BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of Avista's Renewable Target in Compliance with WAC 480-109-210	)	DOCKET NO. UE-17_____
	)	COMPLIANCE REPORT OF AVISTA CORPORATION

I. BACKGROUND

The Energy Independence Act (EIA), 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 and solar generation, by 2020 and undertake cost-effective energy conservation. Per WAC Chapter 480-109-210, "On or before every June 1st, each utility must file an annual renewable portfolio standard report with the commission and the Department of Commerce detailing the resources the utility has acquired or contracted to acquire to meet its renewable resource obligation for the target year." In compliance with WAC 480-109-210, Avista Corporation (hereinafter Avista or Company) respectfully submits its report demonstrating compliance with the renewable energy component of the EIA.

II. REQUIRED REPORT CONTENTS CHECKLIST

A checklist of the required report contents and a table of contents is below.

WAC Citation	Description	Section/Page
480-109-210(2)	The utility's annual load for the prior two years	III/2
480-109-210(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	IV/2
480-109-210(2)	The amount (in megawatt-hours) of each type of eligible renewable resource used and the amount of renewable energy credits acquired	V/3
480-109-210(2)(a)(iii)	In addition to the total revenue requirement ratio, the utility must report its total incremental cost as a dollar amount and in dollars per megawatt-hour of renewable energy generated by all eligible renewable	VI/3

	resources and multiply the dollars per megawatt-hour cost by the number of megawatt-hours needed for target year compliance.	
480-109-210(2)(b)	State whether the utility is relying upon one of the alternative compliance mechanisms provided in WAC 480-109-220 instead of fully meeting its renewable resource target.	VII/4
480-109-210(2)(c)	Describe the resources that the utility intends to use to meet the renewable resource requirements for the target year.	VIII/4
480-109-210(2)(d)	A list of each eligible renewable resource that serves Washington customers, for which a utility owns the certificates, with an installed capacity greater than twenty-five kilowatts.	IX/5
480-109-210(2)(e)	If a utility serves retail customers in more than one state, the utility must allocate certificates consistent with the utility's most recent commission-approved interstate cost allocation methodology. The report must show how the utility applied the allocation methodology to arrive at the number of certificates allocated to Washington ratepayers. After documenting the number of certificates allocated to Washington ratepayers, a utility may transfer certificates to or from Washington ratepayers. The report must document the compensation provided to each jurisdiction's ratepayers for such transfers.	X/6
480-109-210(2)(f)	The number of certificates that it sold, their WREGIS certificate numbers, their source, and the revenues obtained from the sales.	XI/6

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 5,732,025 MWh in 2015 and 5,521,300 MWh in 2016. The Company's average retail load used for 2017 compliance is 5,626,663 MWh.

IV. RENEWABLE ENERGY TARGET

The following information is for the 2017 compliance year, which has a 9 percent qualified renewable energy target. Avista's 2017 renewable energy target is 506,400 MWh of

qualified renewable generation or renewable energy credits. Table 1 below provides details about the Company's 2017 renewable energy target calculation.

Table 1: Energy Independence Act Renewable Energy Target

	2015 Actual	2016 Actual	2017 Forecast
Washington Retail Load (MWh)	5,732,025	5,521,300	5,761,469
Target Load (MWh) – Average of prior two years actual loads	5,682,413	5,708,992	5,626,663
RCW 19.285 Requirement	3%	9%	9%
Requirement (MWh)	170,472	513,809	506,400

V. RENEWABLE ENERGY ACQUIRED TO MEET 2017 RENEWABLE ENERGY TARGET

Table 2 below details Avista's eligible renewable energy acquired to meet its 2017 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 2017 Compliance

	2015	2016	2017
Water (Qualified Hydroelectric Upgrades)	170,089	171,482	192,039
Wind	469,671	469,342	378,516
Biomass	0	323,869	287,143
Total	**639,760**	**964,693**	**857,698**

VI. INCREMENTAL COST COMPARED TO ANNUAL RETAIL REVENUE REQUIREMENT

Avista calculated the incremental cost of investments made to meet WAC 480-109-210(2)(a), 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. The value of RECs is split between the two states based on the Company's Production and Transmission Ratio. The Idaho portion of the qualified renewable energy is transferred to Washington based upon the market value of similar renewable resources. This is consistent with the allocation of REC values between Washington and Idaho for ratemaking purposes. In total, the change in revenue requirement is -0.2 percent as reported in Appendix B – Incremental Cost Calculation. Appendix B shows the calculation of this incremental cost for the qualified renewable resources. The supporting documentation and spreadsheets are located in the confidential work papers for this filing.

VII. ALTERNATIVE COMPLIANCE

WAC 480-109-220 provides three alternatives for meeting renewable resource requirements, including:

1) Cost cap;
2) Force majeure; and
3) No load growth.

Avista is not using an alternative to the renewable resource requirement for the 2017 target as provided for in WAC 480-109-220. The Company is meeting its 2017 renewable energy target using a combination of renewable energy credits from wind and biomass and from qualifying hydroelectric plant upgrades.

VIII. CURRENT YEAR PROGRESS

Avista plans to meet its 2017 renewable energy targets with a combination of the qualified hydroelectric upgrades and other renewable energy certificates from qualifying resources. Table 3 below provides a high level summary of the Company's expected 2017 compliance. Appendix A contains more details about this information.

Table 3: 2017 Energy Independence Act Compliance Summary (MWh)

	2017
EIA Compliance Need	506,400
Eligible Renewable Resources	857,698
Eligible Renewable Resource Sales	-274,644
Unrealized Apprentice Credits from REC Sales	-8,110
2017 RECs Applied to 2016	133,880
Renewable Resource Surplus or Deficit	-65,336
Estimated 2018 Surplus Applied to 2017	65,336
Net 2017 Compliance	0

IX. ELIGIBLE RESOURCES

Table 4 shows the WREGIS identification for each of the qualifying resources and projected qualifying generation for the renewable energy resources in place to meet Avista's 2017 renewable energy target. The table includes the amount of qualifying resources net of completed and expected REC sales from Palouse Wind and Kettle Falls. Grant PUD has not elected to record the generation from the Wanapum hydroelectric project in WREGIS, so the incremental hydro generation is not available for Avista's compliance goals under WAC 480-109-210 until such time that Grant PUD registers the Wanapum Project in WREGIS.

Table 4: Renewable Energy for 2017 Compliance Net of REC Sales

WREGIS Generation Unit ID	Generator Plant – Unit Name	Quantity (MWh)
W1560	Cabinet Gorge Unit 2	29,008
W1561	Cabinet Gorge Unit 3	45,808
W1562	Cabinet Gorge Unit 4	20,517
W130 / W797	Kettle Falls	53,048
W2102	Little Falls Unit 4	4,862
W2103	Long Lake Unit 3	14,197
W216	Nine Mile Unit 1	8,804
W283	Nine Mile Unit 2	13,146
W1530	Noxon Rapids Unit 1	21,435
W1552	Noxon Rapids Unit 2	7,709
W1554	Noxon Rapids Unit 3	14,529
W1555	Noxon Rapids Unit 4	12,024
W2906	Palouse Wind	261,313
Total		**506,400**

Energy generated by the Kettle Falls Generating Station is qualified biomass energy under the EIA beginning January 1, 2016. All United States sourced wood waste fuel used at the Kettle Falls Generating Station satisfies the requirements to be "biomass energy" under the EIA, in part because old growth timber is not harvested in any of the applicable areas of the United States. Avista engaged an independent entity, KPMG, to review the sources of Canadian wood waste fuel supply serving the Kettle Falls Generating Station in order to determine the amount of biomass energy that is supplied from Canadian sources. The work papers contain a calculation of the amount of qualifying biomass energy generated by the Kettle Falls Generating Station, and Appendix F – Biomass Methodology Report shows the calculation of the Canadian wood waste fuel component that satisfies the requirements to be "biomass energy".

X. MULTISTATE ALLOCATIONS

100% of the associated RECs from generation that are eligible for the EIA are assigned to Washington customers, and Idaho customers are compensated for the cost of those RECs. The Company includes an adjustment to account for the value of RECs transferred from Idaho to Washington. The value of RECs is split between the two states based on the Production and Transmission Ratio. The Idaho portion of the qualified renewable energy is transferred to Washington based upon the market value of similar renewable resources. This is consistent with the allocation of REC values between Washington and Idaho for ratemaking purposes.

XI. SALES

Table 5 summarizes Avista's system-wide REC revenues by source and by vintage for 2016 and through May 25, 2017. The remainder of the 2017 sales will be in the 2018 report.

Table 5: REC Sales through May 25, 2017

Source	WREGIS #	2015 Vintage	2016 Vintage	2017 Vintage	Total REC Revenue
Kettle Falls	**W130 / W797**	$2,070,367	$2,348,775	$1,971,198	**$6,390,340**
Palouse Wind	**W2906**	$1,971,198	$1,777,775	$322,577	**$4,071,550**
Totals		**$4,041,565**	**$4,126,550**	**$2,293,775**	**$10,461,891**

XII. 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
Appendix F: Biomass Methodology Report

RESPECTFULLY SUBMITTED this 1st day of June 2017.

AVISTA CORPORATION

By: _____
Kelly O. Norwood
Vice President, State and Federal Regulation