

**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-220400  
)  
)  
) 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, dba Avista Utilities (Avista or the 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.

<b>WAC Citation</b>	<b>Description</b>	<b>Section/Page</b>
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 - 4

	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 - 5
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 – 7
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/7
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/7 – 8

### **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 5,461,691 MWh in 2020 and 5,730,588 MWh in 2021. The Company’s average retail load used for 2022 compliance is 5,596,140 MWh.

### **IV. RENEWABLE ENERGY TARGET**

The following information is for the 2022 compliance year, which has a 15 percent qualified renewable energy target. Avista’s 2022 renewable energy target is 839,421 MWh of

qualified renewable generation or renewable energy credits. Table 1 below provides details about the Company's 2022 renewable energy target calculation.

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

	<b>2020 Actual</b>	<b>2021 Actual</b>	<b>2022 Forecast</b>
<b>Washington Retail Load (MWh)</b>	5,461,691	5,730,588	5,709,513
<b>Target Load (MWh) – Average of prior two years actual loads</b>	5,640,469	5,567,284	5,596,140
<b>RCW 19.285 Requirement</b>	15%	15%	15%
<b>Requirement (MWh)</b>	846,070	835,093	839,421

#### **V. RENEWABLE ENERGY ACQUIRED TO MEET 2022 RENEWABLE ENERGY TARGET**

Table 2 below details Avista's eligible renewable energy acquired to meet its 2022 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 workpapers supporting this filing.

**Table 2: Renewable Energy for 2022 Compliance**

	<b>2020<sup>1</sup></b>	<b>2021</b>	<b>2022</b>
<b>Water (Qualified Hydroelectric Upgrades)</b>	135,266	184,710	172,096
<b>Wind</b>	302,728	726,251	916,306
<b>Biomass</b>	408,077	200,780	312,935
<b>Solar</b>	0	0	1,090
<b>Total</b>	<b>846,071</b>	<b>1,111,741</b>	<b>1,402,427</b>

#### **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

<sup>1</sup> 2020 figures show what was used for final compliance determination with the EIA filed in UE-200505.

with costs split between energy (\$/MWh) and capacity (\$/kW-year). Avista includes any Renewable Energy Certificate (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 as described in Section X – Multistate Allocations. In total, the change in revenue requirement is negative 0.6 percent as reported in Appendix B – Incremental Cost Calculation. Appendix B shows the calculation of this incremental cost for the qualified renewable resources. The costs for the solar projects supporting voluntary renewable programs are not included in this cost calculation because the costs and benefits of those projects are paid for by the participants in those programs. The costs in Appendix B were calculated using the current corporate tax rates.

## **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 2022 target as provided for in WAC 480-109-220. The Company is meeting its 2022 renewable energy target using a combination of renewable energy credits from wind and biomass plus qualifying hydroelectric plant upgrades.

## **VIII. CURRENT YEAR PROGRESS**

Avista plans to meet its 2022 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 2022 compliance. Appendix A contains more details about this information.

**Table 3: 2022 Energy Independence Act Compliance Summary (MWh)**

	<b>2022</b>
<b>EIA Compliance Need</b>	839,421
<b>Eligible Renewable Resources</b>	1,402,427
<b>Eligible Renewable Resource Sales</b>	0

<b>Unrealized Apprentice Credits from REC Sales</b>	0
<b>2022 RECs Applied to 2021</b>	0
<b>Renewable Resource Surplus</b>	563,006
<b>Estimated 2023 Surplus Applied to 2022</b>	0
<b>Net 2022 Compliance</b>	563,006

## **IX. ELIGIBLE RESOURCES**

Table 4 below shows the WREGIS identification number for each of the qualifying resources and the projected amount of qualifying generation for the renewable energy resources in place on January 1, 2022 to meet Avista’s 2022 renewable energy target.

Since the 2019 Compliance Report, Avista has been using hydro Method One as approved in Order No. 1 in Docket UE-190445. This method required the use of Avista’s ADSS software to model the output for each qualifying hydro unit using actual stream flows with the pre-upgrade turbine curves. This had been a very time intensive process that the Company believed it could make more efficient in the future. However, the portion of the ADSS software used to calculate Method One is not currently performing as expected and is not predicted to be up and running before the end of 2022 based on programmer limitations and the need for them to focus their efforts on maintaining the use of ADSS to support Avista’s involvement with the EIM. When ADSS was being used to quantify the EIA qualifying number of hydro resources, it was taking up a large enough portion of ADSS’s modeling capabilities that it interfered with the ability of the traders to effectively participate in the EIM. The time needed to run the ADSS model was also proving to be problematic to complete at the end of the month before sending the generation data to WREGIS to be able to accurately identify hydroelectric and incremental eligible hydroelectric generation. No other company is currently using Method One for reporting in WREGIS. This issue with the hydro methodology was discussed with Staff on May 18, 2022.

Avista is asking the Commission to allow the Company to permanently move to using hydro Method Two with a percentage of qualifying hydro resources for the calculation of the amount of each of its qualified hydro upgrades. Avista requests this change due to the following:

- ADSS is not currently available to make this monthly calculation;
- The portion of ADSS for this modeling is not expected to be operational until at least the end of 2022; and

- Method Two will significantly decrease the workload needed to identify EIA qualifying resources every month for recording in WREGIS.

To complete this June 1<sup>st</sup> compliance report, the amount of qualified incremental hydro for 2022 was developed using the average percentages of qualifying hydro resources identified in previous studies for 2012 through 2021. The average qualifying hydro percentage by unit was multiplied times the actual generation through May 20, 2022 plus the Company’s estimate through the remainder of 2022. The results are available in Appendix A.

Table 4 includes the projected amount of qualifying resources net of completed and expected 2022 REC sales from Palouse Wind, Rattlesnake Flat Wind and Kettle Falls. The amount of generation from Kettle Falls shown in Table 4 has been reduced by 4.5 percent to account for the expected amount of non-qualifying old growth fuel from Canadian sources. Even though Grant PUD is registering the qualifying generation from the Wanapum and Priest Rapids hydroelectric projects in WREGIS and Avista is receiving its share of those credits in its WREGIS account, it remains ineligible for EIA compliance because Grant PUD utilizes hydro Method Three, which is no longer allowed for compliance per WAC 480-109-200(7). Avista has elected to receive financial compensation for its share of any eligible incremental hydroelectric generation through its participation in the Residential Exchange Agreement with the Bonneville Power Administration (BPA), so there are no RECs to list from BPA under that agreement.

**Table 4: Renewable Energy for 2022 Compliance Net of REC Sales**

<b>WREGIS Generation Unit ID</b>	<b>Generator Plant – Unit Name</b>	<b>Quantity (MWh)</b>
W1560	Cabinet Gorge Unit 2	28,359
W1561	Cabinet Gorge Unit 3	24,556
W1562	Cabinet Gorge Unit 4	7,666
W130 / W797	Kettle Falls	312,935
W2102	Little Falls Unit 4	2,368
W2103	Long Lake Unit 3	12,759
W216	Nine Mile Unit 1	10,685
W283	Nine Mile Unit 2	9,123
W1530	Noxon Rapids Unit 1	27,996
W1552	Noxon Rapids Unit 2	9,950
W1554	Noxon Rapids Unit 3	23,843

W1555	Noxon Rapids Unit 4	14,791
W2906	Palouse Wind	386,187
W4757	Boulder Solar	1,090
W10997	Rattlesnake Flat Wind	530,119
<b>Total</b>		<b>1,402,427</b>

Energy generated by the Kettle Falls Generating Station became qualified biomass energy under the EIA beginning January 1, 2016. All United States sourced wood waste fuel used at Kettle Falls 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 D – Biomass Methodology Report shows the calculation of the Canadian wood waste fuel component that satisfies the requirements to be “biomass energy”.

There are two additional solar projects listed in Appendix A because they are eligible resources under the EIA. However, the Rathdrum Solar and Adams-Neilson Solar Farm projects are assigned to the My Clean Energy (formerly Buck-A-Block) and Solar Select voluntary renewable programs. All RECs generated by these two resources are retired on behalf of the customers who choose to participate in these voluntary programs.

## **X. MULTISTATE ALLOCATIONS**

All of the associated RECs from generation eligible for the EIA are assigned to Washington customers, and Idaho customers are compensated for the cost of those RECs if RECs are retired on the behalf of Washington customers. 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 EIA-qualified REC revenues by source and by vintage from January 1, 2020 through May 5, 2022. Any additional REC revenues that occur during the rest of 2022 will be included in the 2023 report.

**Table 5: REC Sales through May 5, 2022**

Source	WREGIS #	2020 Vintage	2021 Vintage	2022 Vintage	Total REC Revenue
<b>Kettle Falls</b>	<b>W130 / W797</b>	\$576,509	\$855,154	\$0	<b>\$1,431,663</b>
<b>Palouse Wind</b>	<b>W2906</b>	\$185,785	\$22,497	\$0	<b>\$208,282</b>
<b>Rattlesnake Flat Wind</b>	<b>W10997</b>	\$0	\$802,500	\$0	<b>\$802,500</b>
<b>Totals</b>		<b>\$762,294</b>	<b>\$1,680,151</b>	<b>\$0</b>	<b>\$2,422,445</b>

## 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:** Department of Commerce Incremental Cost Calculations

**Appendix C:** Department of Commerce EIA Renewables Report

**Appendix D:** Biomass Methodology Report

RESPECTFULLY SUBMITTED this 21<sup>st</sup> day of July, 2022.

AVISTA CORPORATION

By: /s/ *Shawn Bonfield*

Shawn Bonfield

Sr. Manager Regulatory Policy & Strategy