BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

	)	
	)	DOCKET NO. UE-16_____
	)	
In the Matter of Avista's Renewable Target in	)	
Compliance with RCW 19.285.070 and WAC	)	COMPLIANCE REPORT OF
480-109-210	)	AVISTA CORPORATION
	)	
_____	)	

In compliance with WAC 480-109-040, Avista Corporation (hereinafter Avista or Company) respectfully submits its report demonstrating compliance with the renewable energy component of the Energy Independence Act in the above captioned matter. A checklist of the required contents and a table of contents is below.

RCW 19.285.070	**WAC 480-109-210(2)**	**Section/Page**
For each year that a qualifying utility elects to demonstrate alternative compliance under RCW 19.285.040(2) (d) or (i) or 19.285.050(1), it must include in its annual report relevant data to demonstrate that it met the criteria in that section.	The report must state if the utility is relying upon one of the alternative compliance mechanisms provided in WAC 480-109-220 instead of meeting its renewable resource target. A utility using an alternative compliance mechanism must include sufficient data, documentation and other information in its report to demonstrate that it qualifies to use that alternative mechanism.	**Alternative Compliance** Page 3
the utility's annual load for the prior two years,	the utility's annual load for the prior two years,	**Annual Load For Previous Two Years** Page 3
the amount of megawatt-hours needed to meet the annual renewable energy target,	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	**Renewable Energy Target** Page 4
the amount of megawatt-hours of each type of eligible renewable resource acquired, the type and amount of renewable energy credits acquired,	the amount (in megawatt-hours) and cost of each type of eligible renewable resource used	**Renewable Energy Acquired To Have Met Renewable Energy Target** Page 5

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 Annal 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 (EIA), 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 and solar 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 2016 target as provided for in WAC 480-109-220. The Company is meeting its 2016 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 5,685,958 MWh in 2014 and 5,732,025 MWh in 2015. The Company's average retail load used for 2016 compliance is 5,708,992 MWh.

IV. RENEWABLE ENERGY TARGET

The following information is for the 2016 compliance year, which has a 9 percent qualified renewable energy target. Avista's 2016 renewable energy target is 513,809 MWh of qualified renewable generation or renewable energy credits. Table 1 provides details about the Company's 2016 renewable energy target calculation.

Table 1: Energy Independence Act Renewable Energy Target

	2014	2015	2016
Washington Retail Load (MWh)	5,685,958	5,732,025	5,757,423
Target Load (MWh)	5,596,132	5,682,413	5,708,992
RCW 19.285 Requirement	3%	3%	9%
Requirement (MWh)	167,884	170,472	513,809

V. RENEWABLE ENERGY ACQUIRED TO MEET RENEWABLE ENERGY TARGET

This compliance report covers the 2016-calendar year per RCW 19.285.070. Table 2 details Avista's eligible renewable energy acquired to meet its 2016 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 2016 Compliance

	2014	2015	2016
Water (Qualified Hydroelectric Upgrades)	170,089	170,089	171,482
Wind	0	469,671	469,288
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	319,425
Total	**170,089**	**220,089**	**960,195**

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 2016 renewable energy target. The table includes the amount of qualifying resources net of completed and expected REC sales from Palouse Wind and Kettle Falls. Grant PUD has not elected to record the generation from Wanapum hydroelectric project in WREGIS, so the incremental hydro generation from the fish ladder is no longer available for Avista's compliance goals under the most recent update to WAC 480-109-210, unless Grant PUD registers the Wanapum Project in WREGIS.

Energy generated by the Kettle Falls Generating Station beginning on January 1, 2016, is qualified biomass energy under the Energy Independence Act. All US sourced wood waste fuel used at the Kettle Falls Generating Station satisfies the requirements to be "biomass energy" under the EIA, in part because old growth timber is not harvested in any of the applicable areas of the US. Avista engaged an independent entity, KPMG, to review the sources of Canadian wood waste fuel supply serving the Kettle Falls Generating Station in order to determine the amount of biomass energy that is supplied from Canadian sources. The work papers contain a calculation of amount of qualifying biomass energy generated by the Kettle Falls Generating Station and Appendix F – Biomass Methodology Report shows the calculation of the Canadian wood waste fuel component that is satisfies the requirements to be "biomass energy".

Table 3: Renewable Energy for 2016 Compliance Net of REC Sales

WREGIS Generation Unit ID	Generator Plant – Unit Name	Quantity (MWh)
W1560	Cabinet Gorge Unit 2	29,008
W1561	Cabinet Gorge Unit 3	45,808
W1562	Cabinet Gorge Unit 4	20,517
W130	Kettle Falls	33,163
W2102	Little Falls Unit 4	4,862
W2103	Long Lake Unit 3	14,197
W216	Nine Mile Unit 1	416
W283	Nine Mile Unit 2	977
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
W2906	Palouse Wind	286,860
W249	Stateline Wind (2015)	49,617
Total		**541,122**

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 ($/MWh) for each qualifying project compared to the cost of alternative power over the same period. Each qualifying resource is compared to a combined cycle combustion turbine (CCCT). To estimate the annual levelized cost of the CCCT, cost assumptions are used based upon the IRP from the time of the resource decision with costs split between energy ($/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 1.1 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.

VII. CURRENT YEAR PROGRESS

Avista plans to meet its 2016 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 2016 compliance. Appendix A contains more details about this information.

Table 4: 2016 Energy Independence Act Compliance Summary (MWh)

	2016
RCW 19.285 Compliance Need	513,809
Eligible Renewable Resources	910,578
Eligible Renewable Resource Sales	-396,938
Unrealized Apprentice Credits from REC Sales	22,135
Renewable Resource Surplus or Deficit	-22,304
Estimated 2015 Surplus Applied to 2016	49,617
Net 2016 Compliance	27,313

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

Appendix F: Biomass Methodology Report

RESPECTFULLY SUBMITTED this 1st day of June 2016.

AVISTA CORPORATION

By: Kelly Norwood

Kelly O. Norwood
Vice President, State and Federal Regulation