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IDAHO PUBLIC  
UTILITIES COMMISSION

**Avista Corp.**

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March 31, 2023

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

**Re: Case No. AVU-E-23-\_- Avista Corporation Application for an Accounting Order**

Dear Ms. Noriyuki:

Avista Corporation, dba Avista Utilities (Avista or the Company) hereby provides the enclosed application for an order for approval to include in the Company's Power Cost Adjustment ("PCA") mechanism FERC Account 509, Allowances, due to (1) the costs of purchasing carbon allowances pursuant to the Washington Climate Commitment Act ("CCA") to cover Idaho's share of the Company's Boulder Park natural gas generation plant dedicated to serving its Idaho customers, and (2) the costs of purchasing carbon allowances for Idaho's share of surplus sales delivered to the Mid-Columbia ("Mid-C") trading hub that require an associated carbon allowance. Please direct any questions related to this filing to Pat Ehrbar at 509-495-8620 or me at 509-495-2782.

Sincerely,

*/s/ Shawn Bonfield*

Shawn Bonfield  
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**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION OF )  
AVISTA CORPORATION, D/B/A AVISTA )  
UTILITIES, REQUESTING AUTHORITY TO ) CASE NO. AVU-E-23-04  
MODIFY ITS POWER COST ADJUSTMENT )  
MECHANISM TO ACCOUNT FOR COSTS )  
ASSOCIATED WITH WASHINGTON'S )  
CLIMATE COMMITMENT ACT ALLOWANCES )

APPLICATION OF AVISTA CORPORATION

## I. INTRODUCTION

1. Avista Corporation, doing business as Avista Utilities (hereinafter “Avista” or “Company”), at 1411 East Mission Avenue, Spokane, Washington, pursuant to Section 61-524 Idaho Code and Rule 52 of the Idaho Public Utilities Commission (“Commission Rules of Procedure”), hereby applies to the Commission for approval to include in the Company’s Power Cost Adjustment (“PCA”) mechanism FERC Account 509, *Allowances*, due to (1) the costs of purchasing carbon allowances pursuant to the Washington Climate Commitment Act (“CCA”) to cover Idaho’s share of the Company’s Boulder Park natural gas generation plant dedicated to serving its Idaho customers, and (2) the costs of purchasing carbon allowances for Idaho’s share of surplus sales delivered to the Mid-Columbia (“Mid-C”) trading hub that require an associated carbon allowance. The Company requests that this filing be processed under the Commission's Modified Procedure rules through the use of written comments with an order issued no later than June 1, 2023.

2. Avista is a utility that provides service to approximately 406,000 electric customers and 373,000 natural gas customers in a 26,000 square-mile area in northern Idaho, eastern Washington, and Oregon. The largest community served by Avista is Spokane, Washington, which is the location of its corporate headquarters. Communications in reference to this Application should be addressed to:

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## **II. BACKGROUND**

3. During its 2021 legislative session, the Washington legislature passed, and its Governor approved, the CCA (*RCW 70A.65*).<sup>1</sup> The CCA is effectively a “cap-and-trade” program, with a goal to eliminate Washington economy-wide carbon emissions by 95 percent by 2050. Its provisions commenced on January 1, 2023. All Washington-based electric utilities, including multijurisdictional utilities such as Avista, must secure enough allowances to cover the carbon emissions of imported power and generation from Washington based sources emitting 25,000 metric tons or more annually. Specific to Avista, the new law covers carbon emissions generated by the following:

- Boulder Park natural gas generating plant located in Washington (Kettle Falls Generating Station and Northeast Combustion Turbine are exempt from the CCA as they emit fewer than 25,000 metric tonnes of carbon equivalent annually);
- Washington’s jurisdictional share of thermal plants located outside of Washington State used to serve Washington customers;
- Carbon-emitting thermal generation imported into Washington with a final point of delivery in Washington, both for Washington retail load service and surplus market sales; and,
- All non-specified electricity imported into Washington with a final point of delivery in Washington, both for Washington retail load service and surplus market sales.

4. The Washington State Department of Ecology distributes CCA carbon allowances for the sources listed above used to serve Washington electric retail customer load and for Washington’s

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<sup>1</sup> <https://app.leg.wa.gov/RCW/default.aspx?cite=70A.65>

load-share of surplus sales based on the Company's Production/Transmission Ratio ("PT Ratio"). To avoid paying twice (or double counting) for carbon emissions already regulated by Washington State's 2019 Clean Energy Transformation Act ("CETA"),<sup>2</sup> these allowances are granted at no cost.

5. Because Avista is a multi-jurisdictional utility serving customers in both Washington and Idaho, Idaho customers are affected by the following CCA provisions provided earlier:

- Boulder Park natural gas generating plant located in Washington State;
- Carbon-emitting thermal generation (Colstrip, Lancaster, Rathdrum and Coyote Springs 2) imported into Washington for surplus market sales at the Mid-C; and,
- All non-specified electricity imported into Washington with a final point of delivery in Washington, for surplus market sales at the Mid-C.<sup>3</sup>

### **III. CCA IMPACTS ON IDAHO**

6. Idaho customers will be responsible for an allocated percentage of carbon allowance costs related to Washington based plants emitting above the law's 25,000 metric ton annual threshold (i.e. Boulder Park), and any surplus thermal generation imported for sale at the Mid-C from Lancaster, Rathdrum, Coyote Springs 2, and Colstrip. Boulder Park's obligation is straight-forward given it meets both the 25,000 metric ton requirement and is located in Washington. Avista incurs the obligation for sales made in Washington (primarily at the Mid-C) as it is considered the "first jurisdictional deliverer" of this electricity as defined by the CCA.<sup>4</sup> As with other production and transmission system costs, Avista will allocate these costs on a PT Ratio between Washington and Idaho, with approximately 35% allocated to Idaho.

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<sup>2</sup> RCW 70A.45.020.

<sup>3</sup> RCW 70A.65 - CCA regulates re-sold purchases only when Avista takes ownership of the electricity before it enters the State of Washington.

<sup>4</sup> WAC 173-446-020 Definitions

7. While Idaho customers are allocated a share of carbon obligations expenses, they are likewise allocated the benefits of off-system revenues from power sales at the Mid-C. Each day, Avista evaluates several market indicators to determine the most economic portfolio to meet load requirements and optimize resources. Ultimately resources are only dispatched when the economics of any such optimization transaction either meet load requirements or results in a favorable benefit to customers inclusive of all associated costs. By netting both the sales and expense associated with excess power sold at the Mid-C through the PCA, the net result is a positive benefit to Idaho customers as the revenue associated with the sale is higher than the expense associated with the carbon obligation.

8. Avista is also pursuing additional methods to reduce costs for Idaho customers. Avista and other regional market participants are actively engaged in conversations with the Washington State Department of Ecology to obtain clarification on two key approaches potentially providing a pathway to significantly reduce CCA compliance costs for surplus sales. These methods center around: (1) wheel through transactions that don't result in energy delivery in the State of Washington, and (2) a resource netting calculation based on a common practice to offset purchases and sales made at the Mid-C. The results of these efforts may substantially reduce the carbon obligation allocated to Idaho customers.

#### **IV. NEED FOR CHANGES TO PCA**

9. Avista respectfully requests to record the emission expenses related to Idaho's carbon allowance obligation to account 509.X, and include that account in the Company's Power Cost Adjustment mechanism calculation. Use of the 509.X emission expense account is the appropriate FERC account because, in July 2022, FERC issued a "Notice

of Public Rulemaking” (Docket No. RM21-11-000)<sup>5</sup> which provided preliminary accounting guidance for renewable energy credits and emission allowances. In the guidance, 509.X was the recommended expense FERC account. While account 509.X was originally intended to capture expense associated with sulfur dioxide emissions, the Notice of Public Rulemaking indicates the FERC’s intention for that account to be used for all emission allowance expense, not just those associated with sulfur dioxide.

10. Expenses would be recorded in the period in which the corresponding off-system sales revenue, FERC account 447.X. (*Sales for Resale*), is also recorded, effectively syncing up the expense associated with the revenue. Avista believes this is appropriate given the obligation is an adder to other generation costs which currently flow through the PCA. These expenses are similar to any other power supply cost incurred while serving Avista’s customers. The monthly accounting associated with recording the PCA deferral would remain consistent, albeit including this additional expense account. These expenses would be reviewed for prudence in the 2022-2023 annual Purchase Cost Adjustment filing to be filed on or before July 31, 2023 (as well as in all future PCA filings).

#### **V. REQUEST FOR RELIEF**

11. WHEREFORE, Avista respectfully requests that the Commission issue an Order authorizing the Company to account for CCA carbon allowances as described above, including the use of FERC Account 509 in the Company’s PCA, for all expenses incurred in 2023 and going forward. The Company is not seeking a prudence determination of any costs allowed to be included

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<sup>5</sup> <https://www.ferc.gov/media/e-3-rm21-11-000>

in the PCA, rather approval of the Company's application is needed to properly account for Idaho's share of costs associated with the CCA that the Commission can ultimately later determine if they are appropriate to be recovered in customer rates. The Company requests that the matter be processed under the Commission's Modified Procedure rules through the use of written comments with an order issued no later than June 1, 2023. For purposes of the Company's reply comments if this matter is processed under Modified Procedure, the Company is willing to respond within three days, rather than the typical seven days as is usually given, in an effort to provide the Commission as much time as possible to deliver an order by June 1<sup>st</sup>. The reason for this requested order date is the Company's PCA year runs from July through June. Receiving an order by June 1<sup>st</sup> would allow the Company the necessary time to account for the changes to the PCA and prepare the Company's annual PCA filing, which is made by July 31<sup>st</sup>.

DATED at Spokane, Washington, this 31<sup>st</sup> day of March 2023.

AVISTA CORPORATION

By /s/ Patrick Ehrbar

Patrick Ehrbar  
Director of Regulatory Affairs