

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

) ) DOCKET NO. UE-21\_\_\_\_\_

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IN THE MATTER OF AVISTA’S ) )

RENEWABLE TARGET IN COMPLIANCE ) ) COMPLIANCE REPORT OF

WITH WAC 480-109-210 ) ) 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, such as wind and solar generation, 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, dba Avista Utilities (“Avista” or “the 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.

<b>WAC Citation</b>	<b>Description</b>	<b>Section/Page</b>
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 - 4

	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 - 5
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 – 7
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/7
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 – 8

### 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 5,672,876 MWh in 2019 and 5,461,691 MWh in 2020. The Company’s average retail load used for 2021 compliance is 5,567,284 MWh.

### IV. RENEWABLE ENERGY TARGET

The following information is for the 2021 compliance year, which has a 15 percent qualified renewable energy target. Avista’s 2021 renewable energy target is 835,093 MWh of

qualified renewable generation or renewable energy credits. Table 1 below provides details about the Company's 2021 renewable energy target calculation.

**Table 1: Energy Independence Act Renewable Energy Target**

	<b>2019 Actual</b>	<b>2020 Actual</b>	<b>2021 Forecast</b>
<b>Washington Retail Load (MWh)</b>	5,672,876	5,461,691	5,623,335
<b>Target Load (MWh) – Average of prior two years actual loads</b>	5,712,707	5,640,469	5,567,284
<b>RCW 19.285 Requirement</b>	9%	15%	15%
<b>Requirement (MWh)</b>	514,144	846,070	835,093

## V. RENEWABLE ENERGY ACQUIRED TO MEET 2021 RENEWABLE ENERGY TARGET

Table 2 below details Avista's eligible renewable energy acquired to meet its 2021 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 workpapers supporting this filing.

**Table 2: Renewable Energy for 2021 Compliance**

	<b>2019<sup>1</sup></b>	<b>2020</b>	<b>2021</b>
<b>Water (Qualified Hydroelectric Upgrades)</b>	103,261	178,664	184,018
<b>Wind</b>	410,387	442,238	961,631
<b>Biomass</b>	403,187	158,507	271,970
<b>Solar</b>	0	0	970
<b>Total</b>	<b>916,835</b>	<b>779,409</b>	<b>1,419,281</b>

## 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

<sup>1</sup> 2019 figures show what was used for final compliance determination with the EIA filed in UE-190445.

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 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 0.6 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 in the 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 current corporate tax rates.

## **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 2021 target as provided for in WAC 480-109-220. The Company is meeting its 2021 renewable energy target using a combination of renewable energy credits from wind and biomass plus qualifying hydroelectric plant upgrades.

## **VIII. CURRENT YEAR PROGRESS**

Avista plans to meet its 2021 renewable energy targets with a combination of the qualified hydroelectric upgrades and other renewable energy certificates from qualifying resources. Table 3 below provides a high-level summary of the Company's expected 2021 compliance. Appendix A contains more details about this information.

**Table 3: 2021 Energy Independence Act Compliance Summary (MWh)**

	<b>2021</b>
<b>EIA Compliance Need</b>	835,093
<b>Eligible Renewable Resources</b>	1,529,322
<b>Eligible Renewable Resource Sales</b>	(110,022)
<b>Unrealized Apprentice Credits from REC Sales</b>	0
<b>2021 RECs Applied to 2020</b>	TBD
<b>Renewable Resource Surplus</b>	584,188
<b>Estimated 2022 Surplus Applied to 2021</b>	0
<b>Net 2021 Compliance</b>	584,188

### **IX. ELIGIBLE RESOURCES**

Table 4 below shows the WREGIS identification number for each of the qualifying resources and the projected amount of qualifying generation for the renewable energy resources in place on January 1, 2021 to meet Avista’s 2021 renewable energy target. The amount of qualified incremental hydro was modeled using actual stream flows for January through April 2021 and actual 2020 stream flows to estimate the rest of 2021. Qualifying incremental hydroelectric generation is calculated using hydro Method One after approval in Order No. 1 in Docket UE-190445. Avista is still working with the Washington WREGIS Administrator to add the Incremental Eligible Hydroelectric (IEH) designation on its eligible hydro resources to show the split between legacy and EIA eligible hydro generation. Avista has been separating the eligible from the legacy hydro generation manually, but is still working on getting this designation to comport with the current EIA requirements as the hydro model is updated to be able to run it on a more automated level every month so that the data can be sent to WREGIS for the assignment of qualified hydro resource designation to the appropriate amount of generation as the certificate numbers are assigned. It is the Company’s understanding that no other utility is using hydro Method One. The move to hydro Method One means that the amount of hydro generation now varies from year-to-year as can be seen from the fluctuating hydro inputs from 2019 through 2022 in Appendix A.

Table 4 includes the projected amount of qualifying resources net of completed and expected 2021 REC sales from Palouse Wind, Rattlesnake Flat Wind and Kettle Falls. The amount of generation from Kettle Falls shown in Table 4 has been reduced by 4.7 percent to account for the expected amount of non-qualifying old growth fuel from Canadian sources. Even though Grant

County PUD is now recording the qualifying generation from the Wanapum and Priest Rapids hydroelectric projects in WREGIS, and Avista is receiving its share of those credits in its WREGIS account, it remains ineligible for EIA compliance because Grant County PUD utilizes hydro Method Three, which is no longer allowed for compliance per WAC 480-109-200(7). Avista has elected to receive financial compensation for its share of any eligible incremental hydroelectric generation through its participation in the Residential Exchange Agreement with the Bonneville Power Administration, so there are no RECs to list from BPA under that agreement.

The Rattlesnake Flat Wind Project became operational on December 23, 2020. The Washington State Apprenticeship and Training Council approved the 20 percent apprenticeship bonus credit on April 23, 2021 and a copy of approval is in Appendix E. The Rattlesnake Flat Wind PPA was submitted to the Commission for a determination of prudence in Docket No. UE-200900. The Community Solar program ended on June 30, 2020 and the RECs are now available to meet Avista’s EIA goals. Avista is requesting that the Commission certify the Rattlesnake Flat Wind and Boulder Community Solar projects as EIA-qualifying resources in this year’s report. Both projects meet the definition of renewable energy under WAC 480-109-060(32).

**Table 4: Renewable Energy for 2021 Compliance Net of REC Sales**

<b>WREGIS Generation Unit ID</b>	<b>Generator Plant – Unit Name</b>	<b>Quantity (MWh)</b>
W1560	Cabinet Gorge Unit 2	32,818
W1561	Cabinet Gorge Unit 3	18,024
W1562	Cabinet Gorge Unit 4	579
W130 / W797	Kettle Falls	271,970
W2102	Little Falls Unit 4	1,623
W2103	Long Lake Unit 3	18,706
W216	Nine Mile Unit 1	7,460
W283	Nine Mile Unit 2	6,433
W1530	Noxon Rapids Unit 1	37,094
W1552	Noxon Rapids Unit 2	11,031
W1554	Noxon Rapids Unit 3	36,973
W1555	Noxon Rapids Unit 4	13,969
W2906	Palouse Wind	402,754
W4757	Boulder Solar	970
W10997	Rattlesnake Flat Wind	558,877
<b>Total</b>		<b>1,419,281</b>

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 Kettle Falls 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, the accounting firm 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 D – Biomass Methodology Report shows the calculation of the Canadian wood waste fuel component that satisfies the requirements to be “biomass energy”.

There are two additional solar projects listed in Appendix A because they are eligible resources under the EIA. However, the Rathdrum Solar and Adams-Neilson Solar Farm projects are assigned to the My Clean Energy (formerly Buck-A-Block) and Solar Select voluntary renewable programs. All RECs generated by these two resources are retired on behalf of the customers who choose to participate in these voluntary 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 EIA-qualified REC revenues by source and by vintage from January 1, 2019 through May 18, 2021. Any additional REC revenues that occur during the rest of 2021 will be included in the 2022 report.

**Table 5: REC Sales through May 18, 2021**

<b>Source</b>	<b>WREGIS #</b>	<b>2019 Vintage</b>	<b>2020 Vintage</b>	<b>2021 Vintage</b>	<b>Total REC Revenue</b>
<b>Kettle Falls</b>	<b>W130 / W797</b>	\$150,307	\$576,509	\$436,781	<b>\$1,163,597</b>
<b>Palouse Wind</b>	<b>W2906</b>	\$1,610	\$0	\$0	<b>\$1,610</b>
<b>Rattlesnake Flat Wind</b>	<b>W10997</b>	N/A	\$0	\$0	<b>\$0</b>
<b>Totals</b>		<b>\$151,917</b>	<b>\$576,509</b>	<b>\$436,781</b>	<b>\$1,165,207</b>

## **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:** Department of Commerce Incremental Cost Calculations

**Appendix C:** Department of Commerce EIA Renewables Report

**Appendix D:** Biomass Methodology Report

**Appendix E:** Rattlesnake Flat Wind Apprenticeship Credit Approval Letter

RESPECTFULLY SUBMITTED this 1st day of June, 2021.

AVISTA CORPORATION

By:  /s/ *Shawn Bonfield* \_\_\_\_\_

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