John P Rothlin

Attached please find comments submitted on behalf of Avista Corp.

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

October 3, 2024

Attn: Adam Saul
Environmental Planner
Washington State Department of Ecology
P.O. Box 47600
Olympia, WA 98504-7600

Re: Informal Comments of Avista Utilities on Clean Fuels Program Rule

Dear Mr. Saul,

Avista Corporation (Avista) submits the following comments in response to the notice of opportunity for informal comments with regard to Ecology's Clean Fuels Program Rule under Chapter 173-424 WAC. Avista is an electric and natural gas utility headquartered in Spokane, Washington. We serve more than 415,000 electric utility customers and about 382,000 natural gas customers in multiple states, with more than 60 percent of sales occurring in Washington.

Avista has been an active participant in the earliest phases of state's Clean Fuels Standard (CFS) Program as a credit generator, providing low-carbon transportation electric energy and vehicle charging services.

We appreciate Ecology's engagement with stakeholders, the explanation of proposed rule changes and the opportunity to provide comments in the early stages of this rulemaking. Avista is committed to contributing to an effective and well-functioning clean fuels program. We offer comments on the following elements of the draft rules.

Book and Claim Accounting for EV Charging

Ecology announced in a recent workshop that it is also considering changes in the methodology for book-and-claim accounting for EV charging. Ecology is considering "additionality" and "regionality" requirements for RECs used to make clean energy claims. Avista believes these requirements are outside the scope of the CFS program, which is to displace conventional higher emitting fuels (gasoline and diesel) with cleaner fuels, such as electricity. Placing "additionality" or "regionality" limitations on the type of clean energy is unnecessary and would work against the goals of the CFS program.

To meet new load requirements, including those resulting from electric vehicle charging demand, utilities select from a suite of resources based on sophisticated planning models. Those resources may include new generation, upgrades to existing generating facilities, energy storage or non-wire solutions, such as energy efficiency, conservation, or demand response. Utilities do not build and assign specific new resources to meet specific new loads. Requiring renewable energy credits (RECs) to be sourced from newly constructed resources would require the build out of expensive new resources that may not be needed. This is inconsistent with prudent utility practices and could cause potential conflicts with established resource planning methodologies.

Align CFS Program With Other Clean Energy Policies

Washington electric utilities are subject to the clean energy requirements of the Clean Energy Transformation Act (CETA), enacted in 2019. This law has set Washington electric utilities on a path to be carbon neutral by 2030. Utilities are already taking significant steps to meet this carbon-neutral threshold. The 2030 requirement dictates that utilities use renewable and non-emitting resources equal to 80 percent of their load. The remaining 20 percent of their compliance obligation can be met with alternative resources, including RECs, energy transformation projects, and conservation and efficiency measures. All of these tools contribute to the delivery of clean energy.

Additionally, CETA allows for the use of RECs generated anywhere in the Western Interconnect. This is the footprint of the Western Renewable Energy Generation Information System (WREGIS) run by the Western Electric Coordinating Council – the REC tracking system recognized by Ecology under this current rule. To limit REC eligibility to the Pacific Northwest footprint is unnecessarily restrictive and ignores the increasingly interconnected functionality of the western grid that relies on the broader region for balancing and maintaining the reliability of a clean energy system.

More stringent additionality and regionality requirements would diminish the contributions of electric utilities in reducing emissions from the transportation sector. Electric utilities may be purchasing RECs at the lowest available cost to meet CETA requirements that would not meet more stringent book-and-claim requirements of the CFS. To meet the requirements of both, the utility may have to purchase more expensive RECs or multiple RECs for the same megawatt-hour or energy.

Ecology has expressed its intent to align the CFS program with other state clean energy regulations. Avista supports this principle. It is important that Washington maintain consistency and harmony among its clean energy policies. The CFS Program should align with CETA in meeting the conditions of these separate but complementary clean energy programs by ensuring resources deemed eligible under CETA will satisfy the book-and-claim requirements under the CFS.

Align CFS Requirements with REC Accounting Systems

Additionally, the administrative, compliance and reporting requirements under the CFS rule would function more effectively if more closely aligned with the tracking protocols of WREGIS. Under the WREGIS REC tracking system, RECs are identified by their vintage (the year in which they were generated) and subcategorized by the six-month period in which they were generated (Front

Half, Back Half). Many of the CFS tracking and reporting requirements are quarterly, but RECs cannot be distinguished by quarters.

Furthermore, the requirement that RECs be generated in the current quarter or the previous two quarters is a much too restrictive window for procuring and retiring RECs. Contracting can sometimes take several months if it includes onboarding a new party. Since RECs cannot be identified by quarter, the look-back window for eligible RECs is essentially six months. Avista proposes an 18-month window for eligible RECs used for book-and-claim accounting, to better align with the WREGIS tracking system. Alternatively, the rule could look solely on the vintage of the REC rather than the delivery or retirement timeline. Delivery and retirement can vary based on a number of inconsequential factors, including contracting timelines and administrative tasks.

Creating additionality and regionality requirements and narrow timelines for eligibility all tend to drive prices up, by reducing the pool of eligible RECs and the timing for purchases. The cost proposition of achieving incremental credits is already questionable in the current CFS market. Putting upward cost pressure on REC purchases will diminish incentives for utilities to pursue enhanced emissions reductions through this program.

Avista appreciates the opportunity to collaborate with Ecology and interested stakeholders on the development of CFS Program rules, and we look forward to participating in further discussions and workshops. Please direct any questions regarding these comments to me at 509-495-2823.

Sincerely,

/s/ Rendall Farley

Rendall Farley
Manager, Clean Energy Solutions
Avista Corp.