

**BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION
COMMISSION**

)	
)	DOCKET NO. UE-
)	
In the Matter of Avista’s Renewable Target in)	
Compliance with RCW 19.285 and WAC)	COMPLIANCE REPORT OF
480-109)	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 captured matter. A checklist of the required contents and a table of contents is below.

RCW 19.285	WAC 480-109	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 480-109-030 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 4

<p>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.</p>	<p>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.</p>	<p>Incremental Cost Compared To Annual Retail Revenue Requirement</p> <p>Page 5</p>
	<p>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.</p>	<p>Current Year Progress</p> <p>Page 6</p>

I. BACKGROUND

RCW Chapter 19.285, the Energy Independence Act, also known as Initiative Measure No. 937 or I-937, requires large utilities to obtain fifteen percent of their electricity from new renewable resources such as solar and wind 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 480-109-040, 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 480-109-030 provides three alternatives for meeting renewable resource requirements, including:

- 1) Investment of at least four percent of the Company's total annual retail revenue requirement on the incremental costs associated with the procurement of qualified renewable energy or renewable energy credits;
- 2) Events beyond reasonable control prevented the utility from meeting the renewable energy target; and
- 3) The utility experiencing zero load growth over the past three years.

Avista does not anticipate using an alternative to the renewable resource requirement for the 2012 target. The Company plans to meet its renewable resource compliance 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 5,467,176 MWh in 2010 and 5,602,601 MWh in 2011. The Company's average retail load used for 2012 compliance is 5,534,889 MWh.

IV. RENEWABLE ENERGY TARGET

Per RCW 19.285.040, there is no renewable resource target for 2011. The following information is for the 2012 compliance year, which has a 3 percent qualified renewable energy target. Avista's 2012 renewable energy target is 166,047 MWh of qualified renewable generation or renewable energy credits. Table 1 provides details about the Company's 2012 renewable energy target calculation.

Table 1: Energy Independence Act Renewable Energy Target

	2010	2011	2012
Washington Retail Load (MWh)	5,467,176	5,602,601	
Target Load (MWh)			5,534,889
RCW 19.285 Requirement	0%	0%	3%
Requirement (MWh)	0	0	166,047

V. RENEWABLE ENERGY ACQUIRED TO MEET RENEWABLE ENERGY TARGET

This compliance report covers the 2011 calendar year per RCW 19.285.070. There is no renewable energy target for 2011, but qualified non-hydroelectric upgrade derived generation from 2011 can be carried forward for 2012 compliance. The Company does not have any non-hydroelectric upgrade renewable energy for 2011 that can be used for compliance in 2012. Table 2 details qualifying hydroelectric upgrade credits expected in 2012 and credits from qualifying wind generation for the Company's 2012 compliance period. Calculations supporting the figures in Table 2 are provided in Appendix A and the supporting spreadsheets are provided in the confidential workpapers for this filing.

Table 2: Renewable Energy for 2012 Compliance¹

	2011	2012	2013	Total
Water (Qualified Hydroelectric Upgrades)	N/A	180,681	0	180,681
Wind	0	34,973	0	34,973
Solar	0	0	0	0
Geothermal	0	0	0	0
Landfill Gas	0	0	0	0
Wave, Ocean or Tidal	0	0	0	0
Gas from Sewage Treatment	0	0	0	0
Biodiesel Fuel	0	0	0	0
Biomass	0	0	0	0
Total	0	215,654	0	215,654

VI. INCREMENTAL COST COMPARED TO ANNUAL RETAIL REVENUE REQUIREMENT

To calculate the incremental cost of investments made to meet RCW Chapter 19.285, the revenue requirement for each qualifying project was compared to the cost of alternative power over the same period. In this case, the least-cost substitute resource is actual 2011 Mid-Columbia wholesale electric market power prices. As described above, no renewable energy target exists for 2011; however, to illustrate the concepts the Company calculated the incremental cost of energy from the qualifying renewables resources compared to the cost of the least-cost substitute resource. The 2011 cost of the qualifying renewable resources was higher than the least-cost substitute resource by an amount equal to 0.550 percent of Washington retail revenue requirement. 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.

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. The renewable energy certificates for 2012 through 2014 have been sold because they were determined to be 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. The 2015 renewable energy certificates were not sold since they are eligible to be used for 2016 compliance obligations.

VII. CURRENT YEAR PROGRESS

Avista plans to meet its 2012 renewable energy targets with a combination of the qualified hydroelectric upgrades listed above and other renewable energy certificates from qualifying resources. Details about Avista's plans for 2012 compliance are provided in Appendix A. Table 3 provides a high level summary of the Company's expected compliance summary.

Table 3: 2012 Energy Independence Act Compliance Summary

	2012
RCW 19.285 Compliance Need (MWh)	166,047
Estimated Eligible Renewable Resources (MWh)	215,654
Estimated Renewable Resource Surplus	49,607
Estimated 2012 Surplus Applied to 2013²	(34,973)

VIII. APPENDICES

The following appendices provide details about the qualified hydroelectric upgrades and renewable energy credits the Company plans to use to meet its renewable energy goals under the Energy Independence Act. The Company does not have any non-hydroelectric renewable energy credits generated from qualified resources in 2011 that can be carried forward and used for 2012 compliance, so there is no appendix with a listing of WREGIS certificate numbers from 2011 to submit.³

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 – Wanapum Hydroelectric Project Qualifying Upgrade Report

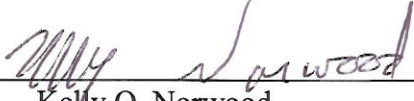
Appendix F – Department of Commerce Energy Independence Act Renewables Report

² The surplus applied to 2013 is lower than the total surplus because qualified hydroelectric upgrades must be used for compliance only in the year they are generated.

³ Avista's renewable target compliance report that will be submitted on or before June 1, 2013 will provide a list of WREGIS certificate numbers scheduled for retirement for the 2012 compliance year. The qualified hydroelectric upgrades cannot be used for compliance in the following year, so there are no 2011 certificate numbers to submit.

RESPECTFULLY SUBMITTED this 1st day of June 2012.

AVISTA CORPORATION

By: 
Kelly O. Norwood
Vice President, State and Federal Regulation