

**BEFORE THE WASHINGTON 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  
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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 captioned matter. A checklist of the required contents and a table of contents is below.

<b>RCW 19.285</b>	<b>WAC 480-109</b>	<b>Section/Page</b>
For each year that a qualifying utility elects to demonstrate alternative compliance under RCW <a href="#">19.285.040</a> (2) (d) or (i) or <a href="#">19.285.050</a> (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 <a href="#">480-109-030</a> 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.	<b>Alternative Compliance</b>  Page 3
the utility's annual load for the prior two years,	the utility's annual load for the prior two years,	<b>Annual Load For Previous Two Years</b>  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	<b>Renewable Energy Target</b>  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	<b>Renewable Energy Acquired To Have Met Renewable Energy Target</b>  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><b>Incremental Cost Compared To Annual Retail Revenue Requirement</b> Page 6</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><b>Current Year Progress</b> Page 7</p>

## I. BACKGROUND

RCW Chapter 19.285, the Energy Independence Act, also known as Initiative Measure No. 937 or I-937, requires utilities with more than 25,000 customers 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 2014 target. The Company is meeting its 2014 renewable energy target using a combination of renewable energy credits and qualifying hydroelectric plant upgrades, and expects to do the same in 2015.

## **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 5,513,396 MWh in 2012 and 5,678,868 MWh in 2013. The Company's average retail load used for 2014 compliance is 5,596,132 MWh.

#### IV. RENEWABLE ENERGY TARGET

The following information is for the 2014 compliance year, which has a 3 percent qualified renewable energy target. Avista's 2014 renewable energy target is 167,884 MWh of qualified renewable generation or renewable energy credits. Table 1 provides details about the Company's 2014 renewable energy target calculation.

**Table 1: Energy Independence Act Renewable Energy Target**

	2012	2013	2014	2015
<b>Washington Retail Load (MWh)</b>	5,513,396	5,678,868	5,685,958	5,724,455
<b>Target Load (MWh)</b>	5,534,889	5,557,999	5,596,132	5,682,413
<b>RCW 19.285 Requirement</b>	3%	3%	3%	3%
<b>Requirement (MWh)</b>	166,047	166,740	167,884	170,472

#### V. RENEWABLE ENERGY ACQUIRED TO MEET RENEWABLE ENERGY TARGET

This compliance report covers the 2014-calendar year per RCW 19.285.070. Table 2 details Avista's eligible renewable energy acquired to meet its 2014 renewable energy target. Calculations and further details supporting the figures in Table 2 are included in Appendix A and the supporting documents are in the confidential workpapers supporting this filing.

**Table 2: Renewable Energy for 2014 Compliance<sup>1</sup>**

	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Water (Qualified Hydroelectric Upgrades)</b>	192,016	170,089	170,089
<b>Wind</b>	0	25,934	469,671
<b>Solar</b>	0	0	0
<b>Geothermal</b>	0	0	0
<b>Landfill Gas</b>	0	0	0
<b>Wave, Ocean or Tidal</b>	0	0	0
<b>Gas from Sewage Treatment</b>	0	0	0
<b>Biodiesel Fuel</b>	0	0	0
<b>Biomass</b>	0	0	0
<b>Total</b>	<b>192,016</b>	<b>196,023</b>	<b>639,760</b>

Table 3 shows the WREGIS certificate serial numbers associated with the renewable energy resources acquired to meet Avista's 2014 renewable energy target. The table does not include the 25,934 MWh from Wind shown in Table 2 above as the Company intends to sell those RECs. No RECs were available from the Wanapum Fish Ladder for 2014 because of a draw down at the Wanapum hydroelectric project from February 2014 through March 2015 to repair a crack on the spillway. Grant PUD informed the Company on April 24, 2015 that no incremental hydro generation would be available for 2014 compliance from the Wanapum facility. Grant PUD has not elected to record the generation from Wanapum hydroelectric project in WREGIS, so the incremental hydro generation from the fish ladder will no longer be available for Avista's future compliance goals under the most recent update to WAC 480-109-210, unless the project is listed under WREGIS in the future.

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<sup>1</sup> 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.

**Table 3: Renewable Energy for 2014 Compliance**

<b>WREGIS Generation Unit ID</b>	<b>Generator Plant – Unit Name</b>	<b>Quantity</b>	<b>Certificate Serial Numbers</b>
W1560	Cabinet Gorge Unit 2	29,008	1560-ID-129523-1 to 29008
W1561	Cabinet Gorge Unit 3	38,264	1561-ID-129524-1 to 38264
W1561	Cabinet Gorge Unit 3	7,544	1561-ID-133215-1 to 7544
W1562	Cabinet Gorge Unit 4	20,517	1562-ID-129525-1 to 20517
W2102	Little Falls Unit 4	4,862	2102-WA-109698-1 to 4862
W2103	Long Lake Unit 3	10,927	2103-WA-109699-1 to 10927
W2103	Long Lake Unit 3	3,270	2103-WA-112568-1 to 3270
W1530	Noxon Rapids Unit 1	21,435	1530-MT-133190-1 to 21435
W1552	Noxon Rapids Unit 2	7,709	1552-MT-133207-1 to 7709
W1554	Noxon Rapids Unit 3	14,529	1554-MT-133208-1 to 14529
W1555	Noxon Rapids Unit 4	12,024	1555-MT-133209-1 to 12024
<b>Total</b>		<b>170,089</b>	

**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 annual levelized revenue requirement (\$/MWh) for each qualifying project compared to the cost of alternative power over the same period. Each qualifying resource is compared to a combined cycle combustion turbine (CCCT). To estimate the annual levelized cost of the CCCT, cost assumptions are used based upon the IRP from the time of the resource decision with costs split between energy (\$/MWh) and capacity (\$/kW-year). Avista includes any REC sales as a reduction to the incremental cost calculation. The Company also includes an adjustment to account for the value of RECs transferred from Idaho to Washington. In total, the addition of qualified renewable resources decreases the Washington revenue requirement by 0.72 percent. This reduction is due to the savings in hydro upgrade investments. Appendix B shows the calculation of this incremental cost for the qualified renewable resources; the amount of qualifying resources and the ratio of the incremental cost of the qualifying resources relative to

the total annual retail revenue requirement. The supporting documentation and spreadsheets are located in the confidential work papers for this filing.

## VII. CURRENT YEAR PROGRESS

Avista plans to meet its 2015 renewable energy targets with a combination of the qualified hydroelectric upgrades listed above and other renewable energy certificates from qualifying resources. Table 4 provides a high level summary of the Company's expected 2015 compliance. Appendix A contains more details about this information.

**Table 4: 2015 Energy Independence Act Compliance Summary**

	<b>2015</b>
<b>RCW 19.285 Compliance Need (MWh)</b>	170,472
<b>Eligible Renewable Resources (MWh)</b>	639,760
<b>Eligible Renewable Resource Sales (MWh)</b>	0
<b>Renewable Resource Surplus</b>	469,288
<b>Estimated 2014 Surplus Applied to 2015</b>	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

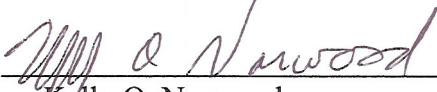
**Appendix C:** Clark Fork River Hydroelectric Project Qualifying Upgrades Report

**Appendix D:** Spokane River Hydroelectric Project Qualifying Upgrades Report

**Appendix E:** Department of Commerce Energy Independence Act Renewables Report

RESPECTFULLY SUBMITTED this 29<sup>th</sup> day of May 2015.

AVISTA CORPORATION

By:   
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Kelly O. Norwood

Vice President, State and Federal Regulation