

Renewable Energy Credit (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 confidential 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 new corporate tax rates.¹

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 2018 target as provided for in WAC 480-109-220. The Company is meeting its 2018 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 2018 renewable energy targets with a combination of the qualified hydroelectric upgrades and other renewable energy certificates from qualifying resources. Table 3

¹The corporate tax rate percentage change to revenue requirement goes from -0.3789% to -0.3873% as shown in the Company's Confidential Workpapers.