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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA)	
CORPORATION'S PROPOSED TARIFF)	CASE NO. AVU-G-22-01
SCHEDULE 195—OPTIONAL RENEWABLE)	
NATURAL GAS)	
)	COMMENTS OF THE
)	COMMISSION STAFF
)	

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Dayn Hardie, Deputy Attorney General, submits the following comments.

BACKGROUND

On March 1, 2022, Avista Corporation dba Avista Utilities (“Company”) applied for authority to implement a new tariff Schedule 195—Optional Renewable Gas (“Schedule 195”). The Company proposes to implement a voluntary Renewable Natural Gas (“RNG”) program (RNG Program) that provides customers an opportunity to purchase RNG as part of their regular monthly service.

In May 2019, the Washington legislature enacted RCW 80.28.390 into law, whereby utilities "must offer by tariff a voluntary renewable natural gas service available to all customers to replace any portion of the natural gas that would otherwise be provided by the gas company." In response to the passage of RCW 80.28.390, the Company was prompted to develop a voluntary

program to be made available to all of its Washington natural gas customers, which the Company has enrolled 69 customers to date.

The Company conducted a commercial customer research project in 2019 focused exclusively on energy and the environment plus internal research geared at residential customers' RNG programs in 2020. *Id.* With ample RNG supply available to support a voluntary RNG program for its natural gas customers, positive customer sentiment towards an RNG program, and uptick in customer enrollments amongst its Washington natural gas customers, the Company believes offering a voluntary RNG Program in Idaho is a valuable option for its interested customers.

STAFF REVIEW

Staff evaluated the Company's filing to determine if the proposed RNG Program provides benefits to Idaho customers and that non-participants will not bear the cost of the voluntary RNG Program. Additionally, Staff submitted multiple Production Requests to which the Company responded. Based on Staff's analysis of the record, there appears to be some interest in the proposed RNG Program from the Company's Idaho customers. Given that the proposed RNG Program is voluntary, funded by participants, and will not harm non-participants, Staff recommends approval of the Company's Application.

Proposed RNG Program

The Company proposed to offer its natural gas customers the opportunity to purchase blocks of RNG, at a price of \$5.00 per block, where each block includes the environmental attributes represented by the equivalent to 1.5 therms of RNG. These charges will appear on the customers' regular monthly bill as a separate line item and include appropriate taxes. *Id* at 3. Staff reviewed sample customer bills and believes charges for the RNG Program are clearly delineated and easy to understand.

Staff reviewed the Company's forecasted budget and verified that program costs will be covered by program participants and contained within the RNG Program. Staff confirmed that costs of participation in the RNG Program will be tracked separately to avoid cost shifts to non-participants.

The Company will purchase 1.5 therms of RNG for each program block purchased by a customer. The Company will then unbundle the RNG, meaning it separates the commodity or energy from the thermal certificate associated with the RNG. The unbundled cost of the energy will not be included in the RNG Program costs and the thermal certificate is then held to be retired on behalf of RNG Program participants. As such, a customer's total energy charges for natural gas is not reduced or credited as the customer is paying an incremental cost in addition to these charges for the environmental attributes of the RNG.

The environmental attribute associated with RNG—Renewable Thermal Certificate (“RTC”)—is the environmental value component of the RNG. Without the RTC, the RNG would be valued at the current natural gas commodity cost. The impact to the \$5.00 block of the environmental attributes considering the cost of RNG per Dekatherm (“Dth”) is \$3.11. The energy cost of this gas is equal to \$0.489 per 1.5 therms.

The Company stated that it will use the Midwest Renewable Energy Tracking System (“M-RETS”) for the proposed RNG Program. M-RETS is an online platform that provides certificate management similar to Renewable Energy Certificate (“REC”)¹ tracking systems. RECs represent the environmental and non-power attributes of renewable electricity. For thermal technologies, the M-RETS system issues one RTC for every Dth of Renewable Thermal generation.²

RNG Supply

To provide RNG for the RNG Program, the Company signed an agreement with Puget Sound Energy (“PSE”) to acquire the necessary volumes to support the proposed program. PSE has a signed contract for RNG with Klickitat Public Utility District (“PUD”) to acquire an estimated 550,000 Dth per year for the first three years with significantly more RNG in the years following. *Id.* at 3. Staff reviewed the contract and believes that it provides a way for the Company to mitigate supply risk by structuring procurement of RNG proportional to RNG program enrollment. Staff believes that the RNG producer (Klickitat PUD) is currently selling a majority of the RNG it produces to the market and is utilizing Renewable Identification Numbers

¹ https://www.epa.gov/sites/default/files/2016-03/documents/background_paper_3.pdf

² <https://www.mrets.org/m-rets-renewable-thermal-tracking-system/>

(“RINs”).³ The remainder of RNG produced is sold to PSE and RINs do not appear to be utilized. Given that a majority of RNG Klickitat PUD produces is sold into the market, Staff encourages the Company to monitor availability of RNG from Klickitat PUD into the future.

Staff Concerns

Staff is concerned about the adoption of the MRETS trading platform and use of RTCs. During Staff’s review of the proposed RNG Program, Staff questioned what RNG related financial incentives and tracking methods in addition to M-RETS the Company explored. Currently, RNG producers within Idaho are utilizing RINs. RINs provide RNG producers an opportunity for a revenue stream in addition to the gas itself. The market for RINs is enabled by the Environmental Protection Agency (“EPA”). RINs function like RECs and are tradeable commodities; each RIN is proof that the equivalent of a gallon of renewable natural gas has been injected into a shared pipeline. The Company stated that “RINs and RTCs are both terms used for the process of tracking renewable thermal resources [and] they are technically the same term but utilized in two separate tracking platforms” in response to Production Request No. 20. Staff believes that use of RTCs for the RNG Program was unnecessary and the Company could have achieved the same result through federally standardized RINs. However, because the Company currently operates with RTCs in its voluntary RNG program in Oregon and Washington, Staff believes it makes economic sense to leverage the same tracking platform for Idaho.

The RNG will be verified through a certification of the fuel source and tracked until combustion. If the Company were to sell the thermal certificate for purposes of the RIN, the RTC and value of the RNG is no longer held, meaning the RNG cannot be used for purposes of the Company's program. As such, selling the RTCs instead of retiring them for purposes of the program would make the program no longer valid.

The MRET’s tracking system will verify that the RTC’s the Company is purchasing from PSE have not been sold to any other party or used for any other program prior to their transfer to the Company. The supply contract the Company signed with PSE also states that the RTC’s must not be sold to a third party or recognized under any other greenhouse gas reduction program. The MRETS tracking system requires the Klickitat PUD RNG facility to meet the

³ <http://www.klickitatpud.com/yourPUD/projects/rng#:~:text=The%20remainder%20of%20the%20RNG,Energy%20starting%20July%201%2C%202020.>

certification requirements to assign RTC's for the gas produced at their facility. PSE certifies the facility with MRETS such that RTC's are created in the MRETS system as RNG is produced. When the Company purchases RNG from PSE, the associated RTC's are transferred from PSE to Avista's account. Avista will then retire the RTC's as the customers in the program consume the RNG.

Staff believes the Company should implement processes to validate RTC data provided by PSE and Klickitat PUD, as well as information within MRETS.

Customer Participation

The Company asserts that customers will be able to enroll in the RNG Program online or over the phone. The RNG Program provides customers with the opportunity to participate without a contract and they will have the option to enroll and/or cancel participation at any time. The Company states that; "the ease of enrollment and no contractual obligations have been validated as a customer satisfier in recent surveys and customer feedback sessions." *Application* at 4.

Program Measurement

To measure program performance, the Company stated that it will establish metrics to track customer satisfaction, customer awareness, and customer participation. Customer satisfaction will be measured by an annual Net Promoter Score ("NPS") survey on an annual basis, which measures customer experience and customers' overall satisfaction with the Company's products or services. The Company will monitor customer awareness through external web traffic to the program page. Finally, customer participation will be measured by the number of customers enrolling and retention within the RNG program. All three of these metrics will be important as the program strives for higher levels of customer satisfaction and improved sentiment, ultimately driving broader awareness and interest in support of renewable energy.

Staff recommends that the Company file annual RNG Program reports with Idaho specific details regarding the aforementioned metrics. The annual report should also include (1) the budget from the previous year, (2) operating expenses, (3) RNG Program participation by month, (4) all RTC purchases made and retired for Idaho customers, and (5) where those RTCs

were produced. The report should provide RNG Program revenues and expenses, including RTC costs, marketing, and administration.

Tariffs

Staff reviewed the Company's proposed tariff and discovered a number of discrepancies. The tariff as filed incorrectly states: "The renewable natural gas sourced shall be recognized via the M-RETs tracking system or another tracking system as required by the Idaho State legislature." Idaho does not have any legislative requirements for RNG or associated tracking systems. Staff questioned use of this language in Production Request No. 7. In response, the Company agreed to file a substitute tariff page with the above quoted language removed.

The proposed tariff also includes language regarding renewable hydrogens: "Low carbon energy program options available to customers will utilize the types of Renewable natural gas and renewable hydrogen." The Company did not propose a renewable hydrogen program and does not have a definitive timeline to offer one. Additionally, the Company did not add the new tariff to its tariff index page. The Company has agreed to delete the aforementioned renewable hydrogen language and provide revised draft tariffs for Staff review. If the Company's proposed RNG Program is approved, Staff recommends that the Company file a conforming tariff that deletes the language described above and a revised tariff index page to include Schedule 195.

STAFF RECOMMENDATION

The Company's RNG Program, if approved, will provide Idaho natural gas customers with an opportunity to participate in carbon reduction efforts at minimal cost. Staff recommends the Commission approve the Company's proposed RNG Program and require the Company to:

- 1) File conforming tariffs consistent with changes outlined above;
- 2) Prepare and distribute public notification and materials with specific information for Idaho customers including an effective date; and
- 3) File annual RNG reports with Idaho specific details outlined above.

Respectfully submitted this 23rd day of June 2022.



Dayn Hardie
Deputy Attorney General

Technical Staff: Kevin Keyt
Jolene Bossard
Laura Conilogue
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 23RD DAY OF JUNE 2022, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-G-22-01, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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