

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

) )  
 ) DOCKET NO. UE-140801  
 )  
 In the Matter of Avista’s Renewable Target in )  
 Compliance with RCW 19.285 and WAC ) COMPLIANCE REPORT OF  
 480-109 ) AVISTA CORPORATION  
 )  
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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.

<b>RCW 19.285</b>	<b>WAC 480-109</b>	<b>Section/Page</b>
For each year that a qualifying utility elects to demonstrate alternative compliance under RCW <u>19.285.040(2)</u> (d) or (i) or <u>19.285.050(1)</u> , 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 <u>480-109-030</u> 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.	<b>Alternative Compliance</b>  Page 3
the utility's annual load for the prior two years,	the utility's annual load for the prior two years,	<b>Annual Load For Previous Two Years</b>  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	<b>Renewable Energy Target</b>  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	<b>Renewable Energy Acquired To Have Met Renewable Energy Target</b>  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.	<b>Incremental Cost Compared To Annual Retail Revenue Requirement</b>  Pages 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.	<b>Current Year Progress</b>  Page 6

## 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 480-109-040, 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 is not using an alternative to the renewable resource requirement for the 2013 target. The Company is meeting its 2013 renewable energy target using a combination of renewable energy credits and qualifying hydroelectric plant upgrades, and expects to do the same in 2014.

## **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 5,602,601 MWh in 2011 and 5,513,396 MWh in 2012. The Company's average retail load used for 2013 compliance is 5,557,999 MWh.

#### IV. RENEWABLE ENERGY TARGET

The following information is for the 2013 compliance year, which has a 3 percent qualified renewable energy target. Avista's 2013 renewable energy target is 166,740 MWh of qualified renewable generation or renewable energy credits. Table 1 provides details about the Company's 2013 renewable energy target calculation.

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

	2011	2012	2013
<b>Washington Retail Load (MWh)</b>	5,602,601	5,513,396	5,678,868
<b>Target Load (MWh)</b>		5,534,889	5,557,999
<b>RCW 19.285 Requirement</b>	0%	3%	3%
<b>Requirement (MWh)</b>	0	166,047	166,740

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

This compliance report covers the 2013-calendar year per RCW 19.285.070. Table 2 below details Avista's eligible renewable energy acquired, net of sales, to meet its 2013 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 2013 Compliance<sup>1</sup>**

	2013
<b>Water (Qualified Hydroelectric Upgrades)</b>	192,016
<b>Wind</b>	11,425
<b>Total</b>	<b>203,441</b>

<sup>1</sup> 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 below shows the WREGIS certificate serial numbers associated with the renewable energy resources used by Avista to meet its 2013 renewable energy target of 166,740 MWh. Table 3 does not include the 11,425 MWh from Wind, shown in Table 2 above, as the Company intends to sell those RECs. Wind RECs can be carried forward to use in the next year or be sold.

Incremental hydroelectric generation from upgrades cannot be carried forward to be used for compliance in future periods. Therefore, the incremental hydroelectric generation from upgrades in 2013 that exceed the 2013 target of 166,740 MWh, or 25,276 MWh, are only eligible for 2013 compliance or may be sold in another jurisdiction.

**Table 3: Renewable Energy for 2013 Compliance**

<b>WREGIS Generation Unit ID</b>	<b>Generator Plant – Unit Name</b>	<b>Quantity</b>	<b>Certificate Serial Numbers</b>
W1560	Cabinet Gorge Unit 2	8,067	1560-ID-83943-2 to 8068
W1560	Cabinet Gorge Unit 2	20,941	1560-ID-86403-1 to 20941
W1561	Cabinet Gorge Unit 3	28,328	1561-ID-86404-7108 to 35435
W1561	Cabinet Gorge Unit 3	17,480	1561-ID-83944-1 to 17480
W1562	Cabinet Gorge Unit 4	8,818	1562-ID-81552-1 to 8818
W1562	Cabinet Gorge Unit 4	10,084	1562-ID-83945-1 to 10084
W1562	Cabinet Gorge Unit 4	1,615	1562-ID-79346-1 to 1615
W2102	Little Falls Unit 4	4,862	2102-WA-86701-1 to 4862
W2103	Long Lake Unit 3	6,783	2103-WA-79629-1 to 6783
W2103	Long Lake Unit 3	7,414	2103-WA-81967-1 to 7414
W1530	Noxon Rapids Unit 1	21,435	1530-MT-86378-29997 to 51431
W1552	Noxon Rapids Unit 2	7,709	1552-MT-83935-26366 to 34074
W1554	Noxon Rapids Unit 3	5,173	1554-MT-98793-1 to 5173
W1554	Noxon Rapids Unit 3	9,356	1554-MT-86398-27104 to 36459
W1555	Noxon Rapids Unit 4	12,024	1555-MT-79339-1 to 12024
N/A	Wanapum Fish Ladder	21,927	See Attestation in Work Papers
<b>Total</b>		<b>192,016</b>	

## **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 revenue requirement for each qualifying project compared to the cost of alternative power over the same period. In this case, the least-cost substitute resource is actual 2013 Mid-Columbia wholesale electric market power prices. The 2013 cost of the qualifying renewable resources was higher than the least-cost substitute resource by an amount equal to 1.22 percent of Washington retail revenue requirement. Projects completed or committed to prior to November 2006 use an incremental cost of zero, because the projects were completed or committed to prior to or independent from the Energy Independence Act. 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 2014 renewable energy target with a combination of the qualified hydroelectric upgrades listed above and other renewable energy certificates from qualifying resources. Table 4 below provides a high level summary of the Company's expected 2014 compliance. Further details about this information can be found in Appendix A.

**Table 4: 2014 Energy Independence Act Compliance Summary**

	<b>2014</b>
<b>RCW 19.285 Compliance Need (MWh)</b>	167,884
<b>Eligible Renewable Resources (MWh)<sup>2</sup></b>	610,906
<b>Eligible Renewable Resource Sales (MWh)<sup>3</sup></b>	(1,777)
<b>Renewable Resource Surplus</b>	441,245

### 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

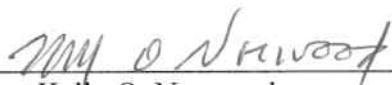
**Appendix D:** Spokane River Hydroelectric Project Qualifying Upgrades Report

**Appendix E:** Wanapum Hydroelectric Project Qualifying Upgrade Report

**Appendix F:** Department of Commerce Energy Independence Act Renewables Report

RESPECTFULLY SUBMITTED this 30<sup>th</sup> day of May 2014.

AVISTA CORPORATION

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

<sup>2</sup> The amount of Eligible Renewable Resources excludes the 11,425 MWh of Wind RECs from 2013 that are available in 2014 for use or sale. The Company does not need to transfer these RECs to 2014 to meet its compliance target as it has enough 2014 RECs available to meet its target.

<sup>3</sup> 2014 vintage RECs sold in 2014.