

| | | |
|---|--|---|
| the percent of its total annual retail revenue requirement invested in the incremental cost of eligible renewable resources and the cost of renewable energy credits. | the type and cost (per megawatt-hour) of the least-cost substitute resources available to the utility that do not qualify as eligible renewable resources, the incremental cost of eligible renewable resources and renewable energy credits, and the ratio of this investment relative to the utility's total annual retail revenue requirement. | Incremental Cost Compared To Annual Retail Revenue Requirement Page 6 |
| | The report must describe the steps the utility is taking to meet the renewable resource requirements for the current year. This description should indicate whether the utility plans to use or acquire its own renewable resources, plans to or has acquired contracted renewable resources, or plans to use an alternative compliance mechanism. | Current Year Progress Page 7 |

I. BACKGROUND

RCW Chapter 19.285, the Energy Independence Act, 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 generation, by 2020 and undertake cost-effective energy conservation.

The Commission adopted WAC Chapter 480-109, *Acquisition of Minimum Quantities of Conservation and Renewable Energy* to effectuate RCW Chapter 19.285. The compliance report, per WAC 480-109-210, must include:

- 1) The utility's annual load for the prior two years;
- 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;
- 3) The amount (in megawatt-hours) and cost of each type of eligible renewable resource used;

- 4) The amount (in megawatt-hours) and cost of renewable energy credits acquired;
- 5) The type and cost (per megawatt-hour) of the least-cost substitute resources available to the utility that do not qualify as eligible renewable resources;
- 6) The incremental cost of eligible renewable resources and renewable energy credits; and
- 7) The ratio of the incremental cost of the qualifying renewable resources relative to the utility's total annual retail revenue requirement.

II. 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 2015 target as provided for in WAC 480-109-220. The Company is meeting its 2015 renewable energy target using a combination of renewable energy credits and qualifying hydroelectric plant upgrades.

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 5,678,868 MWh in 2013 and 5,685,958 MWh in 2014. The Company's average retail load used for 2015 compliance is 5,682,413 MWh.

IV. RENEWABLE ENERGY TARGET

The following information is for the 2015 compliance year, which has a 3 percent qualified renewable energy target. Avista's 2015 renewable energy target is 170,472 MWh of qualified renewable generation or renewable energy credits. Table 1 provides details about the Company's 2015 renewable energy target calculation.

Table 1: Energy Independence Act Renewable Energy Target

| | 2012 | 2013 | 2014 | 2015 |
|-------------------------------------|-----------|-----------|-----------|-----------|
| Washington Retail Load (MWh) | 5,513,396 | 5,678,868 | 5,685,958 | 5,724,455 |
| Target Load (MWh) | 5,534,889 | 5,557,999 | 5,596,132 | 5,682,413 |
| RCW 19.285 Requirement | 3% | 3% | 3% | 3% |
| Requirement (MWh) | 166,047 | 166,740 | 167,884 | 170,472 |

V. RENEWABLE ENERGY ACQUIRED TO MEET RENEWABLE ENERGY TARGET

This compliance report covers the 2015-calendar year per RCW 19.285.070. Table 2 details Avista's eligible renewable energy acquired to meet its 2015 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 confidential workpapers supporting this filing.

Table 2: Renewable Energy for 2015 Compliance¹

| | 2013 | 2014 | 2015 |
|---|----------------|----------------|----------------|
| Water (Qualified Hydroelectric Upgrades) | 192,016 | 170,089 | 170,089 |
| Wind | 0 | 25,934 | 469,671 |
| Solar | 0 | 0 | 0 |
| Geothermal | 0 | 0 | 0 |
| Landfill Gas | 0 | 0 | 0 |
| Wave, Ocean or Tidal | 0 | 0 | 0 |
| Gas from Sewage Treatment | 0 | 0 | 0 |
| Biodiesel Fuel | 0 | 0 | 0 |
| Biomass | 0 | 0 | 0 |
| Total | 192,016 | 196,023 | 639,760 |

Table 3 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 2015 renewable energy target. The table does not include the 469,671 MWh from Wind shown in Table 2 above as the Company intends to sell those RECs. No RECs were available from the Wanapum Fish Ladder because of a draw down at the Wanapum hydroelectric project from February 2014 through March 2015 to repair a crack on the spillway. Grant PUD has not elected to record the generation from Wanapum hydroelectric project in WREGIS, so the incremental hydro generation from the fish ladder will no longer be available for Avista's future compliance goals under the most recent update to WAC 480-109-200(3), unless Grant PUD registers the Wanapum Project in WREGIS.

¹ In 2008, Avista purchased 50,000 renewable energy certificates per year generated from the Stateline Wind Project for the 2012 through 2015 period to comply with RCW Chapter 19.285 requirements. Avista sold the renewable energy certificates for 2012 through 2014 because they became surplus of the Company's needs in 2011 because of the acquisition of the Palouse Wind Power Purchase Agreement and decisions concerning the need for reserves for qualifying hydroelectric upgrades. Avista retained the 2015 renewable energy certificates since they are eligible for 2016 compliance obligations.

Table 3: Renewable Energy for 2015 Compliance

| WREGIS Generation Unit ID | Generator Plant – Unit Name | Quantity |
|--|--|-----------------|
| W1560 | Cabinet Gorge Unit 2 | 29,008 |
| W1561 | Cabinet Gorge Unit 3 | 38,264 |
| W1561 | Cabinet Gorge Unit 3 | 7,544 |
| W1562 | Cabinet Gorge Unit 4 | 20,517 |
| W2102 | Little Falls Unit 4 | 4,862 |
| W2103 | Long Lake Unit 3 | 10,927 |
| W2103 | Long Lake Unit 3 | 3,270 |
| W1530 | Noxon Rapids Unit 1 | 21,435 |
| W1552 | Noxon Rapids Unit 2 | 7,709 |
| W1554 | Noxon Rapids Unit 3 | 14,529 |
| W1555 | Noxon Rapids Unit 4 | 12,024 |
| Total | | 170,089 |

VI. INCREMENTAL COST COMPARED TO ANNUAL RETAIL REVENUE REQUIREMENT

Avista calculated the incremental cost of investments made to meet RCW Chapter 19.285, 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 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 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 Production and Transportation 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 -0.72 percent due to the savings in hydro upgrade investments. 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.

VII. CURRENT YEAR PROGRESS

Avista plans to meet its 2015 renewable energy targets with a combination of the qualified hydroelectric upgrades listed above and other renewable energy certificates from qualifying resources. Table 4 provides a high level summary of the Company’s expected 2015 compliance. Appendix A contains more details about this information.

Table 4: 2015 Energy Independence Act Compliance Summary

| | 2015 |
|--|-------------|
| RCW 19.285 Compliance Need (MWh) | 170,472 |
| Eligible Renewable Resources (MWh) | 639,760 |
| Eligible Renewable Resource Sales (MWh) | 0 |
| Renewable Resource Surplus | 469,288 |
| Estimated 2014 Surplus Applied to 2015 | 0 |

VIII. 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: Incremental Cost Calculations

Appendix C: Clark Fork River Hydroelectric Project Qualifying Upgrades Report

Appendix D: Spokane River Hydroelectric Project Qualifying Upgrades Report

Appendix E: Department of Commerce Energy Independence Act Renewables Report

RESPECTFULLY SUBMITTED this 8th day of July 2015.

AVISTA CORPORATION

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