

**BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION
COMMISSION**

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)	DOCKET NO. UE-
)	
In the Matter of Avista’s Renewable Target in)	
Compliance with RCW 19.285 and WAC)	COMPLIANCE REPORT OF
480-109)	AVISTA CORPORATION
)	
_____)	

In compliance with WAC 480-109-040, Avista Corporation (hereinafter Avista or Company) respectfully submits its report demonstrating compliance with the renewable energy component of the Energy Independence Act in the above captured matter. A checklist of the required contents and a table of contents is below.

RCW 19.285	WAC 480-109	Section/Page
For each year that a qualifying utility elects to demonstrate alternative compliance under RCW 19.285.040 (2) (d) or (i) or 19.285.050 (1), it must include in its annual report relevant data to demonstrate that it met the criteria in that section.	The report must state if the utility is relying upon one of the alternative compliance mechanisms provided in WAC 480-109-030 instead of meeting its renewable resource target. A utility using an alternative compliance mechanism must include sufficient data, documentation and other information in its report to demonstrate that it qualifies to use that alternative mechanism.	Alternative Compliance Page 3
the utility's annual load for the prior two years,	the utility's annual load for the prior two years,	Annual Load For Previous Two Years Page 3
the amount of megawatt-hours needed to meet the annual renewable energy target,	the total number of megawatt-hours from eligible renewable resources and/or renewable resource credits the utility needed to meet its annual renewable energy target by January 1 of the target year	Renewable Energy Target Page 4
the amount of megawatt-hours of each type of eligible renewable resource acquired, the type and amount of renewable energy credits acquired,	the amount (in megawatt-hours) and cost of each type of eligible renewable resource used	Renewable Energy Acquired To Have Met Renewable Energy Target Page 5

<p>the percent of its total annual retail revenue requirement invested in the incremental cost of eligible renewable resources and the cost of renewable energy credits.</p>	<p>the type and cost (per megawatt-hour) of the least-cost substitute resources available to the utility that do not qualify as eligible renewable resources, the incremental cost of eligible renewable resources and renewable energy credits, and the ratio of this investment relative to the utility's total annual retail revenue requirement.</p>	<p>Incremental Cost Compared To Annual Retail Revenue Requirement</p> <p>Pages 4 – 5</p>
	<p>The report must describe the steps the utility is taking to meet the renewable resource requirements for the current year. This description should indicate whether the utility plans to use or acquire its own renewable resources, plans to or has acquired contracted renewable resources, or plans to use an alternative compliance mechanism.</p>	<p>Current Year Progress</p> <p>Page 6</p>

I. BACKGROUND

RCW Chapter 19.285, the Energy Independence Act, also known as Initiative Measure No. 937 or I-937, requires large utilities to obtain fifteen percent of their electricity from eligible renewable resources, such as wind generation, by 2020 and undertake cost-effective energy conservation.

The Commission adopted WAC Chapter 480-109, *Acquisition of Minimum Quantities of Conservation and Renewable Energy* to effectuate RCW Chapter 19.285. The compliance report, per WAC 480-109-040, must include:

- 1) The utility's annual load for the prior two years;
- 2) The total number of megawatt-hours from eligible renewable resources and/or renewable resource credits the utility needed to meet its annual renewable energy target by January 1 of the target year;

- 3) The amount (in megawatt-hours) and cost of each type of eligible renewable resource used;
- 4) The amount (in megawatt-hours) and cost of renewable energy credits acquired;
- 5) The type and cost (per megawatt-hour) of the least-cost substitute resources available to the utility that do not qualify as eligible renewable resources;
- 6) The incremental cost of eligible renewable resources and renewable energy credits; and
- 7) The ratio of the incremental cost of the qualifying renewable resources relative to the utility's total annual retail revenue requirement.

II. ALTERNATIVE COMPLIANCE

WAC 480-109-030 provides three alternatives for meeting renewable resource requirements, including:

- 1) Investment of at least four percent of the Company's total annual retail revenue requirement on the incremental costs associated with the procurement of qualified renewable energy or renewable energy credits;
- 2) Events beyond reasonable control prevented the utility from meeting the renewable energy target; and
- 3) The utility experiencing zero load growth over the past three years.

Avista is not using an alternative to the renewable resource requirement for the 2012 target. The Company is meeting its 2012 renewable resource compliance using a combination of renewable energy credits and qualifying hydroelectric plant upgrades and expects to do the same in 2013.

III. ANNUAL LOAD FOR PREVIOUS TWO YEARS

Renewable targets for the compliance year are based on average Washington State retail loads from the two prior years. Avista's annual delivered load to Washington retail customers was 5,467,176 MWh in 2010 and 5,602,601 MWh in 2011. The Company's average retail load used for 2012 compliance is 5,534,889 MWh.

IV. RENEWABLE ENERGY TARGET

The following information is for the 2012 compliance year, which has a 3 percent qualified renewable energy target. Avista's 2012 renewable energy target is 166,047 MWh of qualified renewable generation or renewable energy credits. Table 1 provides details about the Company's 2012 renewable energy target calculation.

Table 1: Energy Independence Act Renewable Energy Target

	2010	2011	2012
Washington Retail Load (MWh)	5,467,176	5,602,601	
Target Load (MWh)			5,534,889
RCW 19.285 Requirement	0%	0%	3%
Requirement (MWh)	0	0	166,047

V. RENEWABLE ENERGY ACQUIRED TO MEET RENEWABLE ENERGY TARGET

This compliance report covers the 2012-calendar year per RCW 19.285.070. Table 2 details Avista's qualifying hydroelectric upgrades used for the 2012 compliance period. Calculations supporting the figures in Table 2 are in Appendix A and the supporting spreadsheets are in the confidential workpapers for this filing. Table 2 does not show any wind credits because of the renewable energy certificate sales for the benefit of customers shown in Appendix A. Table 3 shows the WREGIS certificate serial numbers that are in a holding account until Avista receives an order from the Commission to retire them for Energy Independence Act compliance.

Table 2: Renewable Energy for 2012 Compliance¹

	2012
RCW 19.285 Compliance Need (MWh)	166,047
Eligible Renewable Resources (MWh)	252,655
Eligible Renewable Resource Sales (MWh)	(61,450)
Renewable Resource Surplus	25,158

Table 3: Renewable Energy for 2012 Compliance

WREGIS Generation Unit ID	Generator Plant – Unit Name	Certificate Serial Numbers
W1560	Cabinet Gorge Unit 2	1560-ID-64070-1 to 29008
W1561	Cabinet Gorge Unit 3	1561-ID-64071-1 to 45808
W1562	Cabinet Gorge Unit 4	1562-ID-64072-1 to 20517
W2102	Little Falls Unit 4	2102-WA-60725-1 to 4862
W2103	Long Lake Unit 3	2103-WA-60726-1 to 14197
W1530	Noxon Rapids Unit 1	1530-MT-64044-1 to 21435
W1552	Noxon Rapids Unit 2	1552-MT-64062-1 to 7709
W1554	Noxon Rapids Unit 3	1554-MT-64064-1 to 14529
W1555	Noxon Rapids Unit 4	1555-MT-58567-1 to 5144
N/A	Wanapum Fish Ladder	See Attestation in Work Papers

VI. INCREMENTAL COST COMPARED TO ANNUAL RETAIL REVENUE REQUIREMENT

Avista calculated the incremental cost of investments made to meet RCW Chapter 19.285, by taking the revenue requirement for each qualifying project compared to the cost of alternative power over the same period. In this case, the least-cost substitute resource is actual 2012 Mid-Columbia wholesale electric market power prices. The 2012 cost of the qualifying renewable resources was higher than the least-cost substitute resource by an amount equal to 0.795 percent of Washington retail revenue requirement. Appendix B shows the calculation of

¹ In 2008, Avista purchased 50,000 renewable energy certificates per year generated from the Stateline Wind Project for the 2012 through 2015 period to comply with RCW Chapter 19.285 requirements. Avista sold the renewable energy certificates for 2012 through 2014 because they became surplus of the Company's needs in 2011 because of the acquisition of the Palouse Wind Power Purchase Agreement and decisions concerning the need for reserves for qualifying hydroelectric upgrades. Avista retained the 2015 renewable energy certificates since they are eligible for 2016 compliance obligations.

this incremental cost for the qualified renewable resources. The supporting documentation and spreadsheets are located in the confidential work papers for this filing.

VII. CURRENT YEAR PROGRESS

Avista plans to meet its 2013 renewable energy targets with a combination of the qualified hydroelectric upgrades listed above and other renewable energy certificates from qualifying resources. Details about Avista's plans for 2013 compliance are in Appendix A. Table 4 provides a high level summary of the Company's expected 2013 compliance.

Table 4: 2013 Energy Independence Act Compliance Summary

	2013
RCW 19.285 Compliance Need (MWh)	166,740
Eligible Renewable Resources (MWh)	541,742
Eligible Renewable Resource Sales (MWh)	(40,000)
Renewable Resource Surplus	335,002
Estimated 2012 Surplus Applied to 2013²	0

VIII. APPENDICES

The following appendices provide details about the eligible renewable resources Avista used to meet its renewable energy goals under the Energy Independence Act.

Appendix A – UTC Compliance Report Spreadsheet

Appendix B – Incremental Cost Calculations

Appendix C – Clark Fork River Hydroelectric Project Qualifying Upgrades Report

Appendix D – Spokane River Hydroelectric Project Qualifying Upgrades Report


Appendix E – Wanapum Hydroelectric Project Qualifying Upgrade Report

Appendix F – Department of Commerce Energy Independence Act Renewables Report

² The surplus applied to 2013 is lower than the total surplus because qualified hydroelectric upgrades must be used for compliance only in the year they are generated.

RESPECTFULLY SUBMITTED this 31st day of May 2013.

AVISTA CORPORATION

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