisory Group, as well as with the Department of Commerce. The discussions are ongoing and will continue to be informed by federal programs.

If you have any questions regarding these comments, please contact me at 509-495-8620 or Patrick.ehrbar@avistacorp.com.

Sincerely,

/s/ *Patrick Ehrbar*

Patrick Ehrbar

Director of Regulatory Affairs