

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

))
)) DOCKET NO. UE-18
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In the Matter of Avista’s Renewable Target in))
Compliance with WAC 480-109-210)) COMPLIANCE REPORT OF
)) AVISTA CORPORATION
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I. BACKGROUND

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 by 2020 and undertake cost-effective energy conservation. Per WAC Chapter 480-109-210, “On or before every June 1st, each utility must file an annual renewable portfolio standard report with the commission and the Department of Commerce detailing the resources the utility has acquired or contracted to acquire to meet its renewable resource obligation for the target year.” In compliance with WAC 480-109-210, Avista Corporation (hereinafter Avista or Company) respectfully submits its report demonstrating compliance with the renewable energy component of the EIA.

II. REQUIRED REPORT CONTENTS CHECKLIST

A checklist of the required report contents and a table of contents is below:

WAC Citation	Description	Section/Page
480-109-210(2)	The utility's annual load for the prior two years	III/2
480-109-210(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	IV/2
480-109-210(2)	The amount (in megawatt-hours) of each type of eligible renewable resource used and the amount of renewable energy credits acquired	V/3
480-109-210(2)(a)(iii)	In addition to the total revenue requirement ratio, the utility must report its total incremental cost as a dollar amount and in dollars per megawatt-hour of renewable energy generated by all eligible renewable	VI/3

	resources and multiply the dollars per megawatt-hour cost by the number of megawatt-hours needed for target year compliance.	
480-109-210(2)(b)	State whether the utility is relying upon one of the alternative compliance mechanisms provided in WAC 480-109-220 instead of fully meeting its renewable resource target.	VII/4
480-109-210(2)(c)	Describe the resources that the utility intends to use to meet the renewable resource requirements for the target year.	VIII/4
480-109-210(2)(d)	A list of each eligible renewable resource that serves Washington customers, for which a utility owns the certificates, with an installed capacity greater than twenty-five kilowatts.	IX/5
480-109-210(2)(e)	If a utility serves retail customers in more than one state, the utility must allocate certificates consistent with the utility's most recent commission-approved interstate cost allocation methodology. The report must show how the utility applied the allocation methodology to arrive at the number of certificates allocated to Washington ratepayers. After documenting the number of certificates allocated to Washington ratepayers, a utility may transfer certificates to or from Washington ratepayers. The report must document the compensation provided to each jurisdiction's ratepayers for such transfers.	X/6
480-109-210(2)(f)	The number of certificates that it sold, their WREGIS certificate numbers, their source, and the revenues obtained from the sales.	XI/7

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 5,578,322 MWh in 2016 and 5,817,351 in 2017. The Company's average retail load used for 2018 compliance is 5,697,837.

IV. RENEWABLE ENERGY TARGET

The following information is for the 2018 compliance year, which has a 9 percent qualified renewable energy target. Avista's 2018 renewable energy target is 512,805 MWh of qualified

renewable generation or renewable energy credits. Table 1 below provides details about the Company's 2017 renewable energy target calculation.

Table 1: Energy Independence Act Renewable Energy Target

	2016 Actual	2017 Actual	2018 Forecast
Washington Retail Load (MWh)	5,578,322	5,817,351	5,708,060
Target Load (MWh) – Average of prior two years actual loads	5,708,992	5,600,555	5,697,837
RCW 19.285 Requirement	9%	9%	9%
Requirement (MWh)	513,809	504,050	512,805

V. RENEWABLE ENERGY ACQUIRED TO MEET 2018 RENEWABLE ENERGY TARGET

Table 2 below details Avista's eligible renewable energy acquired to meet its 2018 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 2018 Compliance

	2016	2017	2018
Water (Qualified Hydroelectric Upgrades)	170,304	192,039	192,039
Wind	299,659	206,219	363,962
Biomass	43,846	105,792	94,634
Total	513,809	504,050	650,635

VI. INCREMENTAL COST COMPARED TO ANNUAL RETAIL REVENUE REQUIREMENT

Avista calculated the incremental cost of investments made to meet WAC 480-109-210(2)(a), 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

Renewable Energy Credit (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 Company's Production and Transmission 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 negative 1.0 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. The costs for the solar projects supporting voluntary renewable programs are not included in this cost calculation because the costs and benefits of those projects are paid for by the participants in those programs. The costs in Appendix B were calculated using the new corporate tax rates.¹

VII. 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 2018 target as provided for in WAC 480-109-220. The Company is meeting its 2018 renewable energy target using a combination of renewable energy credits from wind and biomass and from qualifying hydroelectric plant upgrades.

VIII. CURRENT YEAR PROGRESS

Avista plans to meet its 2018 renewable energy targets with a combination of the qualified hydroelectric upgrades and other renewable energy certificates from qualifying resources. Table 3

¹The corporate tax rate percentage change to revenue requirement goes from -0.3789% to -0.3873% as shown in the Company's Confidential Workpapers.

below provides a high level summary of the Company’s expected 2018 compliance. Appendix A contains more details about this information.

Table 3: 2018 Energy Independence Act Compliance Summary (MWh)

	2018
Eligible Renewable Resources	900,914
Minus Eligible Renewable Resource Sales	-238,992
Minus Unrealized Apprentice Credits from REC Sales	-4,365
Minus 2018 RECs Applied to 2017	-6,922
2018 EIA Compliance Need	-512,805
Renewable Resource Surplus or Deficit	137,830
Estimated 2019 Surplus Applied to 2018	0
Net 2018 Compliance	137,830

IX. ELIGIBLE RESOURCES

Table 4 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 2018 renewable energy target. The table includes the amount of qualifying resources net of completed and expected 2018 REC sales from Palouse Wind and Kettle Falls. Grant PUD has not elected to record the generation from the Wanapum hydroelectric project in WREGIS, so the incremental hydro generation is not available for Avista’s compliance goals under WAC 480-109-210 until such time that Grant PUD registers the Wanapum Project in WREGIS.

Table 4: Renewable Energy for 2018 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 / W797	Kettle Falls (wood only)	94,634
W2102	Little Falls Unit 4	4,862
W2103	Long Lake Unit 3	14,197
W216	Nine Mile Unit 1	8,804
W283	Nine Mile Unit 2	13,146
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	363,962
Total		650,635

Energy generated by the Kettle Falls Generating Station became qualified biomass energy under the EIA beginning January 1, 2016. All United States 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 United States. 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 the 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 satisfies the requirements to be “biomass energy”.

There are three additional solar projects listed in Appendix A because they are eligible resources under the EIA. However, the Boulder Community Solar, Rathdrum Solar and Adams-Neilson Solar Farm projects were all developed in conjunction with the Buck-A-Block, Community Solar and Solar Select voluntary renewable programs. All RECs currently generated by these three resources are retired on behalf of the customers who voluntarily choose to participate in these programs.

X. MULTISTATE ALLOCATIONS

All of the associated RECs from generation eligible for the EIA are assigned to Washington customers, and Idaho customers are compensated for the cost of those RECs. The Company 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 Transmission 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.

XI. SALES

Table 5 summarizes Avista's system-wide REC revenues by source and by vintage from January 1, 2016 through May 10, 2018. Any additional REC revenues that occur during the rest of 2018 will be included in the 2019 report.

Table 5: REC Sales through May 10, 2018

Source	WREGIS #	2016 Vintage	2017 Vintage	2018 Vintage	Total REC Revenue
Kettle Falls	W130 / W797	\$2,348,775	\$1,349,115	\$1,745,067	\$5,442,957
Palouse Wind	W2906	\$1,777,775	\$152,706	\$135,152	\$2,065,633
Totals		\$4,126,550	\$1,501,821	\$1,880,219	\$7,508,590

XII. 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 31st day of May 2018.

AVISTA CORPORATION

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