

Agenda Date: August 4, 2015
Item Number: A3

Docket: UE-160779
Company: Avista Corporation

Staff: Kathi Scanlan, Regulatory Analyst
Chris McGuire, Energy Policy Strategist

Recommendation

Issue an Order in Docket UE-160779 finding:

1. The 2016 renewable energy target for Avista Corporation is 513,809 megawatt-hours.
2. Avista Corporation has demonstrated that, by January 1, 2016, Avista Corporation acquired at least 513,809 megawatt-hours of eligible renewable resources, equivalent renewable energy credits, or a combination of them, sufficient to supply at least 9 percent of its load for 2016.
3. Avista Corporation has complied with the June 1, 2016, reporting requirements pursuant to WAC 480-109-210.
4. Avista Corporation has demonstrated that the biomass facility, Kettle Falls (WREGIS ID W130), is an eligible renewable resource.
5. Avista Corporation has demonstrated that hydropower facilities Nine Mile #1 (WREGIS ID W216) and Nine Mile #2 (WREGIS ID W283) are eligible renewable resources.
6. In the final compliance report for 2016 required by WAC 480-109-210(6), Avista must provide details about which certificates were used for its various renewable energy programs and provide an updated Method Three prorated amount for hydropower facilities Nine Mile #1 and Nine Mile #2.¹

Background

In 2006, Washington voters approved Initiative 937, also known as the Energy Independence Act (EIA). Codified in RCW 19.285 and Chapter 480-109 WAC, the EIA created a renewable portfolio standard (RPS) that requires electric utilities with more than 25,000 customers to serve 9 percent of their 2016 retail load with eligible renewable resources and to file an annual compliance report (RPS Report) by June 1 of each year. The Washington Utilities and Transportation Commission's (commission) rules further require a final compliance report, filed no later than two years after the initial report.

¹ WAC 480-109-210(2)(d)(i). Each certificate in WREGIS may be retired by Avista for only one purpose. Retirement may be under the Green Power (Buck-a-Block) program authorized by RCW 19.29A.090, or it may be retired for RPS compliance, but not both. If Avista reports on certificates that have not yet been retired, they could also be characterized as owned by the customer.

Avista Corporation (Avista or company) timely filed its Annual RPS Report on June 1, 2016. Commission staff (staff) filed written comments on July 14, 2016, that analyzed and summarized it.

Discussion

After identifying some deficiencies in the RPS Report, staff asked the company to file a supplemental table. Staff asked Avista to provide incremental cost calculations as required by rule and explain how the utility determined and applied multistate allocations. Though the report contained sufficient information to review the incremental cost calculations, the presentation of those elements was confusing. Staff felt that the company's ratepayers and the general public would benefit from a report that further detailed incremental cost calculations and better explained the multistate allocation application.

Incremental cost: Avista reported its actual incremental cost in 2015 as -1.7 percent to meet the 3 percent target. In 2016, Avista forecasted its incremental costs would increase to -1.1 percent. At staff's request, on July 20, 2016, Avista filed a supplemental appendix to the annual RPS Report. The new table was developed in conjunction with staff in order to improve transparency and streamline the review process. The supplemental appendix also shows the adjustment regarding renewable energy credits transferred from Idaho and explains the Production and Transportation ratio. Based on the information that the company provided in the revised report, staff believes that Avista correctly calculated its 2016 RPS target and has acquired sufficient resources to meet that target. Staff also believes Avista has satisfied the reporting requirements set forth in WAC 480-109-210.

Table 1 summarizes Avista's 2016 target and the total amount of resources that the company had acquired by January 1, 2016. It includes the company's excess Renewable Energy Credits (RECs) from 2015 that could be used toward its 2016 target and the company's projected 2016 generation from its hydro, wind and biomass facilities. Table 1 illustrates the company's overall compliance position:

Table 1: Avista's 2016 Renewable Resource Target and Compliance Plan

2016 Target (MWh)	Incremental Hydro (MWh)	2015 RECs	2016 RECs	Purchased RECs	Total Compliance Resources (MWh)
513,809	171,482	49,617	320,023	N/A	541,122

Qualifying generation: Staff examined Avista's methodology and calculations related to expected qualifying generation. Avista had registered its new resources in Western Renewable Energy Generation Information System (WREGIS), and based on the information presented in the RPS Report, staff is satisfied that the biomass and two new incremental hydropower renewable resources are eligible renewable resources.

Avista Corporation has adequately demonstrated that the biomass facility, Kettle Falls (WREGIS ID W130), is an eligible renewable resource and does not include any old growth timber in its fuel supply. The facility qualifies as an eligible renewable resource under RCW 19.285.030(3) and RCW 19.285.030(12)(d). More discussion on this issue is available in staff's comments, dated July 14, 2016.

Staff believes Avista Corporation has demonstrated that hydropower facilities Nine Mile #1 (WREGIS ID W216) and Nine Mile #2 (WREGIS ID W283) are eligible renewable resources under RCW 19.285.030(12)(b). For incremental hydropower calculations, Avista uses Method Three, which is a one-time calculation of incremental hydropower based on a historic period and reported as a static value in all future years, regardless of actual generation.² The calculation of incremental hydropower is 8,804 MWh for Nine Mile #1, and 13,146 MWh for Nine Mile #2.

Avista's reported generation from the two Nine Mile units is based on an assumed in-service date of July 2016. In the final compliance report for 2016, Avista must provide an updated Method Three prorated amount for hydropower facilities Nine Mile #1 and Nine Mile #2 using actual in-service dates for these resources, adjusting the hydropower claimed from those resources for 2016 accordingly.

These resources, beginning in 2019 and every five years thereafter, will also be part of the required analysis that compares the quantity of incremental hydropower that the utility claimed using Method Three over the previous five years to what it would have claimed using one of the other two methods.

The three new facilities have no immediate impact on the company's incremental cost calculation. Avista noted that final costs for the upgrades to Nine Mile Units #1 and #2 would not be available until the project is completed in July 2016 and that the legacy Kettle Falls biomass resources are considered to have zero incremental cost.³

Documentation of certificate use: Avista will need to document its use of the company's renewable resources under various renewable energy programs, which will allow staff to review the eligibility of the resources for meeting the EIA requirement. Because the statute explicitly disallows any resources used for Green Power programs in RCW 19.29A.090, the commission requires the companies to include some information about the usage of the certificates. While the rule requires this information in the annual report, staff believes it will be more helpful in the final compliance report, and asks the commission to require the company to include the information there. Thus, in the final compliance report for 2016, Avista must list details about program usage, as required by WAC 480-109-210(2)(d)(i).

² WAC 480-109-200(7)(d).

³ WAC 480-109-210(2)(a)(i)(G).

Public Comments

The commission received one set of public comments regarding Avista's report, which were filed jointly by Renewable Northwest (RNW) and the Northwest Energy Coalition (NWECC). Both organizations praised the company for meeting its target without relying on alternative compliance mechanisms. They expressed concern with the clarity of Avista's incremental cost calculation and the adjustment regarding renewable energy credits transferred from Idaho. RNW and NWECC recommended that the commission wait to approve the report until the company provides further explanation on changes to its incremental cost calculation and application of the "Production and Transportation Ratio." As discussed above, Avista has provided this information.

Conclusion

Issue an order as described in the recommendations section of this memo.