

**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

**LC 75**

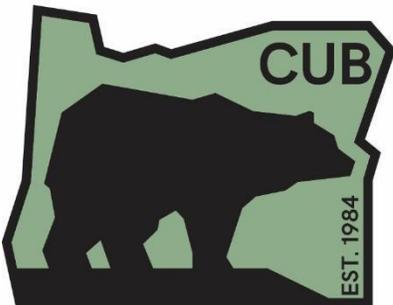
In the Matter of )  
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AVISTA CORPORATION, dba AVISTA )  
UTILITIES, )  
 )  
2021 Integrated Resource Plan. )  
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**FINAL COMMENTS**

**OF THE**

**OREGON CITIZENS' UTILITY BOARD**

August 3, 2021



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**I. INTRODUCTION**

The Oregon Citizens' Utility Board (CUB) hereby submits its final comments on Avista Corporation's (Avista or the Company) 2021 Integrated Resource plan (IRP or Plan) filed on April 1, 2021.

CUB appreciates Avista's response to several recommendations that CUB made in its opening comments. In these final comments, CUB acknowledges Avista's responses and also discusses issues that were not addressed in Avista's reply comments. CUB also supports Staff's request for the Company to incorporate the impact of community climate goals in the plan and briefly discusses this issue in the light of Avista's response.

## II. CUB RECOMMENDATIONS AND AVISTA'S RESPONSES

CUB comments on its previous recommendations and Avista's subsequent responses.

### 1. *No Growth Scenario*

CUB recommended that Avista include a No Growth Scenario in its next IRP and consider the impacts on Oregon customers in the analysis while also addressing resulting equity issues in its service area. If load growth does not materialize while the Company continues to make capital investments in its system, Avista's remaining customers may be exposed to increasing rates.

Avista addressed this comment and has agreed to include No Growth as a potential scenario in the 2023 IRP. Avista also stated that a regional study on fuel alternatives in addition to electricity may be needed to correctly forecast customer growth on Avista's system. CUB agrees that different fuel choices exist but given the current emphasis on electrification as a cost-effective path to decarbonization, it is likely to be the dominant fuel of the future.<sup>1</sup> CUB looks forward to Avista's analysis.

### 2. *Include a carbon price range as opposed to a single value of zero for Idaho.*

CUB recommended that Avista include a carbon price range with a lower limit of \$0 for its Idaho jurisdiction, rather than an absolute zero carbon price. CUB's recommendation was based on the belief that a zero carbon cost assumption may not be realistic in the light of how climate policies are evolving among communities as well as at the federal level.

Avista explains that it is unable to assume a carbon price in the absence of any state or federal policy or legislative bills that could provide a more definite price signal. Avista states

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<sup>1</sup> Evolved Energy Research, Oregon Clean Energy Pathways Final Report, June 15, 2021, [https://uploads-ssl.webflow.com/5d8aa5c4ff027473b00c1516/60de973658193239da5aec7b\\_Oregon%20Clean%20Energy%20Pathways%20Analysis%20Final%20Report.pdf](https://uploads-ssl.webflow.com/5d8aa5c4ff027473b00c1516/60de973658193239da5aec7b_Oregon%20Clean%20Energy%20Pathways%20Analysis%20Final%20Report.pdf)

in its IRP that it does not foresee greenhouse gas policies in place in Idaho “beyond federal regulations.”<sup>2</sup> CUB understands Avista’s position but would also refer Avista to its peer utility Idaho Power that has performed several carbon price scenario analyses for its system amidst regulatory uncertainties. One example is Idaho Power’s “Planning Carbon Case” which uses a carbon price forecast from Wood McKenzie based on the assumption that carbon costs will be regulated at the federal level and that no state policies are in place.<sup>3</sup> CUB would like to see Avista run similar analyses in its next IRP.

### *3. Gas demand response programs.*

CUB discussed the importance of gas demand response (DR) programs and suggested that Avista look into demand response as a potential resource in future IRPs.

Avista stated it would look into quantifying DR in its 2023 IRP. The Company also stated that it may need to hire an external consultant for that purpose as ETO is unable to provide the analysis at this time. CUB appreciates Avista’s effort and looks forward to DR analysis in the 2023 IRP.

### *4. Evaluate RNG sources and ownership structures.*

CUB recommended that the Company evaluate a variety of renewable natural gas (RNG) sources and ownership structures prior to committing to an RNG project.

Avista discusses various barriers that might pose challenges to developing an RNG project. However, the Company has not responded to CUB’s recommendation above. CUB is yet to learn from Avista if evaluating multiple RNG sources and ownership structures (for instance, build vs. buy) would be a viable exercise prior to project commitments. In order to

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<sup>2</sup> Avista 2021 IRP, p-100. <https://edocs.puc.state.or.us/efdoks/HAA/lc75haa114158.pdf>

<sup>3</sup> Idaho Power Second Amended 2019 IRP, p-106. <https://edocs.puc.state.or.us/efdoks/HAS/lc74has162123.pdf>

ensure Avista's customers are able to utilize RNG in a least cost, least risk manner, CUB recommends Avista evaluate a variety of SB 98 compliance pathways prior to moving forward with a project. In a nascent market with speculative costs, it is even more important to demonstrate prudence by exploring various options.

*5. Avista's pipeline system readiness for hydrogen.*

CUB recommended that Avista provide a description of the Company's current gas infrastructure and whether it is able to handle hydrogen. CUB also asked that the Company provide information on the capital investment needed to handle hydrogen on system. CUB is interested in hearing Avista's response to CUB's request around hydrogen and its distribution system. While hydrogen has been discussed as a technology to potentially help the natural gas sector comply with climate mandates, the true costs of integrating it into existing natural gas infrastructure have not been extensively studied.

### **III. COMMUNITY CLIMATE GOALS**

CUB raised the issue of community climate goals in its comments on other regional gas utility IRPs and fully supports the request made by Staff to Avista to identify and engage in discussions with communities that consider reducing natural gas emissions as a means to achieve clean energy goals. CUB also appreciates that Avista has engaged in discussions with these communities, notably, the City of Ashland and the City of Talent, both of which list reducing natural gas emissions as strategies to achieve their respective clean energy goals. For instance, Talent's Clean Energy Action Plan (2018 -2030) states "As Talent migrates all of its energy use to clean, renewable sources, it is ultimately expected that natural gas and propane appliances will be

phased out and replaced with electric ones.”<sup>4</sup> Similarly, City of Ashland’s Climate and Energy Action Plans seeks to “...reduce GHG emissions through switching from higher-carbon fuels such as natural gas and gasoline to lower carbon electricity. .... identify ways to promote this kind of fuel switching in the community.”<sup>5</sup>

Avista’s discussion on community climate goals is centered around affordability concerns raised by the members of these communities, including homeowners, businesses, public agencies and others in case there are future mandates on fuel switching from natural gas to electricity. Avista suggests in its reply comments that homeowners and businesses that are able to use clean energy have shown preferences for carbon offsets and RNG over electricity. Avista also points out several other Oregon counties that are not considering restrictions on natural gas use at this time.

CUB appreciates Avista’s community engagement efforts and understands that affordability concerns around electrification and fuel switching are real and important. Customers in Avista’s jurisdiction have shown interest in RNG, however, RNG does not exist in Avista’s system yet. On the other hand, measures and policies to accelerate electrification are being designed at a much faster rate. Studies have established “environmentally beneficial electrification”<sup>6</sup> to be imperative to achieve carbon reduction.<sup>7</sup> The City of Ashland and the City

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<sup>4</sup> City of Talent Comprehensive Plan, Appendix A: Talent Clean Energy Action Plan 2018 -2030, p 8. [http://www.cityoftalent.org/SIB/files/Planning/Development\\_Codes/8-1%20Comprehensive%20Plan-\(Effective%2012-20-19\).pdf](http://www.cityoftalent.org/SIB/files/Planning/Development_Codes/8-1%20Comprehensive%20Plan-(Effective%2012-20-19).pdf)

<sup>5</sup> Ashland Climate and Energy Action Plan, p.52.

[https://ashlandor.org/wp-content/uploads/Ashland-Climate-and-Energy-Action-Plan\\_pages.pdf](https://ashlandor.org/wp-content/uploads/Ashland-Climate-and-Energy-Action-Plan_pages.pdf)

<sup>6</sup> Environmentally beneficial electrification refers to electrification of energy end uses that have been powered by fossil fuels including natural gas, fuel oil, propane, gasoline or diesel.

<sup>7</sup> a. Dennis, K. 2015. “Environmentally Beneficial Electrification: Electricity as the End-Use Option.” *Electricity Journal* 28(9).

b. Borgeson, Sam. Haley, Ben. Hart, Elaine. Mahone, Amber. Price, Snuller. Ryan, Nancy. Williams, Jim. 2015. “California PATHWAYS: GHG Scenario Results.” *Energy +Environmental Economics*.

c.LBNL. 2013. California’s Carbon Challenge Phase II Volume I: Non- ElectricitySectors and Overall Scenario.

d. Jacobson, Mark Z. 2015. “Stanford Engineers develop state-by-state plan to convert U.S. to 100% clean, renewable energy by 2050”. *Stanford News*.

of Talent have aggressive clean energy transition goals and list solar, wind, geothermal and hydro resources as part of the communities' future energy profile. Communities that are not considering restricting natural gas at present may move in that direction soon enough, as seen in multiple cities on the West Coast. It will be unrealistic to assume that Oregon is isolated from policy decisions in other states. As many as forty-eight cities in California have adopted building codes to phase out natural gas and increase electrification in new buildings. We cannot prevent similar movements in Oregon. CUB believes it is reasonable for Avista to plan for such a scenario.

#### **IV. CONCLUSION**

CUB appreciates the opportunity to participate in Avista's 2021 IRP process and Avista's response to CUB's recommendations for its future IRP. CUB still has some concerns around RNG analysis and hydrogen issues which were not addressed in Avista's reply comments. CUB believes that meeting energy needs for customers across Oregon that are planning to transition out of natural gas usage will be an important issue going forward and suggests that the Company be prepared to plan for and adapt to these changes.

Dated this 3<sup>rd</sup> day of August 2021

Respectfully submitted,



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