



ATTORNEY GENERAL OF WASHINGTON

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December 3, 2013

VIA ELECTRONIC FILING

Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
P. O. Box 47250
Olympia, WA 98504-7250

Re: Avista Corporation, Report identifying its 2014-2023 ten-year achievable conservation potential and its 2014-2015 biennial conservation target
Docket UE-132045

Dear Mr. King:

Pursuant to the Commission's November 6, 2013, Notice of Opportunity to File Written Comments, enclosed please find Public Counsel's Comments in the above-entitled docket.

Sincerely,

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MK:cjb

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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

AVISTA CORPORATION REPORT
CONCERNING ITS 2014-2023 TEN-YEAR
CONSERVATION POTENTIAL AND 2014-
2015 BIENNIAL CONSERVATION TARGET

DOCKET NO. UE-132045

COMMENTS OF PUBLIC COUNSEL

December 3, 2013

I. INTRODUCTION

1. Pursuant to the Commission's November 6, 2013, Notice of Opportunity to File Written Comments (Notice), the Public Counsel Section of the Washington State Attorney General's Office (Public Counsel) respectfully submits these comments in advance of the Commission's December 18, 2013, Open Meeting. These comments address Avista's Biennial Conservation Plan (BCP) report concerning its ten-year conservation potential and its 2014-2015 biennial conservation target filed with the Commission in compliance with RCW 19.285.040 and WAC 480-109-010 (hereafter "BCP").
2. Avista has proposed a conservation target of 58,231 megawatt hours for the 2014-2015 biennium, and a ten year conservation potential of 404,736 megawatt hours.¹ Whereas Avista proposed a range for its 2012-2013 biennial conservation target, the Company is proposing a

¹ Docket UE-132045, *In the Matter of Avista's 2014-2023 Ten-Year Achievable Conservation Potential and Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010*, Avista's Biennial Conservation Plan, filed November 1, 2013 (hereafter 'Avista BCP'). Avista's proposed biennial conservation target is shown at Table 2 of Avista's BCP, p. 22. The ten year potential was clarified in Avista's Response to Staff Data Request No. 1.

single target for the 2014-2015 biennium. Avista has developed its target based upon a Conservation Potential Assessment (CPA) focused on Avista's service territory, conducted by EnerNOC.

3. Avista's BCP was filed on November 1, 2013, along with the 2014 Demand-Side Management (DSM) Business Plan and additional appendices. As the Commission's Notice observes, these are voluminous documents. We have been reviewing these documents, submitted a few data requests to the Company, and appreciate Avista's responsiveness to those requests and the additional information that has been provided. Public Counsel is still reviewing Avista's proposed biennial conservation target for 2014-2015. As discussed in more detail below, Avista will be providing further information and documentation pertaining to the 'fixed' unit energy savings (UES) values. Once we receive the additional information from the Company on UES values and have sufficient opportunity for review and consideration of relevant issues, Public Counsel will be able to provide a recommendation regarding Avista's proposed biennial conservation target and ten year conservation potential. We also look forward to reviewing the comments of Staff and other stakeholders prior to developing a formal recommendation to the Commission at the December 18, 2013, Open Meeting regarding Avista's BCP.

4. At the time of preparing these comments, Public Counsel has been reviewing draft proposed conditions with Commission Staff and the Company. We are hopeful that by the time of the December 18, 2013, Open Meeting, all interested stakeholders will have an opportunity to reach consensus on a comprehensive set of conditions. In the event stakeholders are not able to

reach full consensus on conditions, Public Counsel will propose recommended conditions in advance of the December 18, 2013, Open Meeting.

5. Public Counsel's comments are focused on issues related to Avista's electric DSM operations and compliance with the Energy Independence Act (EIA). However, as stated in the Commission's Notice, Avista's DSM Business Plan for 2014, attached as Appendix A to the Company's BCP, discusses both the electric and natural gas DSM portfolios. We will very briefly discuss the natural gas portfolio at the end of our comments (Section IV).

II. TEN-YEAR POTENTIAL AND BIENNIAL CONSERVATION TARGETS

A. Basis for Targets.

6. Consistent with the EIA, the Commission's rules state that in determining its ten-year conservation potential, a utility shall consider conservation resources that are "cost-effective, reliable and feasible."² With respect to the biennial conservation target, the utility "must identify all achievable conservation opportunities."³
7. Avista's proposed 2014-2015 biennial conservation target of 58,231 MWh is based upon a Conservation Potential Assessment (CPA) conducted by EnerNOC for the Company's 2013 Electric IRP. This is consistent with the Commission's Order in Docket UE-111882, requiring Avista to perform a CPA for its Washington service territory in developing the biennial conservation target for 2014-2015.⁴ The CPA identified an achievable potential for Avista's Washington service territory of 67,137 MWh, exclusive of fuel conversion savings, to be consistent with the Council's methodology. This represents the achievable conservation

² WAC 480-108-010 (1)(a).

³ *Id.* at (2)(a).

⁴ Docket UE-111882, Order 01, at ¶ 31, condition (9)(a).

potential for end-use electric efficiency. As discussed in more detail below, Avista proposes removing savings potential related to regional market transformation efforts from the Northwest Energy Efficiency Alliance (NEEA) to determine the biennial target.

8. Whereas Avista's biennial target for 2012-2013 included a significant amount of projected distribution savings (32,387 MWh or 30% of target), the Company is projecting a much smaller amount for the 2014-2015 biennium, 2,061 MWh (3.5% of the proposed target) in projected savings from feeder upgrades. The BCP states that during the 2014-2015 biennium most of the Company's efforts will be focused on Idaho feeders.⁵ In addition, a very small amount of generation efficiency is projected for lighting upgrades at the Cabinet and Noxon hydroelectric facilities.⁶ Table 1 below outlines Avista's proposed EIA conservation target for the 2014-2015 biennium.

Table 1. Avista's Proposed 2014-2015 Biennial Conservation Target

	Target (MWhs)	Percent
CPA – End Use Electric Efficiency	67,137	
Less NEEA savings identified within CPA	(11,130)	
End-Use Electric Efficiency	56,007	96.2%
Distribution Efficiency	2,061	3.5%
Generation Efficiency	163	0.3%
Proposed Biennial Target	58,231	100%

9. Avista's proposed biennial target (58,231 MWh) is 46% lower than the Company's target for the current 2012-2013 biennium (108,589 MWh).⁷ This is partly explained by the proposed

⁵ Avista BCP, p. 23.

⁶ Avista BCP, p. 23.

⁷ Avista's target for the 2012-2013 biennium is a range, and 108,589 MWh is the low end of the range.

removal of NEEA savings from the biennial target for this biennium. In addition, Avista's BCP identifies several factors as contributing to the lower target for this biennium, including "lower avoided costs and marketability of efficiency technologies,"⁸ as well as updated macroeconomic conditions and the impact of tax credits advancing some efficiency opportunities into prior years.⁹ Avista's avoided cost for evaluating conservation resources is \$67.92 per MWh.¹⁰

B. Fixed UES Values.

10. The heightened focus on conservation as a least cost resource and EIA implementation has brought enhanced focus on the unit energy savings (UES) values used to report and claim conservation acquisition. These values are critical inputs for the Commission and stakeholders in evaluating the cost-effectiveness and impact of these programs and assessing EIA compliance. The UES values are also critical for the utility, particularly as conservation becomes a more significant resource, for load forecasting and power planning purposes. Evaluation, measurement, and verification (EM&V) efforts help to further refine and improve the accuracy of those savings values, leading to program improvement and greater confidence in reported conservation acquisition.
11. During Avista Advisory Group discussions leading up to the current BCP filing, Avista again requested to have UES values considered 'fixed' for the duration of the biennium, as the Company had requested in its 2012-2013 BCP. This is sometimes also referenced as a 'frozen baseline.' Avista's 2014 DSM Business Plan states in part: "the unit energy savings used by the

⁸ Avista BCP, p. 4.

⁹ Avista BCP, p. 5.

¹⁰ Avista BCP, p. 8.

third-party completing Avista's CPA (used to establish the I-937 target) will remain fixed for the duration of the biennium."¹¹

12. Public Counsel addressed this issue of 'fixed' UES values in comments filed on the 2010-2011 biennial conservation achievement report filings of the three electric IOUs.¹² Our preference, as stated in those comments, is that a utility should make annual adjustments to savings estimates and report conservation achievement using those updated savings values. We believe this approach encourages adaptive management and improvement of conservation program management. We continue to support annual updates to unit energy savings.¹³ However, as a compromise in this docket, we do not object to the concept of fixed UES values for the 2014-2015 biennium, with the understanding that Avista will be providing updated information on this issue, as discussed below. In addition, in response to Advisory Group input, Avista has indicated the Company will also report conservation achievement using updated UES values, if applicable. This may help the Commission and stakeholders better understand the level of risk associated with updating UES values, and consider any future changes to this approach.

13. In order to implement this 'fixed' UES values concept, Avista's BCP filing included a list of measures and UES values, attached as Appendix C, that Avista proposes to consider 'fixed' for the biennium. Appendix C referenced the Regional Technical Forum (RTF) body of work as of April 5, 2013, incorporating that list by reference, as that date coincided with the initial UES

¹¹ Avista BCP, Appendix A, p. 14.

¹² Dockets UE-100170 (PacifiCorp), UE-100176 (Avista), and UE-100177 (PSE), Comments of Public Counsel dated August 2, 2012, p. 7.

¹³ Public Counsel understands that PSE will continue to update UES values annually, as has been PSE's standard practice for several years.

data captured in the development of the CPA for the 2013 Electric IRP.¹⁴ Appendix C also included a list of applicable measures from Avista's Technical Reference Manual (TRM). There was some confusion among Advisory Group members, however, around the original Appendix C filed with the BCP on November 1, 2013. There were productive discussions at Avista's Advisory Group meeting on November 6-7, 2013. The Company clarified that some of the measures and UES values shown in Appendix C that are from Avista's TRM will actually be superseded by RTF UES values.¹⁵

14. Avista has informed Public Counsel and Staff that the Company is developing a revision to Appendix C that will reflect a comprehensive list of measures, UES values, and sources that were used for the development of the proposed biennial conservation target and which Avista is seeking to consider 'fixed' for the biennium. The Company has advised that this document should be completed in advance of the December 18, 2013, Open Meeting. We are pleased that Avista is undertaking this effort, and believe the resulting document will assist stakeholder review and provide further support for the basis of Avista's proposed biennial target through the CPA and ensure consistency with the BCP.¹⁶ Once we have an opportunity to review that document, and better understand the alignment between those UES values and the development of the biennial conservation target, Public Counsel will be able to provide a recommendation to the Commission regarding Avista's proposed biennial conservation target and ten year potential.

¹⁴ Avista BCP, Appendix C, p. 1.

¹⁵ November 7, 2013 Avista Advisory Group meeting discussion; Avista Response to Public Counsel Data Request No. 5, November 25, 2013.

¹⁶ The BCP filings of PSE and PacifiCorp included similar documents. *See, e.g.* Docket UE-132043, PSE Biennial Conservation Plan, November 1, 2013, Exhibit No. 5, 2014-2015 Prescriptive Measure Summaries.

C. NEEA Savings.

15. Pursuant to a requirement in Docket UE-100176, Avista filed a joint proposal with PSE and PacifiCorp, proposing a common approach to claiming Northwest Energy Efficiency Alliance (NEEA) conservation savings under the EIA.¹⁷ The general approach of the joint utility proposal is to continue to invest in NEEA and report NEEA savings in annual and biennial reports, but not claim any NEEA savings toward a utility's biennial conservation target.¹⁸ Public Counsel supports this general approach, in light of the challenges associated with estimating the savings achievements of regional market transformation activities.

16. In terms of implementing the Joint Utility Proposal, Public Counsel believes each utility has made reasonable efforts to identify NEEA savings that should be excluded from the biennial conservation target, but challenges arose for a variety of reasons. Some of the challenges that emerged highlighted the difficulty in aligning NEEA's methodology for forecasting and counting conservation savings with the utility conservation potential forecasting. For example, there were substantial differences in the baseline assumptions used to derive NEEA savings, which relied on the Council's Sixth Plan 2009 baseline, and the utility CPA baseline. Avista's CPA baseline, for example, is adjusted to reflect updated codes and standards as well as market penetration levels. Because of these divergent baselines, the implementation of the Joint Utility Proposal was a complex undertaking.

17. As mentioned earlier, Avista's CPA identified a biennial conservation potential of 67,137 MWh for Washington, consistent with the Council's methodology. NEEA's initial projected

¹⁷ Docket UE-100176, Joint Utility Proposal for a consistent approach to NEEA claimed conservation savings for the 2014-2015 biennium, filed October 31, 2012, in compliance with Order 03, ordering paragraph (4).

¹⁸ Docket UE-100176, Joint Utility Proposal, p. 1.

savings for Avista's Washington service territory was 45,000 MWh for the biennium.¹⁹ If that amount of projected savings were to be subtracted from the CPA developed target, the resulting biennial target for electric end-use efficiency would have been only 22,137 MWh. That level of conservation acquisition is far below Avista's historical *annual* acquisition from its local utility programs. A major source of the mismatch between NEEA savings and the CPA concerned the differing baselines. After stakeholder discussion, NEEA provided Avista with a revised projection that used a 'proxy' Seventh Plan Council baseline for 2015. This revised NEEA forecast projected savings for Avista of 28,971 MWh for the 2014-2015 biennium.²⁰ The firm that had conducted Avista's CPA, EnerNOC, then conducted an analysis and determined that of the 28,971 MWh of projected NEEA savings, 11,300 MWh of savings should be considered as NEEA savings that are 'within' the CPA.²¹ Subtracting that amount from the CPA biennial target results in an electric end-use biennial target of 56,007 MWh.²²

18. Public Counsel continues to support region-wide market transformation efforts and the electric utilities' involvement and funding of NEEA. We also commend the efforts of the utilities to develop a common approach to claiming conservation savings for NEEA. Public Counsel supports tracking NEEA savings outside of the biennial target setting and reporting process. We believe Avista's proposed approach to removing NEEA savings from the CPA developed target is a reasonable first step toward implementing the joint proposal, and we do not

¹⁹ Avista Response to Public Counsel Data Request No. 10, Attachment A, Memo from EnerNOC to Avista dated October 16, 2013, p. 2. Public Counsel understands this initial NEEA forecast was provided to Avista in August, 2013.

²⁰ Avista Response to Public Counsel Data Request No. 10, Attachment A, Memo from EnerNOC to Avista dated October 16, 2013, p. 3.

²¹ *Id.*, p. 5.

²² As noted previously, Avista's proposed EIA biennial conservation target is 58,231 MWh, and includes a small amount of distribution efficiency and generation efficiency.

object to the methodology used for the 2014-2015 biennium. Because of the challenges and complexity of these issues, however, we are still attempting to fully understand the methodologies used by each of the three utilities. We believe this issue merits additional stakeholder review before we can fully endorse any particular methodology going forward.

D. Opower Behavior Program.

19. Avista launched a residential behavior-based program, administered by Opower, in May, 2013. The program is planned for a three-year duration. In Washington, approximately 48,000 households will be in the treatment group and will receive reports comparing their energy usage to 100 similar homes. The control group will be composed of about 13,000 households in Washington.²³ Cadmus, as the third-party evaluator, performed the random assignment of the treatment and control groups, and will evaluate the program in order to determine energy savings.²⁴ The potential savings from this program are significant. The 2014 DSM Business Plan projects 5.1 million kwh savings for this program in 2014, which is 38% of projected residential savings for 2014.²⁵ The projected savings from the Opower in the first year of the biennium (2014) represent about 9% of the proposed biennial conservation target, and additional savings would be claimed in 2015.

20. With Avista's Opower program launch, all three of the electric IOUs now have Opower programs as part of their residential portfolio. The three companies have taken different approaches to incorporating the Opower program in the development of their proposed biennial

²³ Avista BCP, Appendix A, 2014 DSM Business Plan, p. 90.

²⁴ Avista BCP, Appendix A, 2014 DSM Business Plan, p. 41.

²⁵ Avista BCP, Appendix A, 2014 DSM Business Plan, Table 5, p. 51.

conservation target. Also, the companies are proposing to claim savings from the program using different methodologies.

21. Avista's CPA did include residential behavioral measures, such as the Opower program, in its analysis. This is in contrast to the CPAs conducted for PSE and PacifiCorp, which did *not* include residential behavioral measures. However, while Avista's CPA did analyze behavioral measures, the achievable conservation potential identified for 2014-2015, 67,137 MWh, did *not* include any behavioral measures.²⁶ Therefore, Avista's proposed biennial conservation target does not include any behavioral measures. The Company has explained that behavioral measures did not pass the cost-effectiveness screen, but that since the CPA was completed costs have declined and Avista can now offer a cost-effective behavioral program.²⁷ As mentioned previously, Avista's Opower program launched in May, 2013.

22. To the extent new or updated information is available during the target setting process and development of the Biennial Conservation Plan, that information should be incorporated into the BCP and proposed target as appropriate. This provides for consistency between the development of the proposed biennial target and the plan to achieve that target. For example, PSE and PacifiCorp have proposed to increase their biennial target for the Opower program, because the CPAs did not include behavioral measures, and each utility has a residential Opower program that will continue during 2014-2015.²⁸ By including the program in the proposed biennial target, PSE and PacifiCorp will claim savings toward the biennial conservation target.

²⁶ Avista 2013 Electric IRP, Appendix C, Avista Electric Conservation Potential Study, Conducted by EnerNOC, Presented May 30, 2013, Tables 4-6 (p. 647).

²⁷ Avista Response to Staff Data Request No. 2, p. 1, dated December 1, 2013.

²⁸ PacifiCorp's Opower program began in August, 2012. PSE will have two Opower programs during the biennium, and intends to claim savings only for the original program that began in King County in 2008. PSE's proposed

23. Behavioral measures were not selected as achievable for 2014-2015 by Avista's CPA and are therefore *not* included in the proposed biennial target. If Avista would like to claim Opower savings toward the biennial target, then the target should be increased to reflect that program. To the extent Avista believes the savings associated with its Opower program are too uncertain, because it is a new program and has not been offered in Avista's service territory, then the Company should not adjust the biennial target and would not claim any savings from the Opower program toward the target. Public Counsel recognizes the uncertainties of Avista's new Opower program and we believe the latter approach would be reasonable. We will continue to examine this issue in advance of the December 18, 2013, Open Meeting.

24. As noted previously, the three IOUs are also planning to take different approaches to reporting and claiming savings for the Opower program. Avista intends to utilize a new approach that PSE also proposes to use for the 2014-2015 biennium. This method assumes a two year measure life for the Opower behavioral program, and claims evaluated savings for the first year of the program. For the second year, only incremental savings would be claimed, so that savings claimed in the first year would be subtracted from savings that were identified through impact evaluation for the second year.²⁹ This is a more conservative approach for claiming

biennial target has been increased for that program, since behavioral measures were not included in the CPA. Docket UE-132043, PSE BCP, Plan Overview, p. 8. PSE's other Opower program is an expansion focused on three residential customer groups: (1) high use customers, (2) rural customers, and (3) electric only customers. Docket UE-132043, PSE BCP, Exhibit No. 3, Program Details, pp. 39-40. PSE also plans a pilot expansion for small and medium sized business customers. *Id.*, pp. 42-43. Because the savings from this new expansion program were uncertain and behavioral measures were not included in the CPA, PSE has not included the Opower expansion in the biennial target, and accordingly, PSE will not claim any savings from the expansion toward the biennial target.

²⁹ For example, if 100 kwh per household were claimed for the first year, and second year evaluated savings were 125 kwh per household, only 25 kwh per household would be claimed for the second year.

savings from this program. Public Counsel understands that PacifiCorp intends to assume a one year measure life for its Opower program, and intends to claim evaluated first year savings each year of the program. Public Counsel is still reviewing these different methodologies, and we do not endorse any particular approach at this time.

E. Conditions.

25. At the time of preparing these comments, Public Counsel has been reviewing draft proposed conditions with Commission Staff and the Company. We are hopeful that by the time of the December 18, 2013, Open Meeting, all interested stakeholders will have an opportunity to reach consensus on a comprehensive set of conditions. Public Counsel believes the conditions adopted by the Commission in its approval of Avista's 2012-2013 biennial conservation target have largely provided an effective and comprehensive framework regarding operation of the utility's conservation programs and assessment of EIA compliance. We anticipate some minor clarifications to those conditions, and a few modifications to improve consistency of those conditions across the three electric investor owned utilities. In the event stakeholders are not able to reach full consensus on conditions, Public Counsel will provide recommended conditions in advance of the December 18, 2013, Open Meeting.

III. AVISTA'S 2014 ELECTRIC DSM BUSINESS PLAN

26. The 2014 DSM Business Plan outlines the energy efficiency programs that Avista plans to offer to achieve savings toward their proposed BCP target, and the budgets and expected savings of those programs (Appendix A to the BCP). For 2014, Avista projects savings of

33,999 MWh from its Washington electric DSM programs, as shown in the chart below.³⁰ The majority of conservation savings are expected to be achieved in the non-residential sector (commercial and industrial), predominantly through the site-specific program. Changes to the residential portfolio for 2014 include the addition of the Opower program, and discontinuance of the Energy Star appliance and manufactured home duct sealing program. Avista's projected conservation savings for 2014 represent about 55% of the Company's proposed biennial conservation target.³¹ The Company's budget for 2014 is \$10.5 million for Washington.³²

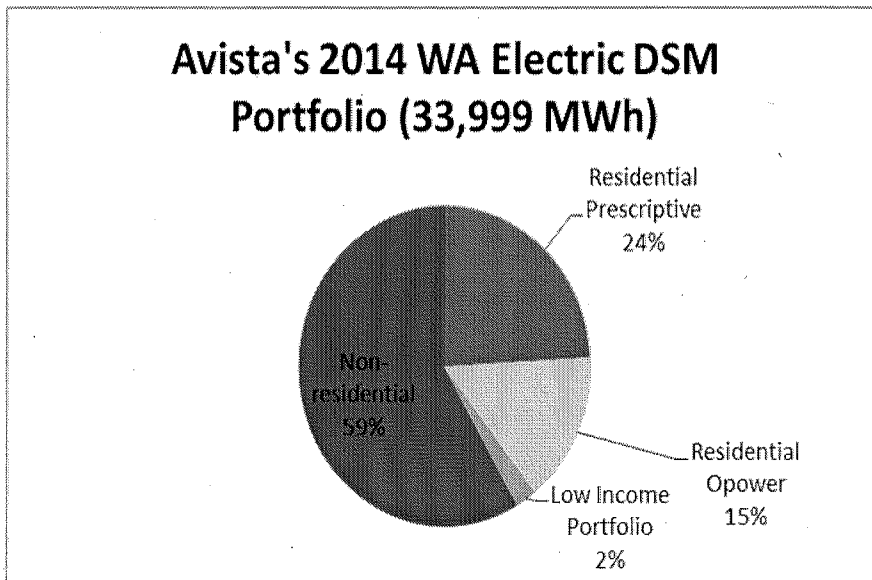
27. Avista projects that the Washington electric portfolio will be cost-effective at a ratio of 1.09 under a net TRC analysis.³³ The Company has identified lower avoided costs, both for the electric and natural gas portfolios, as a significant challenge to delivering a cost-effective portfolio. We anticipate this will be a major area of focus for Avista and the Advisory Group during the 2014-2015 biennium.

³⁰ Avista BCP, Appendix A, 2014 DSM Business Plan, Table 5, p. 51. These savings include 621,588 kwh of projected residential savings from electric to natural gas fuel conversions, which are excluded from Avista's proposed BCP target to be consistent with Council methodology.

³¹ Avista BCP, Appendix A, 2014 DSM Business Plan, Table 5, p. 51. Savings from fuel efficiency programs (electric to natural gas conversion) are not claimed toward the EIA target, to be consistent with Council methodology. Avista projects 3,194 MWh of savings toward the biennial target. *Id.* This includes savings from the Opower program.

³² Avista BCP, Appendix A, 2014 DSM Business Plan, Table 10, p. 64.

³³ Avista BCP, Appendix A, 2014 DSM Business Plan, Table 7, p. 60. Avista will be providing Staff and Public Counsel with an update to this Table, using a gross TRC analysis, in response to a data request.



IV. 2014 NATURAL GAS DSM PORTFOLIO

28. Avista no longer offers natural gas efficiency programs in its Idaho jurisdiction, but has continued to offer programs in Washington pursuant to the Commission's guidance to operate the portfolio under a Utility Cost Test (UCT) instead of the historically used Total Resource Cost Test (TRC).³⁴ Avista subsequently modified its natural gas programs, including reducing incentive levels by about one-third, so the portfolio would be cost-effective under the UCT.³⁵ Even with these changes, Avista projects a cost-effectiveness ratio of 1.00 for the Washington natural gas portfolio, under a gross UCT analysis.³⁶ The Advisory Group engaged in some initial discussion of the gas portfolio at the November 6-7, 2013 meeting. We anticipate further discussion of the natural gas portfolio with the Advisory Group in the coming months.

³⁴ Docket UE-120790, Order 02, April 25, 2013, ¶ 15.

³⁵ Avista BCP, Appendix A, 2014 DSM Business Plan. See pp. 4-5, 23, and 41.

³⁶ Avista BCP, Appendix A, 2014 DSM Business Plan, Table 7, p. 60.

V. CONCLUSION

29. Public Counsel appreciates the opportunity to comment on Avista's proposed 2014-2015 biennial conservation target and ten year potential. As described in these comments, Avista will be providing additional information concerning the development of the proposed biennial conservation target and 'fixed' UES values. Public Counsel also believes Avista's intent to claim savings for the Opower program toward the biennial target is not consistent with the development of the target. We look forward to reviewing the comments submitted by other parties, as well as additional information to be provided by Avista, and addressing those at the Commission's December 18, 2013, Open Meeting.