

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

In the Matter of the Petition of  
AVISTA CORPORATION'S

Ten-Year Achievable Conservation Potential  
And Biennial Conservation Target Under  
RCW 19.285.040 and WAC 480-109-010

DOCKET NO. UE-100176  
ORDER 02

**[PROPOSED]**  
ORDER AMENDING CONDITIONS  
RELATING TO AVISTA'S TEN-YEAR  
ACHIEVABLE CONSERVATION  
POTENTIAL AND BIENNIAL  
CONSERVATION TARGET

AMENDING ORDER 01

**I. BACKGROUND**

1. On July 28<sup>th</sup>, 2011, Avista Corporation (Avista), the Public Counsel Section of the Washington Attorney General's Office (Public Counsel) and Commission Staff (Staff) (Joint Movants), filed a Motion to Amend Order 01 (Motion) in this docket to incorporate a recommended new procedure for reviewing Avista DSM prudence. The Motion was served on all participants in this proceeding and all parties to Avista's currently pending general rate case.<sup>1</sup> No party or participant has objected to the Motion.
2. The Energy Independence Act, RCW Chapter 19.285, requires large electric utilities, such as Avista, to set and meet targets for the conservation of electricity. In Order 01, the Commission found that it was in the public interest to approve Avista's Revised Ten-Year Achievable Conservation Potential and 2010-2011 Biennial Conservation Target, subject to

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<sup>1</sup> *WUTC v. Avista Corporation*, Docket Nos. UE-110876/UG-110877 (Avista GRC).

certain conditions, as consistent with the requirements of the Energy Independence Act (EIA).<sup>2</sup> Pursuant to the EIA and Order 01, Avista must meet its identified biennial conservation targets.<sup>3</sup> Additionally, Order 01 stated, “Avista must demonstrate the prudence and cost-effectiveness of its conservation programs to the Commission after the savings are achieved.”<sup>4</sup> However, Order 01 did not specify the procedure or proper forum for demonstration and review of Avista’s DSM prudence.<sup>5</sup> The EIA itself does not specifically address the determination of DSM prudence.

3. For Avista, DSM prudence review has historically occurred in general rate cases.<sup>6</sup> However, the conservation target process established by the EIA, including biennial reporting on conservation achievement, provides a potential alternative process for prudence review. Joint Movants disagreed as to whether the general rate case or other forum was appropriate as to location and timing for review of Avista DSM prudence. Following the filing of Avista’s current general rate case, Joint Movants met to discuss this issue, ultimately reaching consensus. Their agreement is reflected in a Memorandum of Understanding (MOU) filed as Appendix A to the Motion.

4. The Commission has reviewed the Motion and finds that the request is reasonable and in the public interest. The requested approach will provide necessary certainty to the parties while

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<sup>2</sup> *In the Matter of Avista Corporation’s Ten-Year Achievable Conservation Potential and Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010*, Docket No. UE100176, Order 01, ¶ 54 (May 2010).

<sup>3</sup> RCW 19.285.040(1)(b) (2010).

<sup>4</sup> *In the Matter of Avista Corporation’s Ten-Year Achievable Conservation Potential and Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010*, Docket No. UE100176 Order 01, ¶ 62 (May 2010).

<sup>5</sup> *See In the Matter of Avista Corporation’s Ten-Year Achievable Conservation Potential and Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010*, Docket No. UE100176 Order 01, ¶ 62 (May 2010).

<sup>6</sup> *See Washington Utilities and Transportation Commission v. Avista Corporation d/b/a Avista Utilities*, Docket Nos. UE-100467 and UG-100468 (consolidated) Settlement Stipulation, ¶ 14 (Nov. 2010); *Washington*

accommodating the changes occurring as result of new EIA requirements. Order 01 in this docket will be amended by adding a paragraph 12 to the Ordering Paragraphs, as follows:

**(12) Avista DSM Prudence Review**

(a) On June 1, 2012, Avista must file testimony and supporting evidence to demonstrate the prudence of its DSM expenditures for the prior two-year period for electric and natural gas programs (2010-2011). The filing will include a separate filing for natural gas which will include verified savings for 2010 and 2011 and would be assigned its own docket number. The electric filing will include electric verified savings for 2010 and 2011. The Commission will consolidate the natural gas and the electric DSM dockets.

(b) Avista will make discovery immediately available concurrent with its filing.

(c) Within 30 days, any person may request that the Commission set Avista DSM prudence for adjudication. Avista agrees not to oppose the request.

(d) In any adjudication, Avista, Commission Staff and Public Counsel will agree to recommend the adjudication include the opportunity for discovery, testimony, hearing and briefs. Avista, Commission Staff and Public Counsel will also recommend a schedule which would result in a Commission order no more than six months from the initiation of the adjudication.

(e) Avista, Commission Staff and Public Counsel agree any DSM expenditure disallowance on prudence grounds ordered by the Commission would be implemented in the next occurring annual DSM tariff rider filing (currently filed annually on May 1) as part of the true-up.

(f) This Avista DSM prudence review process does not affect review by the Commission or other parties of Avista's annual DSM tariff rider filing for non-prudence issues (e.g. accounting issues, inclusion of improper costs).

(g) Nothing in this Order is intended to preclude consideration in the pending Avista General Rate Case (Docket Nos. UE-110876/UG-110877) of issues, testimony, and evidence related to Avista's compliance with Order 07, paragraph 16, in Docket Nos. UE-100467/UG-100468, and the settlement stipulation, Appendix A to Order 07 (pages 17 and 18 of the stipulation (provision G) regarding DSM reports). The DSM reports prepared in compliance with Order 07 are contained in Exhibit Nos. BWF-2, BWF-3 and BWF-4 in the pending Avista General Rate Case (Docket Nos. UE-110876/UG-110877).

(h) Avista, Commission Staff, and Public Counsel agree that this prudence review process will continue for the two-year cycles subsequent to 2012. Avista, Commission Staff, or Public Counsel may recommend changes to the process after 2014, based on a substantial change in circumstances.

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*Utilities and Transportation Commission v. Avista Corporation d/b/a Avista Utilities*, Docket Nos. UE-070804, UG-070805, UE-070311 (consolidated) Order 05, ¶ 21 (Dec. 2007).

**ORDER**

5. THE COMMISSION ORDERS THAT:
- (1) Order 01 in this docket is amended as discussed in the body of this Order and the Motion to Amend filed on July 28, 2011.
  - (2) The Commission retains jurisdiction to enforce the terms of this and all prior orders in this proceeding
6. DATED at Olympia Washington, and effective this \_\_\_ day of \_\_\_\_\_, 2011.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner