ORDER NO. 25-354

ENTERED Sept. 4, 2025

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

LC 81

In the Matter of AVISTA CORPORATION, dba AVISTA UTILITIES, 2023 Natural Gas Integrated Resource Plan.	ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on September 2, 2025, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:

Alison Lackey
Chief Administrative Law Judge

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. RA1

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 2, 2025

REGULAR __X__ CONSENT ____ EFFECTIVE DATE __Upon Commission Approval__

DATE: August 26, 2025

TO: Public Utility Commission

FROM: Sandra Namukaya

THROUGH: Caroline Moore, JP Batmale, and Kim Herb **SIGNED**

SUBJECT: AVISTA UTILITIES:
(Docket No. LC 81)
Request for acknowledgement of 2025 Integrated Resource Plan Update's 2025 to 2026 Action Items.

STAFF RECOMMENDATION:

Acknowledge Avista Utilities' (Avista or Company) 2025 Integrated Resource Plan (IRP) Update's 2025 to 2026 Action Items.

DISCUSSION:

Issue

Whether the Commission should acknowledge Avista Utilities' 2025 IRP Update and 2025 to 2026 Action Items.

Applicable Rule or law

Under ORS 756.040, the Commission is authorized to supervise and regulate every Oregon public utility, and to do all things necessary and convenient in the exercise of such power and jurisdiction. OAR 860-027-0400(8), mandates energy utilities to submit an annual update on its most recently acknowledged IRP on or before the acknowledgment order anniversary date and may request acknowledgment of changes, identified in its update, to the IRP action plan.

OAR 860-027-0400(8)(b) & (c) also requires the Utility to provide an assessment of changes since the acknowledgment order that affects the action plan to select best portfolio of resources, including changes in such factors as load, expiration of resource contracts, supply-side and demand-side resource acquisitions, resource costs, and transmission availability and provide justification for any deviations from the action plan contained in its acknowledged IRP.

Analysis

Background

On April 1, 2025, Avista filed the update to its 2023 IRP (2025 IRP Update or IRP Update).[1] This IRP Update follows the partial acknowledgement of Avista's 2023 IRP in Order No. 24-156. In that Order, the Commission acknowledged Avista's near term plan but did not approve the Company's long-term plan and Preferred Resource Portfolio (PRS).

Commission Order No. 24-254 later granted Avista an extension to file its next IRP on or before April 1, 2027, to align its Oregon filing date with Idaho and Washington jurisdictions. The Order also required IRP Updates in both 2025 and 2026 that meet the following conditions:

1. Avista seek acknowledgement of its action plan in the 2025 IRP Update, and
2. Avista respond to the directives of Order No. 24-256 for the 2023 IRP in its 2025 IRP Update filing.[2]

Staff notes that Avista did not initially seek acknowledgement of the 2025 IRP Update Action Plan, but in Reply comments corrected this oversight by seeking acknowledgement of six action items, which Staff interprets as an Action Plan. Additionally, Avista responded to the directives in Order No. 24-256 and addressed most of Staff's comments in the Company's Reply Comments. No other Stakeholders submitted comments on Avista's IRP Update.

It is important to note that during the acknowledgement of the Avista's 2023 IRP Action Plan, the Company had to revise its plan as follows: 1) removed Action Item No. 1 pertaining to the purchase of Community Climate Investments (CCIs) for compliance with the Climate Protection Plan (CPP); 2) modified original Action Item No. 4 to remove reference exploring additional new energy efficiency offerings for transport customers in 2024; and 3) removed original Action Item No. 5 related to the acquisition of Renewable Natural Gas (RNG) in 2023 and 2024 for Oregon. Following the reinstatement of the

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[1] For clarity, Staff refers to Avista's April 1, 2025, filing as the 2025 IRP Update or IRP Update, even though it is an update to the 2023 IRP. Any reference to the Company's past full Oregon IRP is referred to simply as the 2023 IRP.

[2] Docket No. LC 81, Order No. 24-254 (July 29, 2024) at https://apps.puc.state.or.us/orders/2024ords/24-254.pdf.

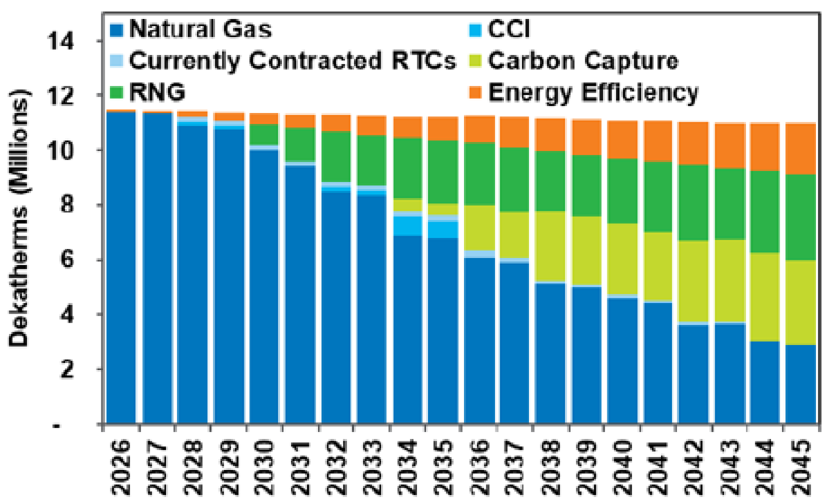
CPP in November 2024, the Company has since reinstated and revised these action items as part of this IRP Update.

In the following sections Staff will provide an overview of Avista's Preferred Resource Strategy (PRS) and the CPP Compliance Strategy as they provide critical compliance context going forward. Staff will also briefly review each of the six proposed Action Items for acknowledgement and address two other outstanding issues.

Preferred Resource Strategy
Avista's 2025 IRP Update outlines an Oregon specific PRS that reflects compliance requirements under the CPP, updated load forecasts, revised alternative fuel cost assumptions, and available volumes. The PRS maintains conventional natural gas as the primary near term energy source. The 2025 IRP Update's PRS shows declining natural gas usage as the Company incorporates alternative resource options such as RNG, Renewable Thermal Credit (RTC), energy efficiency, CCIs, and Carbon Capture Utilization and Storage (CCUS) through 2045, as shown in Figure 1 below: Avista's PRS for all customers.

Staff notes that for the 2025 – 2026 action plan period, Avista's energy efficiency investments coupled with its allotted CPP Compliance instruments (CI) are expected to cover the Company's emissions reduction strategy. Avista plans to purchase CCIs in phases, beginning in 2028 and 2029 and later in 2034 and 2035, while CCUS is selected starting in 2035 and increases annually through 2045 to offset carbon emitted from natural gas. The Company also plans to incorporate additional alternative fuels starting in 2030.[3]

Figure 1: Avista's PRS for All Customers



3 Avista 2025 IRP Pg. 48.

In Opening Comments Staff noted the Commission's direction for Avista to evaluate alternative portfolios and provide realistic cost assumptions for decarbonized fuels in the next IRP. While compliance with these directives will be addressed in the full IRP filing, Staff will continue to monitor the Company's progress towards these requirements and intends to review interim work including preliminary studies on cost and volumetric availability assumptions, among others, in the IRP Updates.

Staff also notes that the Company has made progress towards Recommendation 4 requirement from Order No. 24-156, for future IRPs to stress test the PRS and alternative resource portfolios and provide metrics comparing the severity and variability of risk in alternative portfolios. Staff inquired about the risks associated with the incorporation, or role, of CCUS in the PRS,[4] however, Avista did not provide any additional response to the question raised by Staff in its reply comments. Staff appreciates that the Company is still in the investigative stages of adopting new decarbonization compliance technologies and encourages Avista to engage with Staff and stakeholders prior to launching any pilots or investigative research for investments in such technologies.

In collaboration with other Northwest Utilities, including Cascade Natural Gas and Northwest Natural, Avista undertook a coordinated study with ICF[5] for CCUS, Hydrogen (H_2), RNG, RTC, and Synthetic Methane (SM) in their various production types, facility sizes, volumes, and any incentives offered to assist with the costs of their production. Avista reports that more work is required in determining reasonable stochastic variability used to determine risk around possible additional costs and resources. Staff commends Avista for these partnerships and looks forward to tracking progress of these studies and how these findings play out in future filings.

Avista is not seeking acknowledgement of the updated PRS and long-term plan, which were not acknowledged in the 2023 IRP.[6] While Avista provides a much more balanced estimate of total resources, including electrification, in this IRP Update, significant amounts of RNG are required in 2030 and CCUS plays an important role beginning in 2035. Staff expects Avista to continue providing more detailed information in the 2026 IRP Update and in the 2027 IRP. Specifically, the Company should discuss contingencies should newer resources and technologies fail to develop in the necessary volumes forecasted to meet CPP compliance.

Climate Protection Program Compliance Strategy
Avista's 2025 IRP Update presents an updated CPP compliance strategy which reflects updated emissions caps and compliance instruments (CI) allocations. Avista anticipates that compliance instruments allocated by the DEQ will be sufficient to cover expected emissions during the first compliance period, 2005 to 2027. However, as noted in

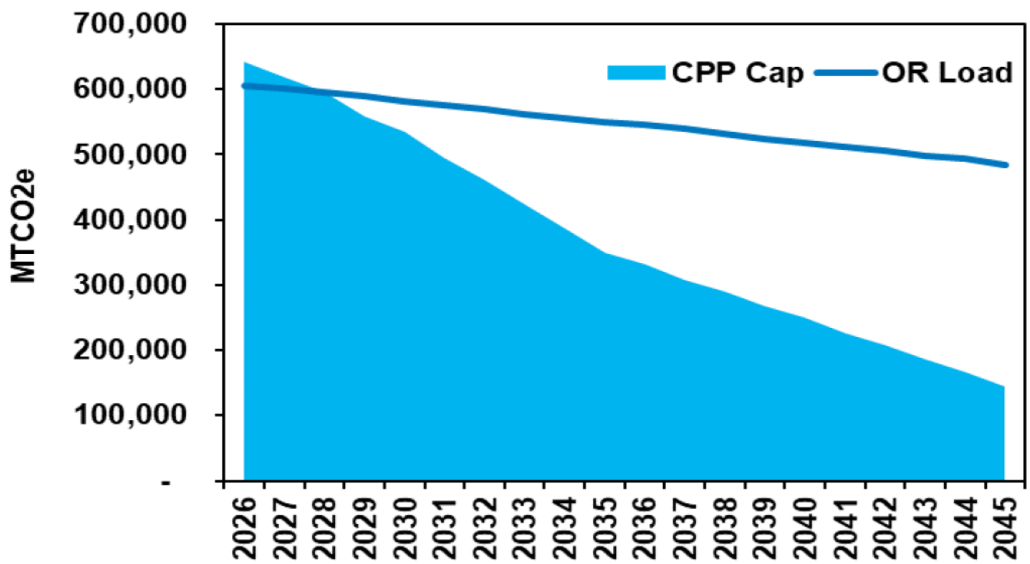
4 Staff's Opening Comments Pg 14.
5 ICF: Strategic Consulting & Communications Consultant.
6 *See* Order No. 24-156 May 31, 2024, Pg 1.

Avista's Reply Comments, the Company maintains flexibility to procure additional CCIs should emissions exceed projections due to factors such as cold weather or high demand.[7] Staff supports this approach, but notes that the Company has not provided clear contingency strategy in terms of volumes of additional CIs should the current assumptions prove insufficient. Nevertheless, Staff finds that Avista's updated CPP Compliance strategy reflects current regulatory realities, incorporating a mix of proven and emerging tools and retaining flexibility to respond to demand and emissions uncertainties.

Figure 2 shows the expected emissions from serving load with natural gas as compared to the number of compliance instruments available through the CPP to offset these emissions.[8]

Figure 2: Avista IRP Fig 7.5 Expected emissions compared to CPP emissions target

Figure 7.5: Expected Load Forecast Emissions Compared to CPP Emissions Target



In Reply Comments, Avista provided incremental and cumulative CCP compliance costs by resource option.[9] Staff appreciates this response and finds that the disaggregated cost by compliance instrument offers valuable insights for evaluating resource selection and relative costs over time. Staff will work with Avista and stakeholders so that in the next IRP, Avista undertakes sensitivity analysis of potential changes in availability of alternative fuels like RNG availability and CCI prices.

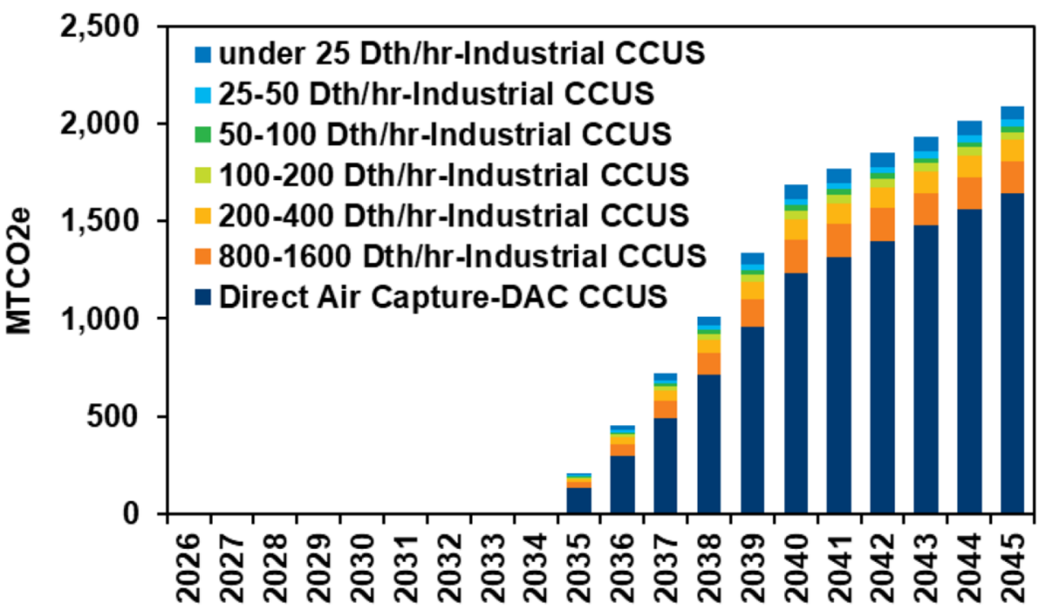
7 Avista's Reply Comments July 22, Pg. 4.
8 Avista 2025 IRP Pg. 175.
9 Avista Reply Comments June 22, 2025, Pg. 3.

Action Item 1: Carbon Capture, Utilization, and Storage
Avista seeks acknowledgement of Action Item 1, regarding investigating carbon capture technologies for further understanding of processes and costs needed for capturing and removing carbon in large industry and direct air capture.

In the 2025 IRP Update, Avista identifies CCUS as a long-term demand-side and CPP Compliance resource beginning with 2,206 daily dekatherm equivalents in 2035 and up to 4,174 in 2045. The IRP Update assumes that CCUS will become cheaper relative to other emissions reduction resource options, particularly CCIs as technology costs decline and federal tax incentives improve.

Using the study by ICF for, Avista, Northwest Natural and Cascade, the Company in this IRP has provided prices for assumed carbon capture by type and total volumes estimates as shown in Figure 3 below.

Figure 33: Above shows IRP Fig 6.24 Shows estimated volume of CCUS



Staff notes the changes to the CCUS tax credits both under the Inflation reduction Act (IRA), including the increase in the value of Direct Air Capture (DAC) projects, and the One Big Beautiful Bill Act, further increasing credits for some DAC technologies. Despite these changes, Avista is not revising its resource selection in this IRP Update.

CCUS is an emerging resource and also new to the Company's 2025 IRP Update, with studies still under consideration. This raises questions about technology readiness and the extent to which carbon capture will be available for long term compliance. Leading up to, and as part of, the 2027 IRP Staff will engage stakeholders and Avista to ensure the planned CCUS volumes, including storage and transportation, reflect best known data. Additionally, Staff encourages the Company to engage TAC members in development of realistic cost and readiness assumptions, to continue monitoring regional development opportunities, and to provide any progress insights in the next IRP Update.

Finally, Staff notes that Avista is only seeking to investigate carbon capture technologies leading up to the next IRP.

Recommendation 1: Commission acknowledge Avista's 2025 to 2026 Action Item 1 for Avista to investigate carbon capture technologies leading up to the next IRP

Action Item 2: Community Climate Investments Procurement
Avista requests acknowledgement of Action Item 2 pertaining to the purchase of CCI for compliance with the CPP for years 2025 to 2027, if needed based on actual emissions, and 2028 and 2029 as selected in the PRS to comply with emission reduction targets.

In response to Staff's query about the reduction in projected CCIs acquisition from 4,923 MMBtu and 4,613 MMBtu in 2028 and 2029, respectively, Avista explains that the decrease is driven by the anticipated rising costs of CCIs and the availability of more cost-effective alternatives to CPP compliance. Staff agrees with Avista's update.

Recommendation 2: Commission acknowledge Avista's 2025 to 2026 Action Item 2 for Avista to purchase CCIs for compliance with CPP for years 2025 to 2027 if needed based on actual emissions, and 2028 and 2029 as selected in the PRS to comply with emission.

Action Item 3: Energy Efficiency
Avista seeks acknowledgement of Action Item 3, to work with Energy Trust of Oregon (ETO) to meet IRP gross savings target of 463,410 therms in 2026.

The 2025 IRP Update continues to include energy efficiency (EE) investments as a core component of its CPP compliance strategy. Avista notes that EE is expected to remain the least-cost strategy to meet 12.8 percent of customer demand by 2045 in Oregon. This is especially true when compared to the expected costs of other CPP compliance measures, including decarbonized fuels, CCUS, electrification, and demand response.

Staff in Opening Comments noted that the 2025 IRP Update included working with the Energy Trust of Oregon (ETO) to meet EE gross savings target of 463,410 therms in 2026, which represents a decline from the 2023 IRP forecasts (i.e., 2024: 568,000 therms; 2025: 590,000 therms; 2026: 614,000 therms).

Avista's reply comments attributed the 2024 gross savings shortfall to the updated building codes which required higher baseline EE levels for new commercial buildings, hence reducing the incremental savings available from ETO program participation. Avista also noted that the Commission granted a measure exception request for this program to address the code-related impacts. Excluding this programmatic issue, Avista noted that ETO achieved 94 percent of the IRP gross savings targets.

Staff appreciates Avista's transparency in identifying causes of the 2024 EE savings shortfall and acknowledges the mitigation steps taken by the Company and ETO. Staff agrees that ETO's on-going stakeholder engagements can provide a reasonable pathway to meeting 2026 savings targets.

Recommendation 3: Commission acknowledge Avista's 2025 to 2026 Action Item 3 for Avista to work with Energy Trust of Oregon to meet IRP gross savings target of 463,410 therms in 2026.

Action Item 4: Interruptible, Transport, and Low-Income Offerings
Avista seeks acknowledgement of Action Item 4, regarding engaging Oregon's stakeholders to explore additional new offerings for interruptible, transport, and low-income customers to work towards identified savings of 147,250 therms in 2026.

Staff also appreciates Avista's collaboration with Community Action agencies to implement the Avista Oregon Low-income Energy Efficiency (AOLIEE) program, which installs insulation, air sealing, duct sealing, and provides needed health, safety, and minor repair for its low-income customers. The Company explained that it was undertaking more stakeholder engagements, with Energy Trust, Staff, and its newly formed Equity Advisory Group to expand the program's reach to energy-burdened customers. The Company is seeking in this 2025 IRP Update to explore additional new offerings for interruptible, transport and low-income customers with goal of reaching 147,250 identified therms of savings in 2026, adjusted from the planned 2023 IRP Action plan.

Table 1:Comparison of EE new offerings Action Items Between 2023 IRP and 2025 IRP Update

2023 Action Plan	2025 IRP Update Action Plan
Engage Oregon stakeholders to explore additional new offerings for interruptible and low-income customers to work towards identified savings of: • 375,000 therms in 2024, • 381,000 therms in 2025, and • 371,000 therms in 2026.	Actual: Preliminary 2024 savings for interruptible and low-income programs 126,500 therms with ETO low-income targeted efforts estimated at 23,949 therms. Action Item: Explore additional new offerings for interruptible, transport and low-income customers – with goal of reaching: • 147,250 identified therms of savings in 2026.

Avista also notes that a carbon reduction program via EE has been offered for transport customers since 2023 with measures such as boiler pipe insulation, steam trap replacement, and strategic energy management. Transport Customers emissions targets are also included in Avista's CPP planning. Avista Commits to continue working with interested parties to determine appropriate EE programs for transport customers in 2025.

Staff, in Opening Comments, noted that Avista's EE program for low-income customers had underperformed, achieving only 39.3 percent of 2023 IRP savings targets. Staff will work with Stakeholders and Avista at TAC meetings and through its Equity Advisory Group to understand how Avista will meet its proposed new targets going forward. Avista, in reply comments, stated that Energy Trust is currently engaging stakeholders for their 2026-2030 multi-year plan regarding savings, costs and utility specific action plan. Avista indicated that Energy Trust had therefore demonstrated that the IRP gross savings goals would be achieved. Avista also highlighted that a transport schedule EE program to reduce carbon emissions has been made available through Energy Trust for 2025 with a $638,034 budget and an additional $159,509 as a contingency to support additional EE acquisition. Staff believes with these new efforts Energy Trust will be able to meet the Company's EE IRP targets and therefore looks forward to more engagement with Energy Trust during their progress reporting.

Recommendation 4: The Commission acknowledge Avista's 2025 to 2026 Action Item 4 for Avista to engage Oregon's stakeholders to explore additional new offerings for interruptible, transport, and low-income customers to work towards identified savings of 147,250 therms in 2026

Action Item 5: Renewable Natural Gas
Avista is seeking acknowledgement of Action Item 5, regarding releasing an annual RFP to investigate options of acquiring the necessary amount of RNG chosen in the PRS in 2030 of 1.184 million dekatherms.

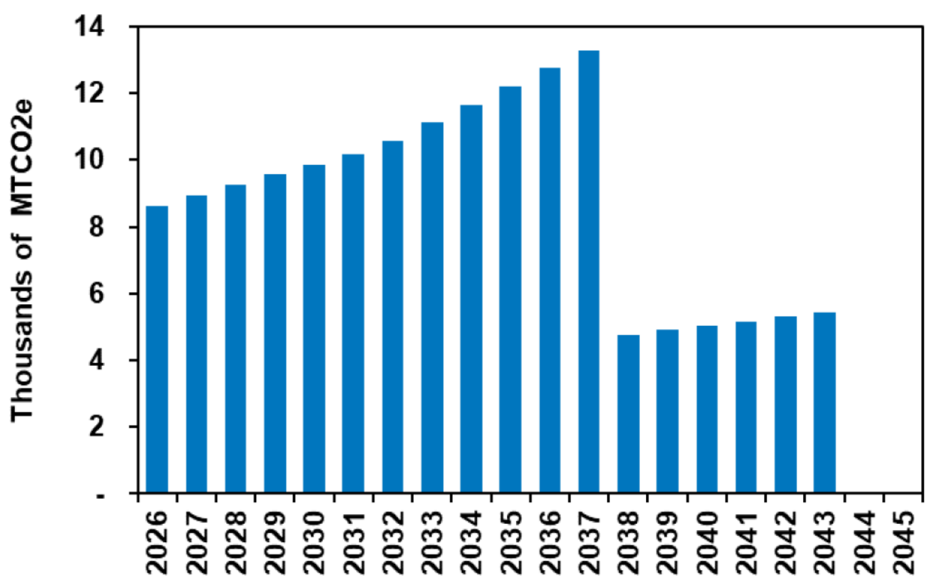
Avista's 2025 IRP identifies RNG as a core alternative fuel resource. RNG is modeled as an emissions reduction resource in the PRS beginning in 2030 with over 1.1 million dekatherms and ramps up to over 3 million dekatherms by 2045. The 2025 IRP Update indicates that customer demand will be met by 26 percent of RNG by 2045
Avista in the 2023 IRP had committed to acquire the RNG through an RFP process in the near term, with a focus on long-term purchase contracts with volumetric flexibility at least cost. However, the action item relating to the procurement of RNG in alignment with the CPP targets was eliminated during acknowledgement, after the Oregon Court of Appeal's CPP ruling. The IRP Update reinstates RNG procurement as a key long-term decarbonization strategy.

Table 2: Comparison of 2023 and 2025 RNG Action Plan

2023 Action Plan ***Pre-CPP Invalidation***	**2025 IRP Update Action Plan**
Consider contracting with an outside entity to help value supply side resource options…including RNG.	Avista contracted with ICF to develop inputs for alternative fuel costs and volumes.
Original Action Plan: "In Oregon, acquire 8.64 million therms of RNG in 2023 and 21.80 million therms of RNG in 2024."[10]	Release annual RNG RFP to investigate options of acquiring volumes chosen in PRS in 2030 of 1.184 million Dth.

Avista has acquired long-term purchase of Renewable Thermal Certificates (RTCs) associated with 9.7 million therms of RNG on an annual basis from regional and national projects. Through this strategy, Avista is able to purchase smaller volumes of total projects' RTCs and sell the remaining environmental benefits into California's Low Carbon Fuel Standard (LCFS) and the national Renewable Identification Number (RIN) markets to offset the total cost of RTCs obtained. Figure 4 below shows Avista's expected RTC greenhouse gas reduction volumes.[11]

Figure 4: Avista's Contracted RTCs Total available Volumes



[10] *See* Avista's 2023 IRP Action Item No. 5, Pg. 9-5.
[11] Avista 2025, IRP Pg. 135.

Staff appreciates that Avista's evaluation of RNG acquisition considers both ownership and market purchases, building on the 2023 IRP evaluation, and provides reasonable basis for balancing short-term market participation and long-term resources strategy. Staff encourages Avista to continue using this evaluation strategy as well as stakeholder engagement to ensure PRS decisions align with RNG and hydrogen market developments.

In this IRP Update, Avista committed to acquiring 1.184 million Dth of RNG through an RFP process with starting in 2030. Staff notes that this is significantly less than the originally planned 2023 IRP, which included annual volumes of 8.64 million therms in 2023 and 21.8 million therms in 2024. Staff finds these conservative estimates more realistic based on the RNG market availability that Staff had sought in the 2023 IRP.

In reply comments, Avista stated that in the event that RNG volumes were less accessible or more costly than expected, the Company would consider alternative fuel types, accelerated energy efficiency, and RTCs and CCIs to meet the resource need. Staff finds Avista's plan to pursue market-based RNG procurement during the near term reasonable given the current technology, resource availability, and compliance requirements.

Recommendation 5: Commission acknowledge Avista's 2025 to 2026 Action Item 5 for Avista to release an annual RFP to investigate options of acquiring the necessary amount of RNG chosen in the PRS.

Action Item 6: Non-Pipeline Alternatives Analysis
Avista seeks acknowledgement of Action Item 6, to perform a Non-Pipeline Alternative (NPA) analysis for any distribution project in Oregon with an estimated cost greater than $500,000.

The 2025 IRP Update indicated that evaluation of NPAs should be considered when the cost of an upgrade is high enough such that an NPA may be cost effective, can be accomplished prior to the time the upgrade is needed, and can lead to a great enough reduction of demand to defer or eliminate the need for the upgrade.

Avista indicated that no distribution projects are expected in Oregon at the time of filing the IRP Update.[12] Staff notes that, consistent with the approved settlement in Order No. 25-198, Avista is required to conduct an NPA analysis on two capital projects and submit the analysis in a compliance filing within 15 months, due June 2026, in UG 519 Docket.[13] Staff therefore recommends acknowledging Action Item 6 as it is consistent with the requirements established in the approved settlement, while also supporting cost-effective resource planning.

[12] Avista Reply Comments June 22, 2025, Pg 7.
[13] See Docket No. UG 519, Order No. 25-198, May 13, 2025, Pg 4.

In the same settlement, Avista agreed to complete a study within 9 months to determine where capping and pruning, decommissioning, and removal of identified sections of the system may be an option for a targeted voluntary electrification pilot, to provide a cost-effective alternative to Aldyl-A pipeline replacement.[14] Avista indicated that this study would be concluded as a separate analysis, outside the IRP model, and submitted to the Commission in June 2026. Staff finds this approach consistent with Commission Order No. 25-198 and that Avista should collaborate with the TAC members on future IRPs to capture standard NPA screening outputs and assumptions.

Recommendation 6: Commission acknowledges Avista's Action Item 6 for Avista to perform an NPA analysis for any distribution project with an estimated cost greater than $500,000.

Other Issues

Load Forecasting

Avista's 2025 IRP's energy need represents key drivers to load that include changes in weather patterns, electrification, changes in appliance efficiency and voluntary electrification, and changes in demand due to population growth. Avista presents a long-term gas load forest that projects moderate customer growth, largely in Oregon. The average customer growth rates in Oregon are 0.46 percent for residential customers and 0.37 percent for commercial customers. Industrial customers in both Idaho and Oregon have a negative growth rate.

Staff, in Opening Comments, requested that Avista clarify the differences in the CPP-applicable load forecasts, associated with the removal of emission intensive trade exposed customers (EITEs) from consideration. Staff also asked for a comparison between the 2023 IRP base forecast, without EITEs, and the alternate 2025 IRP Update CPP compliance-related base forecast. Avista explained that the 2023 load forecast relied on historic use, per customer, for base months (July through August) and heating load coefficients by geographic area and customer class. However, the 2025 IRP excludes EITEs, in line with the updated CPP rules, and uses an end-use model, rather than historic use per customer, which includes equipment upgrades and efficiency. Staff finds this shift reasonable and consistent with CPP Compliance goals.

Electrification

Avista's IRP Update incorporates two types of electrification, company driven and customer driven. The former is utility initiated when electrification is selected within the PRS either to meet system need or to comply with state environmental policies. The second is organic electrification driven by customer adoption or demand growth.

[14] See Docket No. UG 519, Order No. 25-198, May 13, 2025, *Pg* 2.

Staff also noted that Avista had not yet implemented expectation 7 from the 2023 IRP, which required the Company to use advanced metering infrastructure data and Form 10Q data to capture customer behavior and develop a baseline for organic electrification scaling.[15] Staff encourages Avista to continue collaborating with TAC members to improve electrification modelling and where possible consider using Washington based proxy estimates adjusted for Oregon Conditions.

With regards to the cost of electrification, Avista explained that the 2025 IRP Update projects higher electrification costs compared to the 2023 IRP due to increased equipment costs, inflation, and higher borrowing rates. Avista noted that while electricity rates were updated to reflect lower-cost providers, like Bonneville Power Administration, overall costs rose, with the total cost to electrify a home increasing from $4,406 in 2023 to $6,244 in 2025. Additionally, new laws reducing or eliminating the IRA incentives for energy efficient home improvements will impact the costs further, reducing electrification uptake by homeowners.

Avista reported being unable to address Staff expectation 20[16] in the 2023 IRP in this IRP Update, which recommended better coordination of modelling assumptions across multiple complementary resources, utilities and improve the accuracy of the load forecasting of the electrification scenario in Avista's Oregon's territory. Avista cited challenges that complicate modelling such as determining which forecast to use, incorporating non-PacifiCorp service territory, coordinating with multiple utilities Investor Owned Utilities, Public Utility Districts and Co-Ops to obtain comparable cost estimates, as well as variation in climate and economic factors across service areas. Staff reiterates that Avista should proactively engage with the TAC to identify feasible modelling approaches and develop coordinated electrification scenarios.

Overall, Avista's 2025 IRP Update reflects progress towards aligning long-term planning with Oregon's electrification scenario and CPP requirements. Going forward, Avista should continue to work closely with the TAC to ensure that forecasts and resource strategies adequately reflect Oregon's realities.

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15 Order No. 24-156 Modified Expectation 7: *"Expectation 7: Continue to work with TAC members on how to model customer growth impacts from HB 3409 and the potential for further Oregon electrification policies reflecting those in place in Washington."*

16 Order No. 24-156: "Expectation 20: Staff expects Avista to work with the TAC to identify a PAC IRP scenario reflecting electrification that Avista might use to generate a load forecast for its next IRP. Before the next IRP, Avista should work with PAC to collect the load forecasts used in planning that most closely reflects a building electrification scenario for the overlapping territories. With these load forecast results, Avista should discuss with PAC supporting commentary regarding supply-side and demand-side resource impacts, rate impacts, and associated GHG emissions with each scenario/portfolio. Avista should discuss with the TAC the extent to which the Company might be able to model the equivalent in its next IRP."

Hydrogen and Synthetic Methane Resources
For this IRP Update Avista considers hydrogen and synthetic methane as new supply side alternative resources that are modeled to go online in 2035. However, due to updated cost assumptions, uncertainties around large-scale deployment, and commercialization risks, neither resource is selected in the PRS. The 2025 IRP Update includes revised assumptions for both resources, supported by additional cost and availability estimates from the ICF study in comparison to the 2023 IRP. These updated analyses indicate that under current market and technology conditions, hydrogen remains uneconomic for near-term selection. Staff also observes that synthetic methane's role in CPP compliance is significantly reduced from the 2023 IRP.

Staff appreciates the Company's efforts in refining inputs and assumptions for alternative fuel resources and collaboration with other utilities to advance the studies and adoption of synthetic methane and hydrogen resources given their intermedia role in the broader adoption of RNG.

Staff finds Avista's assessment of these alternative fuels conservative in comparison to the 2023 IRP assumptions, particularly in projecting available volumes over the planning horizon as well as acquisition targets. Staff finds the Company's consideration of these resources reasonable and reflective of the current market conditions. Staff looks forward to working with the Company in future TAC meetings to provide more feedback as the role of these resources evolve.

<u>Conclusion</u>
Staff finds that the Company has made progress in the 2025 IRP Update to align its PRS and 2025 to 2026 action plan with Oregon's CPP requirements. Avista has expanded its scenario analysis to explore potential system uncertainties and to evaluate the adoption of new technologies and alternative fuel resources in line with Commission's direction in Order No. 24-156.

Staff recommends that the Commission acknowledge Avista's 2025 to 2026 Action Items as follows:

Recommendation 1: Commission acknowledge Avista's 2025 to 2026 Action Item 1 for Avista to investigate carbon capture technologies leading up to the next IRP.

Recommendation 2: Commission acknowledge Avista's 2025 to 2026 Action Item 2 for Avista to purchase CCIs for compliance with CPP for years 2025 to 2027 if needed based on actual emissions, and 2028 and 2029 as selected in the PRS to comply with emission.
Recommendation 3: Commission acknowledge Avista's 2025 to 2026 Action Item 3 for Avista to work with Energy Trust of Oregon to meet IRP gross savings target of 463,410 therms in 2026.

Recommendation 4: The Commission acknowledge Avista's 2025 to 2026 Action Item 4 for Avista to engage Oregon's stakeholders to explore additional new offerings for interruptible, transport, and low-income customers to work towards identified savings of 147,250 therms in 2026

Recommendation 5: Commission acknowledge Avista's 2025 to 2026 Action Item 5 for Avista to release an annual RFP to investigate options of acquiring the necessary amount of RNG chosen in the PRS.

Recommendation 6: Commission acknowledges Avista's Action Item 6 for Avista to perform an NPA analysis for any distribution project with an estimated cost greater than $500,000.

Staff also looks forward to working with stakeholders and Avista on several of the issues mentioned in this memo in the lead up to the 2026 IRP Update and the 2027 IRP.

PROPOSED COMMISSION MOTION:

Acknowledge Avista Corporation's 2025 IRP Update's 2025-2026 action items.

RA1 - LC 81 2025 IRP Update Acknowledgement