March 3, 2022

Via Electronic Filing

Amanda Maxwell Executive Director Washington Utilities & Transportation Commission 621 Woodland Square Loop SE Lacey, WA 98503

Attn: Filing Center

Re: Avista Schedule 62 "Small Power Production and Cogeneration Schedule" Revisions

Docket No. UE-210815

Dear Ms. Maxwell:

Enclosed for filing in the above-captioned docket, please find the Comments of Northwest & Intermountain Power Producers Coalition and Renewable Energy Coalition.

Thank you for your assistance. Please do not hesitate to contact me with any questions.

Sincerely,

Irion A. Sanger

Enclosure

BEFORE THE WASHINGTON UTILITIES AND

TRANSPORTATION COMMISSION

In the matter of the

AVISTA CORPORATION, d/b/a AVISTA UTILITIES,

Schedule 62 "Small Power Production and Cogeneration Schedule" Revisions

DOCKET NO. UE-210815

NORTHWEST & INTERMOUNTAIN POWER PRODUCERS COALITION AND RENEWABLE ENERGY COALITION COMMENTS

I. INTRODUCTION

The Northwest & Intermountain Power Producers Coalition ("NIPPC") and the Renewable Energy Coalition ("REC") (jointly "NIPPC/REC") respectfully submit these comments on Avista Corporation, d/b/a Avista Utilities' ("Avista's") Schedule 62 Tariff Revisions and in response to Avista's reply comments. Schedule 62 sets out the avoided costs paid to qualifying facilities. NIPPC/REC first submitted comments on Avista's Schedule 62 on December 8, 2021. Avista filed responsive comments and replacement pages of Schedule 62 on February 4, 2022. NIPPC/REC support the changes Avista made in its replacement pages, but NIPPC/REC still have several concerns with the proposed avoided costs. NIPPC/REC are focusing on two main issues, and dropping a number of recommendations in their earlier comments because of a desire to keep the number of issues in dispute that the Washington Utilities and Transportation Commission ("WUTC" or the "Commission") needs to resolve to a minimum.

NIPPC/REC recommend the Commission direct Avista to make the following changes to its Schedule 62 on avoided costs paid to qualifying facilities:

- Require Avista to include the renewable energy value in its avoided costs starting in 2025 because its next planned energy resource is a renewable resource;¹
- Require Avista to use its renewable, clean energy premium from its Integrated Resource Plan ("IRP") as its renewable avoided cost rate; and
- Require Avista to refile and update its avoided costs for solar resources with capacity contribution values from the Western Resource Adequacy Program ("WRAP") once those values are released.

II. COMMENTS

A. The Commission Should Adopt the Changes Avista Made in its Replacement Pages

Avista made several changes to its Schedule 62 tariff. First, Avista proposes to use the "levelized fixed cost from the 2027 installation of the Idaho GE-7E.03 SCCT to modify the capacity component of avoided costs." Second, Avista proposes to begin capacity credit payments in November 2026 instead of January 2027. Finally, Avista proposes to use the calculated peak credit attributed to the first 100 megawatts of Montana wind. Avista does not incorporate any of the other changes NIPPC/REC recommended. NIPPC/REC recommend the Commission adopt the changes Avista proposed, as well as the other NIPPC/REC recommendations in these comments.

Avista could either: 1) offer one rate based on its avoided costs for a renewable resource in which the qualifying facility surrenders the renewable energy certificates to Avista; or 2) offer a non-renewable rate and a renewable rate that a qualifying facility decides whether to get paid a non-renewable rate and keep the renewable energy certificates or get paid a renewable rate and surrender the renewable energy certificates to Avista.

Avista Reply Comments at 4-5 (Feb. 4, 2022).

Avista Reply Comments at 5.

⁴ Avista Reply Comments at 5.

B. Avista Should Be Required to Include in its Avoided Costs the Renewable Energy Value Avista Provided in its IRP

1. Avista Should Be Required to Include the Renewable Energy Value in its Avoided Costs Because its Next Planned Energy Resource is Renewable

The Commission should require Avista to base its avoided costs off a renewable resource starting in 2025. This is because Avista's IRP, Clean Energy Implementation Plan ("CEIP"), and its 2022 All-Source Request for Proposals ("RFP") indicate Avista plans to acquire renewable resources as early as 2023 and no later than 2026. The Public Utility Regulatory Policies Act ("PURPA") definition says that avoided costs means the incremental costs to a utility of electric energy, capacity, or both that, but for the purchase from the qualifying facility ("QF") or QFs, the utility would generate itself or purchase from another source. This means that Avista's avoided costs paid to QFs must reflect the fact that QFs will help avoid and displace Avista's renewable energy acquisitions. Thus, the Commission should require Avista to incorporate the renewable energy value (Clean Premium) from its IRP in its avoided costs.

With one exception on the renewable rate issue, NIPPC/REC continue to support the arguments explained in the December 8, 2021 comments. NIPPC/REC originally recommended that the Commission require Avista to offer two rates, both a renewable and non-renewable rate. NIPPC/REC have modified their position after discussions with Staff and Avista, and NIPPC/REC no longer recommend that Avista be required to offer two rates (renewable and

In re Avista IRP, Docket No. UE-200301, Avista 2021 IRP at 1-6, 1-7, 7-12 (Apr. 1, 2021); in re 2021 Avista CEIP, Docket No. UE-210628, Avista 2021 CEIP at 1-5 (Oct. 1, 2021); in re Avista 2022 All-Source RFP, Docket No. UE-210832, Updated Draft 2022 All-Source RFP at 2-4 (Jan. 14, 2022).

⁶ See generally 18 CFR 292.304; see also WAC 480-106-007.

NIPPC/REC believe one avoided cost rate would be easier to implement, but NIPPC/REC are not opposed to offering Avista two choices for compliance.

⁸ See NIPPC/REC Comments at 4-10 (Dec. 8, 2021).

non-renewable). Instead, NIPPC/REC recommend that the Commission require Avista to at least offer a renewable rate. If Avista chooses, NIPPC/REC are supportive of Avista offering the *qualifying facility a choice* between: 1) a non-renewable rate in which the qualifying facility does not surrender its renewable energy certificates to Avista; and 2) a renewable rate in which the qualifying facility does surrender its renewable energy certificates to Avista.

As explained in NIPPC/REC's initial comments, the Commission decided in its administrative rulemaking, if the utility has a renewable resource need, then the utility must offer a renewable rate. Specifically, the Commission stated:

PURPA includes non-renewable and renewable energy qualifying facilities. The utility's avoided rate filed with the commission should be representative of the cost a utility would incur if it chose to either provide the energy itself by building new capacity or the cost incurred by purchasing electricity from non-qualifying facilities. If the utility's avoided cost is based on the avoided capacity costs of an eligible renewable resource as defined in RCW 19.285.030, the utility's total avoided cost should include the cost of compliance with the Energy Independence Act, RCW 19.285. Therefore, the price reflected in the avoided cost includes the renewable energy certificate.⁹

Thus, if a utility's next planned resource is a renewable resource, the utility should be required to include the energy and capacity costs of renewable resources in its avoided cost rates. Because Avista's next planned energy resource is renewable, ¹⁰ Avista should be required to include both the energy and capacity costs of renewable resources in its avoided cost rates.

Avoided costs must include both capacity and energy, including all the avoided costs of compliance with statutes. The Commission reached this conclusion when it decided that the avoided capacity costs of an eligible resource under RCW 19.285 must be included in the

In re Amending, Adopting, and Repealing Sections of WAC 480-106 and 480-107, Docket No. U-161024, Order No. R-597, Appendix A at 19 (June 12, 2019).

See NIPPC/REC Comments at 4-10.

avoided costs paid to the qualifying facility, and those avoided capacity costs "should include the cost of compliance with the Energy Independence Act, RCW 19.285." Here, the relevant statute is CETA, which, as explained by Avista, creates an energy need. Since Avista has a renewable energy need, then Avista's total avoided cost should include the cost of compliance with CETA. At the time of the adoption of the current PURPA rules, the Commission was specifically contemplating a renewable capacity need related to the Energy Independence Act. However, avoided renewable energy costs should not be excluded from avoided costs paid to qualifying facilities simply because there is a renewable energy need driven by a statute that did not exist at the time of the PURPA rulemaking.

2. Avista Should Be Required to Use its Renewable, Clean Premium as its Renewable Avoided Cost Rate

The Commission should require Avista to use its renewable, clean premium as its renewable avoided cost rate.¹² This is the same recommendation that NIPPC/REC made in their initial comments.¹³ Avista's comments did not propose a different rate or value for the renewable resources, or otherwise argue that its IRP numbers are inaccurate.¹⁴ Therefore, if the Commission agrees that Avista should include the energy and capacity costs of renewable resources in its avoided cost rates, then the only information that has been presented is the number from Avista's IRP.

The clean premium estimates the costs to comply with the Clean Energy Transformation Act ("CETA"), and Avista has explained that its clean premium "shows the amount of extra

In re Amending, Adopting, and Repealing Sections of WAC 480-106 and 480-107, Docket No. U-161024, Order No. R-597, Appendix A at 19 (June 12, 2019).

Docket No. UE-200301, Avista 2021 IRP Preferred Resource Strategy Update, Table 8 at 14 (Apr. 29, 2021).

See NIPPC/REC Comments at 9-10.

See generally Avista Reply Comments.

costs per MWh needed to meet clean energy requirements."¹⁵ Avista even stated these avoided costs "are a best-available estimate[.]"¹⁶ The clean premium starts at \$16.90/MWh in 2025 and increases steadily to \$25.11/MWh in 2045.¹⁷ This option would take advantage of Avista's own calculations and its estimation of the value of clean energy to comply with CETA. NIPPC/REC believe this is the best calculation available for Avista's renewable avoided cost rate.

The Commission could set a renewable rate by using the avoided renewable energy costs or avoided capacity costs. In general, both approaches are lawful and appropriate. However, for Avista at this time, adding the avoided renewable costs to avoided energy instead of avoided capacity is more simplistic and accurate for several reasons.

First, Avista's current resource acquisition plan adds renewable resources to satisfy clean energy needs rather than capacity needs. CETA requires Washington electric utilities to deliver 100 percent clean energy to consumers by 2030, and to make substantial progress towards that goal in the interim. Avista's CEIP describes its interim and specific targets to supply Washington customers with 100 percent carbon neutral resources by 2030 and 100 percent renewable or carbon-free resources by 2045. In Avista's CEIP, Avista explains:

Avista will make progress towards the 2030 clean energy requirements of WAC 480-100-640 (2)(a)(i) by retiring Renewable Energy Credits (RECs) from its renewable generation portfolio. In utilizing this method of compliance with interim targets, Avista will

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Docket No. UE-200301, Avista 2021 IRP at 11-20. The Clean Premium is calculated by comparing the cost of the preferred resource strategy, which is CETA compliant, with the Baseline 2 scenario, which is a cost minimizing portfolio that does not require CETA compliance.

Docket No. UE-200301, Avista 2021 IRP at 11-19.

Docket No. UE-200301, Avista 2021 IRP Preferred Resource Strategy Update, Table 8 at 14.

¹⁸ See RCW 19.405.040.

See generally Docket No. UE-210628, Avista 2021 CEIP, Chapter 2 (Oct. 1, 2021).

be able to continue to sell excess RECs not needed for this compliance period for the benefit of customers through lower rates.

However, this proposal does not negate the need for additional renewable resources required to meet the 2030 goal. Avista will acquire renewable energy projects to ensure it controls adequate resources to meet resource adequacy requirements beginning in 2026 and ensure enough clean resources are available to meet the renewable energy requirements in 2030.²⁰

This demonstrates Avista is planning to acquire renewable resources to meet its clean energy mandate under CETA and it will also need to acquire additional resources for capacity purposes. If Avista receives renewable energy through a PURPA contract, the energy will displace Avista's renewable resource acquisitions even if the PURPA resource provides zero capacity value.

Second, adding the avoided renewable costs to avoided energy instead of avoided capacity is consistent with Avista's IRP. Avista's 2021 IRP resource addition model PRiSM was designed to meet clean energy rather than clean capacity goals.²¹ While Avista plans to acquire renewable energy to satisfy CETA, Avista intends to continue to meet capacity needs with new gas generation plants.²² The 2021 IRP models the cost of meeting renewable requirements as an energy cost rather than a capacity cost.²³ The Clean Premium is expressed as an avoided energy cost in Avista's IRP rather than an avoided capacity cost. Pricing a renewable PURPA rate using an avoided capacity cost would be more complicated for Avista at this time because the 2021

Docket No. UE-210628, Avista 2021 CEIP at 1-1 to 1-2 (emphasis added).

Docket No. UE-200301, Avista 2021 IRP at 11-2 & 11-3 (Apr. 1, 2021) ("A third model, PRiSM (Preferred Resource Strategy Model), aids resource selection using information from the Aurora and ARAM models. PRiSM evaluates each resource option's capital recovery and fixed operation costs relative to their operating margins and capability to serve energy, peak loads and clean energy obligations. PRiSM then determines the lowest-cost mix of resources meeting Avista's resource needs (see Chapter 6) ... PRiSM simultaneously solves to meet system reliability obligations and clean energy standards in Washington while minimizing costs.").

Docket No. UE-200301, Avista 2021 IRP at 1-4.

Docket No. UE-200301, Avista 2021 IRP at 11-20.

IRP does not offer a reliable metric for converting the Clean Premium from an energy to capacity premium applicable to all renewable generation technologies. Thus, it is more appropriate and simplistic to model avoided renewables costs as avoided energy because the resources will help Avista meet its clean energy goals under CETA and it is consistent with Avista's 2021 IRP.

Third, Avista's current avoided cost pricing model can be easily modified to accommodate an avoided clean energy cost premium. The Clean Premium is expressed as a cost per MWh. It is a measure that is incremental to all the other costs included in Avista's avoided cost pricing model, including the model's capacity costs. This means that an appropriate renewable rate can be calculated by adding the Clean Premium in the Avista IRP Update to the matching year's energy prices proposed in Avista's February 4, 2022 Schedule 62 filing.²⁴

C. Avista Should Be Required to Update its Effective Load Carrying Capability Values for Solar with Capacity Contribution Values from WRAP

The Commission should require Avista to refile and update its avoided costs for solar resources with capacity contribution values from the WRAP once those values are released, which is expected in Spring 2022. NIPPC/REC originally recommended in the December 8, 2021 comments that Avista refile its avoided costs for solar resources with specific ELCC values. However, after discussions with Staff and Avista, NIPPC/REC are willing to defer resolution of the appropriate ELCC number. Specifically, NIPPC/REC's specific recommendation is that Avista re-file its avoided costs with the WRAP capacity contribution values in Spring 2022, when WRAP releases those updated values. The Commission, Staff, and interested stakeholders can then review Avista's filing in Spring 2022. If the Commission does not adopt this recommendation to require Avista to update its avoided costs with the WRAP

See Attachment A.

values, then NIPPC/REC recommended that the Commission adopt the alternative ELCC values identified in NIPPC/REC's original comments.

WRAP is a resource adequacy program offered by the Western Power Pool.²⁵ Given the recent trend in coal plant decommissioning and increasing renewable energy adoption, WRAP is being designed to coordinate activities related to a comprehensive review of resource adequacy in the western region. WRAP is designed to increase coordination and visibility among western states when planning resource adequacy. WRAP now spans ten states and a Canadian province.²⁶

WRAP has been broken down into various phases of implementation. WRAP began in 2019 with preliminary and detailed design phases.²⁷ The design phases have just finished, and WRAP is entering Phase 3A, the Non-Binding Forward Showing Program. One feature of WRAP is that it establishes "regional metrics for the footprint, the qualified capacity contribution (QCC) and effective load-carrying capability (ELCC) of various resources, deliverability expectations, and determines the periods for demonstrating adequacy."²⁸ Phase 3A will release preliminary capacity contribution values for various resources based on a capacity contribution analysis of historical data and it will be evaluated by month and regional zone.²⁹ Currently, WRAP is collecting and validating data from voluntary 3A participants for this non-binding

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Note the Western Power Pool used to be called Northwest Power Pool before the name was changed.

See David Pennington, Map of NWPP RA Footprint, available at:

https://www.westernpowerpool.org/news/map-of-nwpp-ra-footprint (last modified at Nov. 19, 2021).

See NWPP Resource Adequacy Program – Detailed Design at 8, available at https://www.westernpowerpool.org/private-media/documents/2021-08-30_NWPP_RA_2B_Design_v4_final.pdf (July 2021).

NWPP Resource Adequacy Program – Detailed Design at 11.

NWPP Resource Adequacy Program – Detailed Design at 73.

forward showing phase.³⁰ WRAP has stated it is on track to release capacity contribution values in Spring 2022,³¹ which would allow Avista to update its avoided costs at that time.

Avista's 2022 RFP was recently approved in which Avista states it will assign each proposal a Qualifying Capacity Credit for both winter and summer using values provided by the WRAP.³² Because these values are not yet public, Avista plans to update its specifications in the RFP once the WRAP capacity credit values are released.³³ Because Avista plans to evaluate RFP proposals using WRAP Qualifying Capacity Credit values and update the RFP at a future date once the WRAP values are public, Avista's avoided costs should also be reflective of capacity contribution values calculated by the WRAP. Thus, the Commission should require Avista to refile and update its avoided costs for solar resources with qualifying capacity contribution values from the WRAP once those values are released, which is expected in Spring 2022.

D. Original Recommendations Compared to Current Recommendation

Below is a table comparing NIPPC/REC's original recommendations to NIPPC/REC's final recommendation.

NWPP Resource Adequacy Program – Detailed Design at 15.

NWPP Resource Adequacy Program – Detailed Design at 15; see also Western Resource Adequacy Program – Public Webinar at 3, available at:
https://www.westernpowerpool.org/private-media/documents/2022-01-26 VER ELCC and Load Webinar.pdf (Jan. 26, 2022).

See in re Avista 2022 All-Source RFP, Docket No. UE-210832, Order No. 01 at 2 (Feb. 10, 2022); see also Docket No. UE-210832, Updated Draft 2022 All-Source RFP at 7 (Jan. 14, 2022).

Docket No. UE-210832, Updated Draft 2022 All-Source RFP at 2.

Original Recommendation	Final Recommendation
The Commission should require Avista to base its avoided costs off a renewable resource starting in 2025. The Commission could require Avista use its renewable, clean premium as its renewable avoided cost rate.	Require Avista to include the renewable energy value in its avoided costs starting in 2025 because its next planned energy resource is a renewable resource ³⁴ and require Avista to use its renewable, clean energy premium from its IRP as its renewable avoided cost rate.
NIPPC/REC recommend that the cost of the Kettle Falls be used to represent avoided capacity costs. This recommendation is reasonable because the Kettle Falls turbine is added before the SCCT. As an alternative, the commission could consider using the cost of a GE- 7E.03 SCCT. However, Avista's SCCT fixed costs do not include the cost of firm gas transportation. ³⁵ If the SCCT is used as the basis for avoided capacity costs, the cost should be grossed up to reflect firm gas transportation costs.	NIPPC/REC support Avista's proposed change in its Reply Comments to use the "levelized fixed cost from the 2027 installation of the Idaho GE-7E.03 SCCT to modify the capacity component of avoided costs." 36
NIPPC/REC recommend that avoided capacity cost credit begins in 2026.	NIPPC/REC support Avista's proposed change in its Reply Comments to begin capacity credit payments in November 2026 instead of January 2027. ³⁷
The Commission should require Avista to calculate its avoided costs reflecting that Avista is currently a dual winter and summer peaking utility by using the average of each resources summer and winter peak contributions as recognized in the 2021 IRP. This recommendation only affects solar resources because all other Schedule 62 resources are modeled to have identical summer and winter capacity contributions.	Require Avista to refile and update its avoided costs for solar resources with capacity contribution values from the WRAP once those values are released in Spring 2022.

NIPPC/REC believe one renewable rate would be easier to implement, but NIPPC/REC are not opposed to offering Avista two choices for compliance: 1) offering one renewable rate in which the qualifying facility must surrender its renewable energy certificates to Avista; or 2) offering the qualifying facility choice between a) a non-renewable rate in which the qualifying facility does not surrender its renewable energy certificates to Avista and b) a renewable rate in which the qualifying facility does surrender its renewable energy certificates to Avista.

Docket No. UE-200301, Avista 2021 IRP at 9-5.

Avista Reply Comments at 4-5.

Avista Reply Comments at 5.

NIPPC/REC recommend that, as an interim solution, the capacity contribution be based on the average of the winter and summer peak	
contribution for all resource types. This	
results in a capacity contribution of 41 percent	
for solar and 47.5 percent for solar plus 4-	
hour storage. As an alternative to averaging	
summer and winter peak contributions, the	
Commission could consider using the	
independent estimate of Pacific Northwest	
ELCC for solar and wind resources generated	
by E3. E3 estimates that solar resource ELCC	
is 26 percent at current levels of solar	
penetration. ³⁸ E3 estimates that Washington	
and Montana wind resource ELCC is	
approximately 25 and 55 percent respectively	
at current levels of wind penetration. ³⁹	
The 35 percent ELCC value for Montana	NIPPC/REC support Avista's proposed
wind should be used when calculating	change in its Reply Comments to use the
avoided capacity cost credit.	calculated peak credit attributed to the first
	100 megawatt of Montana wind.
NIPPC/REC recommends that Avista updates	NIPPC/REC are dropping this
it's Aurora forecast using 2021 IRP	recommendation for now to simplify the
assumptions with gas prices replaced by	contested issues.
current forward gas price curves. As an	
alternative, NIPPC/REC has prepared an	
adjusted Mid-C price forecast based on the	
difference between gas futures in April 2021	
and December 2021 as of the date of drafting	
these comments.	
NIPPC/REC recommend revising Avista's	NIPPC/REC are dropping this
high load hour Mid-Columbia price forecast	recommendation for now to simplify the
to reflect a floor of zero dollars per MWh. As	contested issues.
an alternative, NIPPC/REC recommend	
revising prices to prevent the <i>monthly average</i>	
high load hour price from being negative.	

Resource Adequacy in the Pacific Northwest: March 2019, Energy and Environmental Economics, Inc. Figure 24 at 57 (2019), https://www.ethree.com/wp-content/uploads/2019/03/E3 Resource Adequacy in the Pacific-Northwest March 2019.pdf.

Resource Adequacy in the Pacific Northwest: March 2019, Energy and Environmental Economics, Inc. Figure 22 at 55 (2019), https://www.ethree.com/wp-content/uploads/2019/03/E3 Resource Adequacy in the Pacific-Northwest March 2019.pdf.

III. CONCLUSION

For the reasons stated above, the Commission should require Avista to update its avoided cost rates in its Schedule 62 Tariff to account for NIPPC/REC's recommendations.

Dated this 3rd day of March 2022.

Respectfully submitted,

Sanger Law, PC

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