

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

AVISTA CORPORATION’S

Renewable Energy Target Progress
Report under RCW 19.285.070 and
WAC 480-109-040

DOCKET UE-140801

ORDER 01

ORDER APPROVING COMPLIANCE
WITH ELIGIBLE RENEWABLE
ENERGY TARGET REPORTING
REQUIREMENTS FOR 2014

BACKGROUND

1 The Energy Independence Act (EIA or Act)¹ requires qualifying electric utilities to obtain certain percentages of their electricity from eligible renewable resources. The Washington Utilities and Transportation Commission (Commission) enforces compliance with the EIA by investor-owned utilities.² Commission rules implementing the Act require that “[b]y January 1 of each year beginning in 2012 and continuing through 2015, each [qualifying investor-owned] utility must use sufficient eligible renewable resources, acquire equivalent renewable energy credits (RECs), or a combination of both, to supply at least 3 percent of its load for the remainder of each year.”³ The Act requires a utility to file a report demonstrating that it met that obligation⁴ and describing “the steps [it] is taking to meet the renewable resource

¹ RCW Chapter 19.285.

² RCW 19.285.060(6).

³ WAC 480-109-020(1)(a). For a detailed discussion of the Commission’s implementation of the EIA and the meaning of the terms used in the statute, see *In re Avista Corporation’s Renewable Energy Target Progress Report under RCW 19.285.070 and WAC 480-109-040*, Docket UE-120791, Order 01, Order Regarding 2012 Renewable Energy Target (Sept. 13, 2012).

⁴ RCW 19.285.070; WAC 480-109-040.

requirements for the current year.”⁵ Ultimately, the Commission must determine “whether the utility complied with its . . . renewable resource targets.”⁶

2 The Commission has implemented these requirements by establishing a two-step compliance process.⁷ Because a utility may comply with its renewable portfolio standards (RPS) obligation by using RECs acquired in the year after the target year, ultimate compliance for 2014, for example, may be demonstrated as late as June 1, 2016. Accordingly, there will be two Commission decisions for each year’s compliance: (1) a determination that the Company has enough resources to meet the 3 percent target; and (2) the retrospective compliance decision. Before the Commission is the initial resource-adequacy filing made by Avista Corporation (Avista or Company) for its 2014 obligation. The Commission will consider Avista’s compliance with its 2014 target when Avista requests such a finding, which the Company must do through a filing in this docket no later than June 1, 2016.

3 On May 30, 2014, Avista filed with the Commission a compliance report under RCW 19.285.070 and WAC 480-109-040 (RPS Report). Avista’s RPS Report included all items required by WAC 480-109-040 and RCW 19.285.070(1). Avista reported an average load in 2012 and 2013 of 5,596,132 megawatt hours (MWh), yielding a 2014 RPS target of 167,884 MWh. The following table summarizes Avista’s 2014 target and available resources for meeting the target:

2014 Target (MWh)	Incremental Hydro (MWh)	2013 RECs	2014 RECs	Purchased RECs	Total Resources (MWh)
167,884	191,235	N/A ⁸	323,377 ⁹	N/A	514,612

⁵ WAC 480-109-040(1)(d).

⁶ WAC 480-109-040(2)(c).

⁷ *In re Avista Corporation Renewable Energy Target Progress Report under RCW 19.285.070 and WAC 480-109-040*, Docket UE-120791, Order 01, Order Regarding 2012 Renewable Energy Target ¶31 (Sept. 13, 2012).

⁸ Avista’s contract with Palouse Wind Farm generated more than 350,000 RECs in 2013, but the company met its 2014 target with its incremental hydropower, so it has no 2013 RECs that it can use toward its 2014 target.

⁹ Average of 2013 production and 2014 forecast production for the Palouse Wind Farm, since the facility’s first year of service was 2013.

- 4 The Company seeks an order from the Commission confirming that Avista has complied with the Commission's EIA reporting requirements and accepting the Company's calculations and eligibility of the renewable resources identified in the RPS Report for 2014.
- 5 On June 9, 2014, the Commission issued a Notice inviting interested persons to file written comments on Avista's RPS Report. During the comment period, the Commission received written comments from Commission Staff and joint written comments from Renewable Northwest and NW Energy Coalition (RNW/NWEC). Those parties and Avista also provided oral comments at the July 24, 2014, Open Meeting.
- 6 Staff believes that Avista correctly calculated its target for supplying 3 percent of its retail load in 2014 with renewable resources, and that the Company has acquired sufficient resources to meet that target. Staff nevertheless has some concerns with Avista's filing.
- 7 Staff's first concern is tracking the resources used to demonstrate RPS compliance. The EIA requires any renewable energy credit used for RPS compliance to be verified by the Western Renewable Energy Generation Information System (WREGIS) selected by the Washington Department of Commerce. The EIA, however, does not allow efficiency improvements to a utility's hydropower facilities (also known as "incremental hydropower") to generate a renewable energy credit,¹⁰ even though the statute recognizes incremental hydropower as an eligible renewable resource.¹¹ The EIA thus does not explicitly require eligible hydropower resources to be registered in WREGIS. Staff believes that the broader goals of tracking RPS compliance and ensuring that resources are not being double-counted support the registration of all incremental hydropower facilities in WREGIS.
- 8 Staff is reviewing the methodology the Company has used to calculate incremental hydropower. Staff observes, however, that the Commission will address this issue in Docket UE-131056, the Company's 2013 RPS compliance proceeding.

¹⁰ RCW 19.285.030(20).

¹¹ RCW 19.285.030(11).

9 Staff further notes that the Commission's rulemaking in Docket UE-131723 to update the EIA implementation rules in WAC 480-109, will include other issues that Staff has previously identified with the RPS reports that Avista and other utilities have filed. Staff believes that the rulemaking is the appropriate proceeding in which to address these issues and does not propose that the Commission resolve them now in this docket.

10 Staff recommends that the Commission issue an order in this docket determining: (1) The 2014 renewable energy target for Avista is 167,884 megawatt-hours; (2) Avista has complied with the June 1, 2014, reporting requirements; (3) Avista has demonstrated that, by January 1, 2014, the Company acquired at least 167,884 megawatt-hours of eligible renewable resources for its use in 2014; (4) the Commission makes no determination on the amount or method for calculation of incremental hydropower; and (5) Avista must file a second report in this docket no later than June 1, 2016, that lists the certificate numbers in WREGIS for every megawatt-hour and renewable energy credit that Avista retired to meet the January 1, 2014, target.

11 RNW/NWEC generally commended Avista for achieving its targets with low cost impacts and without relying on the alternative compliance mechanisms allowed by the EIA. These commenters, however, also expressed lingering concerns with Avista's approach to calculating the incremental costs of RPS compliance and production from eligible hydropower facilities, but acknowledged that those issues are being addressed in the rulemaking. RNW/NWEC also expressed reservation with reporting of eligible hydropower purchased from public utility districts (PUDs), which do not use any of the three methodologies that the Commission has approved for calculating the amount of RPS-eligible power produced by upgraded hydro facilities.¹²

DISCUSSION

12 The Commission accepts Avista's calculation of 167,884 megawatt-hours as the Company's renewable energy target for 2014 and determines that Avista has identified sufficient resources to be able to meet that target. The Commission will make its final determination on whether Avista has met its 2014 target when the

¹² Avista purchases hydropower from Grant County PUD.

Company requests such a finding, which Avista must make in this docket no later than June 1, 2016.

- 13 The Commission, however, neither approves nor rejects Avista's methodology for calculating the Company's incremental electricity from hydropower efficiency improvements or the results of those calculations. Rather, the Commission will consider these issues in Docket UE-131056, Avista's 2013 RPS compliance proceeding. Even without considering incremental hydropower, Avista has identified eligible renewable resources far in excess of the amount required for the Company to meet its 2014 renewable energy target under RCW 19.285.040(2)(a)(i).
- 14 We agree with Staff on the importance of tracking the resources used to demonstrate RPS compliance. We acknowledge that the EIA does not expressly require eligible hydropower resources to be registered in WREGIS, but neither does the statute preclude the Commission from adopting such a requirement. We conclude that the Commission has discretion under the EIA to take actions to further the statute's goals of tracking RPS compliance and ensuring that resources are not being double-counted. We exercise that discretion to require Avista to register in WREGIS all incremental hydropower facilities on which the Company intends to rely to demonstrate RPS compliance.

FINDINGS AND CONCLUSIONS

- 15 (1) The Washington Utilities and Transportation Commission is an agency of the state of Washington vested by statute with the authority to regulate the rates, regulations, practices, and accounts of public service companies, including electric companies.
- 16 (2) Avista is an electrical company and a public service company subject to Commission jurisdiction.
- 17 (3) Avista serves more than 25,000 customers within the State of Washington and is a "qualifying utility" within the meaning of RCW 19.285.030(18).
- 18 (4) Avista has properly calculated its renewable energy target for 2014 to be 167,884 megawatt-hours.
- 19 (5) By January 1, 2014, Avista had acquired sufficient eligible renewable resources to supply at least 3 percent of its load for the remainder of 2014.

- 20 (6) Avista has met the reporting requirements of RCW 19.285.070 and WAC 480-109-040(1). These reporting requirements include Avista's plan for meeting its RPS obligation for the remainder of 2014.
- 21 (7) Pursuant to WAC 480-109-040(5), Avista must provide a summary of its RPS Report to its customers, by bill insert or other suitable method, within ninety days of the date of this Order.
- 22 (8) The Commission makes no findings or conclusions on Avista's methodology for calculating the Company's incremental electricity from hydropower efficiency improvements or the results of those calculations.
- 23 (9) Avista should be required to register in WREGIS all Company-owned incremental hydropower facilities on which the Company intends to rely for compliance with RPS requirements. Avista should be required to file a report no later than June 1, 2016, that lists the certificate numbers in WREGIS for every megawatt-hour and renewable energy credit that Avista retired to meet the January 1, 2014, target.

ORDER

THE COMMISSION ORDERS:

- 24 (1) The Commission accepts the calculation of 167,884 megawatt-hours as the 2014 renewable energy target for Avista Corporation.
- 25 (2) Avista Corporation has identified eligible renewable resources sufficient to supply at least 3 percent of its load for 2014.
- 26 (3) Avista Corporation has complied with the June 1, 2014, reporting requirements pursuant to WAC 480-109-040.
- 27 (4) Avista Corporation must file a second report no later than June 1, 2016, that provides the information necessary to determine whether Avista Corporation met the 2014 renewable energy target of 167,884 megawatt-hours.
- 28 (5) Avista Corporation must register in the Western Renewable Energy Generation Information System all Company-owned incremental hydropower facilities on which the Company intends to rely for compliance with renewable

portfolio standard requirements. Avista Corporation must file a report no later than June 1, 2016, that lists the certificate numbers in the Western Renewable Energy Generation Information System for every megawatt-hour and renewable energy credit that Avista Corporation retired to meet the January 1, 2014, target.

- 29 (6) The Commission Secretary is authorized to accept or approve a filing that complies with the requirements of this Order.

DATED at Olympia, Washington, and effective July 31, 2014.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

JEFFREY D. GOLTZ, Commissioner