

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

))
) DOCKET NO. UE-23_____
))
 IN THE MATTER OF AVISTA’S))
 RENEWABLE TARGET IN COMPLIANCE) COMPLIANCE REPORT OF
 WITH WAC 480-109-210) AVISTA CORPORATION
))
 _____))

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.

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 - 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 5,730,588 MWh in 2021 and 5,894,971 MWh in 2022. The Company’s average retail load used for 2023 compliance is 5,812,780 MWh.

IV. RENEWABLE ENERGY TARGET

The following information is for the 2023 compliance year, which has a 15 percent qualified renewable energy target. Avista’s 2023 renewable energy target is 871,917 MWh of

qualified renewable generation or renewable energy credits. Table 1 below provides details about the Company's 2023 renewable energy target calculation.

Table 1: Energy Independence Act Renewable Energy Target

	2021 Actual	2022 Actual	2023 Forecast
Washington Retail Load (MWh)	5,730,588	5,894,971	5,721,336
Target Load (MWh) – Average of prior two years actual loads	5,567,284	5,596,140	5,812,780
RCW 19.285 Requirement	15%	15%	15%
Requirement (MWh)	835,093	839,421	871,917

V. RENEWABLE ENERGY ACQUIRED TO MEET 2023 RENEWABLE ENERGY TARGET

Table 2 below details Avista's eligible renewable energy acquired to meet its 2023 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 2023 Compliance

	2021¹	2022	2023
Water (Qualified Hydroelectric Upgrades)	164,053	188,388	171,164
Wind	670,503	797,640	899,475
Biomass	0	152,278	297,570
Solar	537	1,090	1,090
Total	835,093	1,139,396	1,369,299

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

¹ 2021 for Table 2 shows actual amounts and types of resources used for final compliance. The total amounts of RECs in Appendix A are higher because of the non-hydro surplus RECs still being held by Avista. These RECs may still be sold to a third party or used for 2022 EIA compliance.

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 Company's Production and Transmission Ratio for Washington (64.4%). 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 1.3 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 2023 target as provided for in WAC 480-109-220. The Company is meeting its 2023 renewable energy target using a combination of renewable energy credits from wind, biomass and solar plus qualifying hydroelectric plant upgrades.

VIII. CURRENT YEAR PROGRESS

Avista plans to meet its 2023 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 2023 compliance. Appendix A contains more details about this information.

Table 3: 2023 Energy Independence Act Compliance Summary (MWh)

	2023
EIA Compliance Need	871,917
Eligible Renewable Resources	1,369,299
Eligible Renewable Resource Sales	0
Unrealized Apprentice Credits from REC Sales	0
2023 RECs Applied to 2022	0
Renewable Resource Surplus	497,382
Estimated 2024 Surplus Applied to 2023	0
Net 2023 Compliance	497,382

IX. ELIGIBLE RESOURCES

Table 4 below shows the WREGIS identification number for each qualifying hydro resource and the qualifying percentage of hydro generation. Qualifying hydro generation is now based on Hydro Method Two after approval in Order No. 1 in Docket UE-220400. To complete this June 1st compliance report, the amount of qualified incremental hydro for 2023 was developed using the approved percentages of qualifying hydro resources under Hydro Method 2 and shown in Table 4. The average qualifying hydro percentage by unit was multiplied times the actual monthly generation for January 2023 through March 2023 and for April 2022 through December 2022. The results are available in Appendix A and the attached workpapers.

Table 4: Qualified Percentages Under Hydro Method Two

Qualifying Avista Hydro Project	Qualifying Percentage
Long Lake Unit 3	10.86%
Little Falls Unit 4	4.40%
Cabinet Gorge Unit 2	10.65%
Cabinet Gorge Unit 3	7.74%
Cabinet Gorge Unit 4	6.04%
Noxon Rapids Unit 1	6.10%
Noxon Rapids Unit 2	2.38%
Noxon Rapids Unit 3	6.88%
Noxon Rapids Unit 4	3.75%
Nine Mile Unit 1	27.52%
Nine Mile Unit 2	22.94%

Table 5 includes the projected amount of qualifying resources net of completed and expected 2023 REC sales from Palouse Wind, Rattlesnake Flat Wind and Kettle Falls. The amount of generation from Kettle Falls shown in Table 5 has been reduced by 5.1% to account for the expected amount of non-qualifying old growth fuel from Canadian biomass fuel sources. Even though Grant PUD now registers 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 use in Avista’s EIA compliance because Grant 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 available to list from BPA under that agreement.

Table 5: Renewable Energy for 2023 Compliance Net of REC Sales

WREGIS Generation Unit ID	Generator Plant – Unit Name	Quantity (MWh)
W1560	Cabinet Gorge Unit 2	17,685
W1561	Cabinet Gorge Unit 3	15,973
W1562	Cabinet Gorge Unit 4	16,433
W130 / W797	Kettle Falls	297,570
W2102	Little Falls Unit 4	1,784
W2103	Long Lake Unit 3	9,927
W216	Nine Mile Unit 1	18,099
W283	Nine Mile Unit 2	17,143
W1530	Noxon Rapids Unit 1	24,585
W1552	Noxon Rapids Unit 2	7,427
W1554	Noxon Rapids Unit 3	31,666
W1555	Noxon Rapids Unit 4	10,442
W2906	Palouse Wind	384,719
W4757	Boulder Solar	1,090
W10997	Rattlesnake Flat Wind	514,756
Total		1,369,299

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 qualified “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 qualifying 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 qualified “biomass energy”.

There are two additional solar projects listed in Appendix A because of their eligibility under the EIA. However, the Rathdrum Solar and Adams-Neilson Solar Farm projects are currently 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 by Washington customers for the cost of those RECs transferred for use in EIA compliance. 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 6 summarizes Avista's system-wide EIA-qualified REC revenues by source and by vintage from January 1, 2021, through May 23, 2023. Any additional REC revenues that occur during the rest of 2023 will be included in the 2024 report.

Table 6: REC Sales through May 23, 2023

Source	WREGIS #	2021 Vintage	2022 Vintage	2023 Vintage	Total REC Revenue
Kettle Falls	W130 / W797	\$855,154	\$794,453	\$0	\$1,649,607
Palouse Wind	W2906	\$102,831	\$0	\$0	\$102,831
Rattlesnake Flat Wind	W10997	\$802,500	\$0	\$0	\$802,500
Totals		\$1,760,485	\$794,453	\$0	\$2,544,938

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

RESPECTFULLY SUBMITTED this 31st day of May, 2023.

AVISTA CORPORATION

By: /s/ *Shawn Bonfield*
Shawn Bonfield
Sr. Manager Regulatory Policy & Strategy