BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

	)	
	)	DOCKET NO. UE-200505
	)	
In the Matter of Avista's Renewable Target in	)	
Compliance with WAC 480-109-210	)	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.

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/3
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 5,608,062 MWh in 2018 and 5,672,876 MWh in 2019. The Company's average retail load used for 2020 compliance is 5,640,469 MWh.

IV. RENEWABLE ENERGY TARGET

The following information is for the 2020 compliance year, which has a 15 percent qualified renewable energy target. Avista's 2020 renewable energy target is 846,070 MWh of

qualified renewable generation or renewable energy credits. Table 1 below provides details about the Company's 2020 renewable energy target calculation.

Table 1: Energy Independence Act Renewable Energy Target

	2018 Actual	2019 Actual	2020 Forecast
Washington Retail Load (MWh)	5,608,062	5,672,876	5,557,115
Target Load (MWh) – Average of prior two years actual loads	5,697,837	5,712,707	5,640,469
RCW 19.285 Requirement	9%	9%	15%
Requirement (MWh)	512,805	514,144	846,070

V. RENEWABLE ENERGY ACQUIRED TO MEET 2020 RENEWABLE ENERGY TARGET

Table 2 below details Avista's eligible renewable energy acquired to meet its 2020 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 2020 Compliance

	2018[1]	2019	2020
Water (Qualified Hydroelectric Upgrades)	192,039	124,338	177,304
Wind	320,766	355,784	604,834
Biomass	0	249,183	285,830
Solar	0	0	484
Total	**512,805**	**729,305**	**1,068,452**

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

[1] 2018 figures show what was used for final compliance determination with the EIA.

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 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 supporting documentation and spreadsheets are located in the work papers for this filing. 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 2020 target as provided for in WAC 480-109-220. The Company is meeting its 2020 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 2020 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 2019 compliance. Appendix A contains more details about this information.

Table 3: 2020 Energy Independence Act Compliance Summary (MWh)

	2020
EIA Compliance Need	846,070
Eligible Renewable Resources	1,141,096
Eligible Renewable Resource Sales	(72,048)
Unrealized Apprentice Credits from REC Sales	(596)
2020 RECs Applied to 2019	0
Renewable Resource Surplus	222,382
Estimated 2021 Surplus Applied to 2020	0
Net 2020 Compliance	222,382

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 2020 renewable energy target based on incremental hydro modeled using actual stream flows for January through April 2020 and 2019 stream flows to estimate the rest of 2020. Qualifying incremental hydroelectric generation is calculated using hydro method one after approval in Order No. 1 in Docket UE-190445. Avista is working with the Washington WREGIS Administrator to add the Incremental Eligible Hydroelectric (IEH) designation on its eligible hydro resources to show the split between legacy and EIA eligible hydro generation. Avista has been separating the eligible from the legacy hydro generation manually but is working on getting this designation to comport with the current EIA requirements. The move to hydro method one means that the amount of hydro generation will now vary from year-to-year and 2019 was a poor hydro year, which can be seen in the significantly lower amounts of qualified incremental hydro generation listed from 2019 through 2021 in Appendix A.

Table 4 includes the projected amount of qualifying resources net of completed and expected 2020 REC sales from Palouse Wind and Kettle Falls. The amount of generation from Kettle Falls shown in Table 4 has been reduced by 4.7 percent to account for the expected amount of non-qualifying old growth fuel from Canadian sources. Grant PUD has now elected to record the qualifying generation from the Wanapum and Priest Rapids hydroelectric projects in WREGIS and Avista received its share of those credits in its WREGIS account after the initial filing of this report. The amount of qualifying generation from WREGIS for Avista's share of Wanapum and Priest Rapids is in this report. 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, so there are no RECs to list from BPA. The Rattlesnake Flat Wind Project is under construction and is expected to be online later this year, so the expected generation from that site is included in this report.

Table 4: Renewable Energy for 2020 Compliance Net of REC Sales

WREGIS Generation Unit ID	Generator Plant – Unit Name	Quantity (MWh)
W1560	Cabinet Gorge Unit 2	12,230
W1561	Cabinet Gorge Unit 3	16,757
W1562	Cabinet Gorge Unit 4	1,357
W130 / W797	Kettle Falls	285,830
W2102	Little Falls Unit 4	930
W2103	Long Lake Unit 3	11,669
W216	Nine Mile Unit 1	4,825
W283	Nine Mile Unit 2	2,473
W1530	Noxon Rapids Unit 1	25,911
W1552	Noxon Rapids Unit 2	25,479
W1554	Noxon Rapids Unit 3	14,477
W1555	Noxon Rapids Unit 4	9,952
W2906	Palouse Wind	417,288
W4757	Boulder Solar	484
	Rattlesnake Flat Wind	187,546
W7511	Priest Rapids Unit 3	11,255
W7513	Priest Rapids Unit 2	11,802
W7454	Priest Rapids Unit 9	2,629
W7502	Wanapum Unit 10A	2,556
W7503	Wanapum Unit 7A	23,002
Total		**1,068,452**

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 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 D – Biomass Methodology Report shows the calculation of the Canadian wood waste fuel component that satisfies the requirements to be "biomass energy".

There are three additional solar projects listed in Appendix A because they are eligible resources under the EIA. However, the Boulder Community Solar, Rathdrum Solar and Adams-Neilson Solar Farm projects are assigned to the Community Solar, Buck-A-Block and Solar Select voluntary renewable programs. All RECs generated by these three resources are retired on behalf of the customers who choose to participate in these voluntary programs. The Community Solar program ends on June 30, 2020 and the RECs generated after that date will be available to meet Avista's EIA goals.

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. 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 from January 1, 2018 through May 26, 2020. Any additional REC revenues that occur during the rest of 2020 will be included in the 2021 report.

Table 5: REC Sales through May 26, 2020

Source	WREGIS #	2018 Vintage	2019 Vintage	2020 Vintage	Total REC Revenue
Kettle Falls	**W130 / W797**	$1,387,208	$150,307	$20,000	**$1,557,515**
Palouse Wind	**W2906**	$37,844	$1,610	$0	**$39,454**
Totals		**$1,425,052**	**$151,917**	**$20,000**	**$1,596,969**

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 1st day of July 2020.

AVISTA CORPORATION

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