



Avista Corp.
1411 East Mission P.O. Box 3727
Spokane, Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

August 30, 2021

Jan Noriyuki, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Blvd. Bldg. 8, Ste. 201-A
Boise, Idaho 83714

RE: Case No. AVU-E-21-04

Dear Ms. Noriyuki:

Avista Corporation, d/b/a/ Avista Utilities, hereby submits for filing with the Commission its reply comments regarding the Company's 2021 Electric Integrated Resource Plan (IRP).

If you have any questions regarding this filing, please contact James Gall at 509-495-2189 or John Lyons at 509-495-8515.

Sincerely,

/s/ Shawn Bonfield

Shawn Bonfield
Sr. Manager of Regulatory Strategy & Policy
509-434-6502
shawn.bonfield@avistacorp.com

RECEIVED
2021 AUG 30 PM 4:17
IDAHO PUBLIC
UTILITIES COMMISSION

1 MICHAEL G. ANDREA
2 SENIOR COUNSEL
3 AVISTA CORPORATION
4 1411 EAST MISSION AVENUE
5 P.O. BOX 3727
6 SPOKANE, WASHINGTON 99220-3727
7 PHONE: (509) 495-2564
8 michael.andrea@avistacorp.com
9 IDAHO BAR #8317

10
11
12 **BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

13 IN THE MATTER OF THE AVISTA) CASE NO. AVU-E-21-04
14 CORPORATION'S 2021 ELECTRIC)
15 INTEGRATED RESOURCE PLAN) REPLY COMMENTS OF AVISTA
16) CORPORATION
17)
18 _____)
19

20 **I. INTRODUCTION**

21 Avista Corporation, doing business as Avista Utilities (hereinafter Avista or the
22 Company), at 1411 East Mission Avenue, Spokane, Washington, respectfully submits
23 reply comments regarding the Company's 2021 Electric Integrated Resource Plan ("2021
24 IRP") in accordance with Order No. 35062. Avista requests that the Commission
25 acknowledge the 2021 IRP as filed.

26 **II. BACKGROUND**

27 The Commission issued a Notice of Modified Procedure, Order No. 35062, on June
28 4, 2021, setting forth a comment deadline of August 11, 2021. Commission Staff ("Staff")
29 and the Idaho Conservation League ("ICL"), submitted comments on or prior to the
30 deadline. The deadline for reply comments is August 31, 2021.

1 **III. COMPANY RESPONSE**

2 Avista’s IRP process is transparent and public. The IRP assumptions and results
3 are reviewed by the Technical Advisory Committee (“TAC”) made up of customers, Idaho
4 and Washington Commission Staff, consumer advocates, environmental advocates,
5 academics, utility peers, government agency staff and Avista’s energy analysts. Avista
6 would like to thank Staff and ICL for supporting the 2021 IRP and for their continued
7 participation and involvement in the IRP planning processes.

8 Between June 18, 2020 and May 18, 2021, Avista invited over 100 representatives
9 from many external organizations and held six TAC meetings, two workshops, and a virtual
10 public meeting to inform participants, answer questions, and receive feedback about the
11 plan inputs, assumptions, and modeling results. The 2021 IRP was completed on an
12 accelerated basis to comply with other state IRP requirements. The Avista IRP team
13 discussed additional IRP-related information via telephone, email and meetings with staff
14 and participants.

15 None of the commenters in this matter recommended the Commission to not
16 acknowledge the 2021 IRP. Staff specifically states on page 2 of its filed comments that
17 the IRP meets the requirements of Commission Orders for developing and filing an IRP.
18 There is ample evidence to support acknowledging the 2021 IRP as filed. However,
19 commenters did ask the Commission to direct Avista to perform various analyses in future
20 IRP processes and to provide an annual report related to Colstrip. Avista provides the
21 following response to issues raised by Staff and ICL.

1 **A. Response to Staff Comments**

2 The Company acknowledges Staff's concerns about the 2021 IRP and the following
3 discussion provides information to help address those concerns. Avista looks forward to
4 further addressing these concerns in the 2023 IRP and future resource planning processes.

5 Avista will begin the 2023 IRP process in November 2021 with a draft of Avista's
6 2023 IRP to be available by October 3, 2022 and the final IRP filed on January 3, 2023.
7 Once again, this shortened IRP process is driven by filing deadline requirements amongst
8 the other states within Avista's service territory. Moving forward, Avista intends to
9 continue to work at aligning the biannual requirements through a collaborative process with
10 Staff to resolve any differences in requirements between Idaho and Washington and to
11 prevent any adverse impacts between Avista's customers in these states.

12 **i. Reliability Analysis**

13 Avista agrees with Staff's concerns regarding reliability of Avista's system when
14 the potential resource portfolios are changing. The region is also taking notice of the risk
15 to reliability because of these changes. Avista will continue to improve its methods to
16 ensure it plans for reliability as its resource portfolio changes. For the next IRP, there are
17 two options to address reliability planning.

18 The first option is to continue improving existing methodologies. Avista is
19 evaluating new software (Plexos) to increase the breadth of reliability planning studies
20 across additional scenarios and time horizons as compared to its internal ARAM model.
21 The Company acknowledges its evaluation of Plexos, or an alternative software, may not
22 be available for a complete analysis of all portfolios in time for the 2023 IRP even if the
23 utility finds the new technology to be satisfactory. Continuing to use existing methods will

1 help to better understand market exposure but will continue to leave the utility planning for
2 a reliability target based on an acceptable level of risk from market resources.

3 The second option is to forgo detailed utility reliability modeling and use regional
4 planning requirements set by the Western Resource Adequacy Program¹ (RA Program).
5 The Northwest utilities, through the Northwest Power Pool, are creating a RA Program to
6 ensure reliability of the participating utilities to meet a loss of load expectation (LOLE)
7 objective of one event in 10 years. This RA Program design sets minimum criteria for each
8 participating utility's capacity position for both summer and winter months based on
9 detailed regional modeling utilizing a common planning methodology. The region will set
10 regional planning reserve margins and resources are accounted for based upon their
11 Qualifying Capacity Contribution (QCC) of meeting peak loads. Once this RA Program is
12 fully operational after a 12-18 month trial that is scheduled to begin in March of 2022,
13 there will be penalties for utilities who have not met requirements and a resource sharing
14 mechanism in the event of utility shortfalls during real-time operation.

15 Avista plans to select resources in its next IRP to meet the requirements of the RA
16 Program so long as the region continues to pursue the objectives of regional coordination.
17 Avista will plan to continue conducting reliability studies to understand its market exposure
18 using Plexos, ARAM, or other software. Avista may use this analysis to recommend higher
19 planning margins to either increase reliability above the 1 in 10 criteria or to reduce market
20 exposure. Avista plans to discuss these concepts with the TAC before deciding which
21 option to pursue.

¹ www.nwpp.org/adequacy

1 **ii. Market Reliance**

2 There are two main tradeoffs to examine for Lost of Load Probability (LOLP)
3 reliability studies for interconnected systems. By interchanging Planning Reserve Margin
4 (PRM), the amount of excess resources under utility control, as compared to expected peak
5 load and market reliance, the amount power available from the region during peak hours,
6 the utility can achieve the same reliability metric. If market reliance increases, then PRM
7 lowers since the utility will rely on the market for resources at time of peak rather than its
8 own resources; increasing PRM will effectively create less reliance on the market because
9 the utility will have additional resources to access. In the 2021 IRP, Avista retains the same
10 level of reliability metric of 5 percent LOLP by retaining its PRM of 16 percent in the
11 winter and 7 percent in the summer as the 2020 IRP. This decision increased market
12 reliance based on the study results to maintain 5 percent LOLP.

13 When estimating the amount of regional market availability, the first limitation is
14 access to the market through transmission and secondly whether there are excess resources
15 from neighboring systems to meet demand. Avista's access to other utilities through its
16 owned or purchased third party transmission has not and is not anticipated to be a limiting
17 factor to access energy, so the primary concern is availability of surplus resources. Avista
18 has significant transmission interconnections to other utilities including BPA and market
19 purchases from the Mid-Columbia trading hub to the Avista system is in a direction that
20 creates counter flow to congested east to west flow. Avista's resource need may differ from
21 other utilities, or occur at the same time, which makes it difficult to determine the level of
22 market depth for a given period. All utilities consider this a major issue when conducting
23 reliability analysis on a stand-alone utility basis. Due to this concern, the development of

1 the RA Program was first initiated along with ensuring utilities do not depend on the same
2 market surplus to meet their customers' peak load.

3 As stated in the previous section, Avista will use the RA Program's planning
4 criteria for resource planning since these requirements are based upon a regional analysis
5 ensuring regional reliability. Avista will also study the level of risk it will be relying on in
6 the market and determine if it should acquire additional resources beyond the minimum
7 capacity levels to lessen this market risk.

8 **iii. Colstrip Economic Analysis**

9 Avista made considerable improvements to the Colstrip modeling based on
10 previous Staff and TAC member recommendations. In particular, the suggestion to allow
11 the model to "exit" the plant in any year of the study if found to be cost effective. This
12 change resulted in it being economic to exit Colstrip immediately in 2021. While it is not
13 feasible under the current plant operating agreement for Avista to exit the plant now, the
14 result is illustrative of the plant economics. Avista acknowledged in the plan, that while
15 uneconomic, it is not realistic for Avista's to remove Colstrip from its resource portfolio in
16 2021. Rather than selecting an unknown year at which Colstrip could retire, the Company
17 chose to indicate it will pursue exiting the plant as discussed on Page 11-5 of the IRP
18 because the current operating agreement does not have a clear exit option for the plant.
19 Recently adopted legislation in Montana associated with future Colstrip operations,
20 associated lawsuits and on-going arbitration among the owners have further complicated
21 the ability for Avista to withdraw from Colstrip. Until these issues are resolved Avista will
22 not have a good understanding of when it can legally exit Colstrip.

1 Avista did consider reliability effects of exiting Colstrip in other years than 2030.
2 Including the reliability effects in 2025 (Table 11.5), where Avista will still be within the
3 5 percent LOLP without Colstrip but will need to replace this lost capacity when its
4 capacity position reverses to a deficit due to the Lancaster contract expiring in 2026. Avista
5 did not model any earlier years due to the fact the resource portfolio is not materially
6 different between 2021 and 2025.

7 Avista will update the Commission on any new information related to Colstrip in
8 its annual update which will be filed on October 1, 2021.

9 **iv. Portfolio Optimization by State or for the System**

10 Avista appreciates Staff's guidance to investigate new ways to model, finance and
11 operate the system going forward. Avista looks forward to working with Staff and other
12 parties to determine the best course of action for resource allocation to individual states
13 and recommendations made by the Commission. Avista plans to hold its first workshop in
14 late fall of 2021 to begin this process.

15 **v. Energy Efficiency and Demand Response**

16 Avista appreciates the acknowledgement for improving both the accuracy and
17 communication regarding energy efficiency. Avista's goal is to be transparent in its method
18 of selecting all resources through its planning efforts.

19 While evaluating needs for new resources, Avista expects demand response to be a
20 viable resource option as it becomes economic and customers choose to participate in
21 future programs. Avista plans to pilot multiple demand response programs in the next four
22 years to evaluate opportunities for demand response to help meet system peaks beginning
23 in 2026.

1 **vi. Public Participation**

2 Avista plans to continue engaging the public regarding resource planning. This
3 includes engaging technical audiences regarding the development of the resource plan and
4 considering comments and suggestions from customers and external parties. On February
5 24, 2021, Avista conducted its first virtual public meeting for all customers to learn about
6 Avista's plan, answer questions and gather public comments. Avista plans to continue to
7 engage all interested customers to provide an overview of Avista's resource planning
8 efforts, answer questions and to listen to customers concerns about resource planning.

9 **vii. Staff Recommendations**

10 Avista thanks Idaho Staff for their support for the Commission to acknowledge the
11 2021 IRP, and we commit to continue to work with Staff to address their concerns during
12 the 2023 IRP process.

13 **B. Response to ICL**

14 ICL provides two comments regarding the 2021 IRP. The first involves modeling
15 the risks of natural gas and the second is related to Avista's Colstrip exit strategy.

16 Avista believes it fully models the risk of natural gas resources by studying the cost
17 of the resource, natural gas prices and carbon pricing risk. As for natural gas pricing risk,
18 Avista models 500 simulations of natural gas price risk within its Expected Case market
19 study used to select its resources. The utility demonstrates the portfolio risk of its Preferred
20 Resource Strategy compared to other portfolios. Further, Avista subjected multiple
21 resource portfolios to both high and low natural gas pricing scenarios to understand the
22 impact to the portfolio under these scenarios. Avista also conducted a risk analysis showing

1 the portfolio cost impacts of a national carbon tax, priced at the social cost of carbon. Based
2 on these analyses, Avista has provided significant risk analysis of natural gas resources.

3 Avista thanks ICL for their encouragement to exit the Colstrip facility. Avista is
4 committed to exit the Colstrip facility so long as it is in the best interest of its customers
5 and has the legal right to do so. Avista will continue to keep ICL and all TAC members
6 updated on Colstrip issues throughout the 2023 IRP process.

7
8
9 **C. Conclusion**

10 Avista appreciates the opportunity to provide reply comments regarding the
11 Company's 2021 IRP. Please direct any questions regarding these comments to James Gall
12 at 509-495-2189 or John Lyons at 509-495-8515.

13
14 DATED at Spokane, Washington, this 30th day of August 2021.

15 AVISTA CORPORATION

16
17 By /s/Michael Andrea
18 Michael G. Andrea
19 Senior Counsel