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VIA – Commission Web-Portal

Steven V. King
Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

Dear Mr. King,

Attached for filing with the Commission is an electronic copy of Avista Corporation's dba Avista Utilities ("Avista" or "the Company") proposed Schedule 87, "Voluntary Solar Select Program" ("Program") applicable to large commercial and industrial customers tariff WN-U28:

Original Sheet 87
Original Sheet 87a
Original Sheet 87b
Original Sheet 87c

I. PURPOSE AND BACKGROUND OF FILING

Customer interest and demand for additional renewable options, specifically solar, continues to increase, along with corporate sustainability targets becoming increasingly more common. Today, approximately 66% of America's Fortune 100 Companies and 45% of Fortune 500 Companies have sustainability targets as part of their corporate objectives.¹ Increasingly, companies are moving toward establishing the goal of using 100% renewable electric energy to

¹ Source: Rocky Mountain Institute Business Renewables Center. First Solar Power Point presentation to Avista.

support their business operations. The number of corporations doing so in 2015 was 40, and in 2016 that number had increased to 77 U.S. corporations.²

With this in mind, and consistent with RCW 19.29A.090, the Company is proposing to establish a new tariff, Schedule 87 - “Voluntary Solar Select Program” (“Program”), to be offered to its Schedule 21, 25, and 31 customers.³ For reference, RCW 19.29A.090 states the following:

RCW 19.29A.090

Voluntary option to purchase qualified alternative energy resources—Rates, terms, and conditions—Information maintenance.

(1) Beginning January 1, 2002, each electric utility must provide to its retail electricity customers a voluntary option to purchase qualified alternative energy resources in accordance with this section.

(2) Each electric utility must include with its retail electric customer's regular billing statements, at least quarterly, a voluntary option to purchase qualified alternative energy resources. The option may allow customers to purchase qualified alternative energy resources at fixed or variable rates and for fixed or variable periods of time, including but not limited to monthly, quarterly, or annual purchase agreements. A utility may provide qualified alternative energy resource options through either: (a) Resources it owns or contracts for; or (b) the purchase of credits issued by a clearinghouse or other system by which the utility may secure, for trade or other consideration, verifiable evidence that a second party has a qualified alternative energy resource and that the second party agrees to transfer such evidence exclusively to the benefit of the utility.

The Program is limited to Schedule 21, 25, and 31 customers as these customers have shown the most interest in, and demand for, additional renewable options. The Company will continue evaluate addition renewable program options for its small commercial customers and other rate classes, and even the possibility of additional phases of the Solar Select Program in the future.

The proposed Program in this filing will be offered in addition to the Company’s two voluntary programs currently in place:

- Buck-A-Block Program - offered since 2002, this program allows customers to purchase 300 kWh blocks of renewable energy for \$1 to offset part or all of their usage. Approximately 4,400 customers in Washington and Idaho are currently participating in the program.⁴

² Ibid.

³ The following types of commercial customers belong to each rate schedule: Schedule 21 – Large General Service, Schedule 25 – Extra Large General Service, and Schedule 31 – Pumping service.

⁴ As of October 31, 2017, 3,050 customers in Washington were participating in the Buck-A-Block Program.

- Community Solar – Approximately 650 customers subscribed to development of a 423 kW community solar array completed in 2015. (See Docket No. UE-150673)

Avista's proposed Program will play a key role in enabling greater adoption of zero carbon resources that will benefit all customers. The Program aligns with State policy goals to achieve societal benefits, is responsive to our large commercial customers' interest in additional renewable options, and helps address critical barriers inhibiting the wider adoption of renewable energy. This Program allows the utility to play a unique role in promoting greater customer access to affordable renewable energy by way of direct benefits to those who participate. This Program will also help the Company understand customer interest in expanding renewable offerings, as well as provide additional service choices and options to our commercial customers.

Qualifying customers will be offered the opportunity to purchase solar energy from a solar facility owned by an independent solar developer, previously qualified in a competitive request for proposal (RFP) process. In December 2017, Avista executed a Power Purchase Agreement (PPA) with the selected independent solar producer, who is constructing a 28 MW solar resource in Lind, WA. The solar facility will qualify as a shared commercial solar facility under Engrossed Substitute Senate Bill (ESSB) 5939, enacted in RCW 82.16, Renewable Energy System Cost Recovery. As a shared commercial solar facility, customers will be eligible to receive an incentive for the energy they purchase from the solar facility. More on what this means for customers can be found in Section II.

If approved, Avista plans to make the Program available to qualifying customers through an open enrollment period, commencing shortly after the effective date of the tariffs included in this filing. During the open enrollment period, customers will be able to commit to an amount of energy (kWhs) they would like to purchase from the solar facility on an annual basis. Customers will then execute an agreement with the Company for the long-term purchase of solar energy from the solar resource. The customer agreement is provided with this filing.

The expected start date for the Program (i.e., the date customers will begin receiving output from the solar resource) is January 1, 2019, but is dependent on the actual construction of the project.

The details of the Solar Select Program discussed herein are specific to this Program only and not intended to be precedent setting for future programs. This Program is the first of its kind to be offered by Avista and the Program design was tailored to meet customers' needs based on current conditions.

II. PROGRAM DETAILS

A. Enrollment

Upon approval of the proposed tariff, the Company will launch an open enrollment period. During the open enrollment period Avista will solicit⁵ large commercial and industrial customers who are interested in participating in the Program. Interested customers will be asked to sign a Solar Select Program Service Agreement, stating the terms and conditions of participation in the Solar Select Program, including the amount of solar energy they wish to subscribe for.

B. Contract Term and Rates

As provided in tariff Schedule 87, the contract term for participation in the Solar Select Program will be eight years. For the term of their contract, customers will pay a known Solar Resource Rate for the energy they contract for, \$0.05291 per kWh, as specified in Schedule 87. An 8-year term was selected as the time period is consistent with the renewable generation incentive under RCW 82.16, described below.

During the course of the contract term, customers will also receive a Solar Resource Credit based on the Company's embedded cost of energy included in rates for tariff Schedules 21, 25, and 31. The credit was calculated using the Company's most recent electric Cost of Service Study from its last approved general rate case.⁶ Specifically, the Company calculated the credit by taking the sum of the total production energy-related costs assigned to each rate Schedules 21, 25, and 31, and then divided that by the sum of the total test year annual consumption of the same rate

⁵ Avista will invite large commercial and industrial customers to participate in webinars to learn about the program. Invitations will be made via direct contact by Account Executives and/or by direct mail or email. Participation in the program will be allowed on non-discriminatory first come, first serve basis.

⁶ Docket UE-150204.

schedules. Using this methodology produces a Solar Resource Credit amount of \$0.0298 per kWh for Schedule 21, \$0.0271 per kWh for Schedule 25, and \$0.0266 per kWh for Schedule 31.

The Company chose the Solar Resource Credit method described above as it represents the energy displacement cost from customers electing to participate in the Solar Select Program. Because customers will be receiving all or a portion of their energy from the solar resource, the Company will produce or acquire less energy than it otherwise would have, reducing the overall energy-related costs to serve Schedules 21, 25, and 31.

The Solar Resource Credit will remain fixed for the duration of the eight year program. By keeping the credit fixed it provides price certainty for customers and ensures that the available renewable generation incentive will offset the incremental cost of participating in the Program.

C. Billing

Based on the amount of energy customers contract to purchase through the Solar Select Program, as specified in their Solar Select Program Service Agreement, customers will be billed for their share of the actual production of the Solar Resource, in addition to all other charges under the existing rate schedule(s) their account(s) are assigned. Each customer's share of the output from the Solar Resource will be determined by dividing their contracted amount of energy under the Solar Select Program by the expected output of the Solar Resource.

The customer's monthly bill will show two new line items, one for the solar resource rate under tariff Schedule 87 and the other for the solar resource credit. In addition, participating customers will receive a credit for the Renewable Generation Incentive described below, such that in the end, there would be no incremental per kWh cost to participating customers of the program.

D. Renewable Generation Incentive for Shared Commercial Solar Projects

On July 1, 2017 the Washington State Senate passed Engrossed Substitute Senate Bill 5939, providing for the continuation of the Washington State renewable generation incentive program along with the addition of incentives for shared commercial solar projects. RCW 82.16.175 articulates the following regarding shared commercial solar projects:

- (1) The purpose of a shared commercial solar project is to provide an entry point in solar utilization by large load customers in a manner that achieves economies of scale and maximizes system performance

without limitations posed by on-site systems where sun exposure is not optimal or structural and other site deficiencies preclude solar development.

(2) Beginning July 1, 2017, a utility may, at its discretion, organize and administer a shared commercial solar project as provided in this section.

(3) A shared commercial solar project must have a direct current nameplate capacity greater than one megawatt and no more than five megawatts and must have at least five participants. To receive incentive payments under RCW [82.16.165](#), each participant must be a customer of the utility providing service at the situs of the shared commercial solar project and must be located in the state of Washington.

ESSB 5939 provides that customers who participate in a shared commercial solar project can receive an incentive up to \$0.11 (\$0.06 base rate + \$0.05 made in Washington bonus for projects certified in 2018) per kWh for energy they purchase from a shared commercial solar project. The incentive is capped at the net differential a customer will pay at their normal retail rate compared to their retail rate with the inclusion of the solar project. The incentive is estimated to be \$0.0231 per kWh for Schedule 21, \$0.02584 per kWh for Schedule 25, and \$0.02627 per kWh for all kWhs purchased from the solar facilities. Customers can receive up to \$35,000 per year in total incentives.⁷

Avista has completed the pre-certification process with the Washington State University energy extension office (Program Administrator), who confirmed customers who participate in the Program will qualify for incentives. The solar facilities contracted for in the PPA will total approximately 28 MW (DC), consisting of eight separately metered shared commercial solar projects. Customers will be placed into the eight projects, such that, each project has a minimum of five participants as required. The Company intends to provide the renewable generation incentive to customers on a monthly basis, to offset the monthly cost for participating in the Solar Select Program. Again, at the end of the day, the Renewable Generation Incentive will offset the cost of participating in the Program, resulting in no net increase to participating customers' bills.

E. Other

Avista will acquire the Renewable Energy Credits (RECs) created from the electricity production of the solar resource and retire them on the participating customers' behalf in Western

⁷ If available, customers may have the opportunity to subscribe for more energy from the Program than the amount needed to reach the \$35,000 cap on the incentive. In such cases, the customer would be subject to paying the incremental cost between the Solar Resource Credit and Solar Resource Rate for all extra kWhs.

Renewable Energy Generation Information System (WREGIS) unless other terms are agreed upon between the customer and the Company.

At the conclusion of the eight year term, the Company will continue to purchase energy from the Solar Facility for the remainder of the 20-year term of the PPA. The output from the Solar Facility may be used for multiple purposes, which will be determined towards the end of the eight year term of the Solar Select Program. Possible options include a continuation of the Solar Select Program, a different renewable program, or using the output towards the Company's compliance of the renewable portfolio standard.

All costs and revenues associated with the PPA to serve Schedule 87 customers for the eight year term, and remaining term of the PPA, will be tracked and documented separately in the Company's Energy Recover Mechanism (ERM) on a monthly basis. This will allow the Commission and other stakeholders to review the prudence of future costs of the PPA, if any, incurred by non-participating customers of the Solar Select Program

III. CONCLUSION

The purpose of this tariff filing is to establish a new tariff for the Company's proposed Voluntary Solar Select Program Tariff, to be offered to its Schedule 21, 25, and 31 customers. The Program will provide an opportunity for customers to contract for solar energy from a solar facility located in the Company's service territory. Avista requests the tariff revisions proposed herein become effective March 19, 2018. Included with this filing are confidential workpapers supporting the proposed tariff. The workpapers are confidential in their entirety, per WAC 480-07-160, due to sensitive and contractual information contained therein.

If you have any questions regarding this filing please call Shawn Bonfield at 509-495-2782 or by email at shawn.bonfield@avistacorp.com.

Sincerely,

/s/Linda M. Gervais

Sr. Manager, Regulatory Policy
Avista Utilities

Enclosures