

September 20, 2010

VIA ELECTRONIC FILING AND ABC LEGAL MESSENGER

David Danner
Executive Director & Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
P.O. Box 47250
Olympia, WA 98504-7250

Re: WUTC v. Avista Corporation d/b/a Avista Utilities/Avista Decoupling
Docket Nos. UE-090134, UG-090135 and UG-060518

Dear Mr. Danner:

Public Counsel submits these comments in response to Avista's Evaluation, Measurement and Verification (EM&V) Framework, submitted as a compliance filing by Avista on September 1, 2010.

In Avista's 2009 general rate case, the Commission considered Avista's request to extend their natural gas decoupling mechanism. In that proceeding the Commission heard testimony regarding the paucity of rigorous evaluation activities related to Avista's energy efficiency programs. On this issue, the Commission's Final Order states:

We recognize that the cost-effectiveness and therefore prudence of programmatic DSM expenses and lost margin recovery under any decoupling or incentive mechanism rests on the evaluation, measurement and verification of energy savings achieved. Furthermore, we agree with the parties that [the] Company's EM&V efforts need to be improved. We require the parties to join in the collaborative planned for this subject, and expect them to participate in the development of consistent and accurate methods to judge the effectiveness of all energy efficiency programs and measures. We also require the Company to file an EM&V plan for all its DSM programs by September 1, 2010. The plan should include a bill verification analysis that examines changes in customer usage as a result of DSM programs.¹

Avista's EM&V Framework outlines the guiding principles, overall strategy, and general operational structure within which various evaluation activities related to Avista's energy efficiency programs will occur. As the Company explained in their cover letter, the Framework

¹ *WUTC v. Avista Corporation, d/b/a Avista Utilities*, Docket Nos. UE-090134 and UG-090135, and UG-060518 (consolidated), Order 10, December 22, 2009, ¶ 305.

To: Mr. Danner
Re: Docket Nos. UE-090134, UG-090135 & UG-060518
Date: September 20, 2010
Page 2 of 4

is a work product of Avista, but was informed by the work of a Collaborative of stakeholders, as required by the Commission. It is an important document and we applaud the Company's efforts to work with the Collaborative on its development. The Collaborative was groundbreaking in terms of its exclusive focus on energy efficiency EM&V, and much was learned during the process. In particular, Public Counsel was very pleased that Avista agreed with feedback from some Collaborative members that the process would be enhanced by an independent facilitator and by EM&V experts. Beginning in late June 2010, Avista retained Dr. Dune Ives as facilitator, and Mr. Steven Schiller and Dr. Chris Ann Dickerson as evaluation experts. Substantial progress was made after these individuals began working with the Collaborative. We thank them for their guidance, expertise, and input.

As described in the Framework itself, it is a "living document" and is likely to change over time. We discuss a couple of areas below that may require some modification in the next year or so. In addition, we believe it is important to underscore that the Framework represents a critical first step, but much work remains. Important documents and issues to be examined in the coming months include:

1. **Draft 2011 EM&V Plan.** Attached to the Company's filing was a Draft version of the 2011 EM&V Plan. This will be a very important document, identifying the evaluation activities planned for 2011 including impact evaluations, whether they will be conducted internally or externally, an estimated budget, and other items. One of the deliverables of the Collaborative, as reflected in the Collaborative Charter, is "an EM&V schedule for Avista's electric and natural gas DSM programs. The schedule is anticipated to reflect at least a three-year period, and will establish a proposed timeline and priorities for impact evaluations and process evaluations, as well as market assessments. The schedule will further indicate if an evaluation will be conducted by an independent third-party."² Due to the intensive focus on the Framework document as well as the Low Income Report, the Collaborative did not devote substantial time to examining the schedule of specific EM&V activities and program evaluations for 2011. Therefore, as explained in Avista's cover letter to their filing, the 2011 EM&V Plan attached to the filing is a Draft. In that regard, this particular deliverable of the Collaborative has not yet been completed.

Public Counsel has several questions regarding the Draft 2011 EM&V Plan attached to the Company's filing, and we look forward to working with the Company, evaluation consultants, and the Triple E on the final version of the 2011 EM&V Plan, which is intended to be filed November 1, 2010. The Company's cover letter explains its intent to work with the Triple E and EM&V expert consultants on the development of this plan over the next two months.³

² Avista Utilities, The Collaborative Charter, Deliverables, p. 2. The Charter was attached as Appendix 5 to Avista's September 1, 2010 filing.

³ Avista's September 1, 2010 Compliance filing, Cover Letter at p. 4.

To: Mr. Danner
Re: Docket Nos. UE-090134, UG-090135 & UG-060518
Date: September 20, 2010
Page 3 of 4

2. **Technical Reference Manual.** As described in the Framework, Avista will be preparing a Technical Reference Manual (TRM). This will be a reference document that outlines Avista's *ex ante* savings estimates for its energy efficiency programs, including the assumptions, sources, and relevant documentation for those savings estimates. The TRM will be publicly available, and once completed, it will be independently reviewed by an external EM&V expert.⁴
3. **Timing of Reports and Presentation of Results and Cost-Effectiveness Analysis.** The Framework includes a description of Avista's EM&V reporting schedule. This may need to be evaluated to make sure there is sufficient time for Avista to use verified results, based on recent EM&V activities. Public Counsel's preference is for reported results to reflect the most accurate, verified data available.

In terms of the EM&V Framework document itself, we would like to underscore that it is a "living document," that may require modification over time.⁵ There are a couple of areas that may require modification sooner rather than later, as described below:

Data Management. This section of the Framework is very brief, and primarily outlines the databases and systems employed by Avista to manage and track DSM program participation, expenditures, savings, and other information.⁶ At present, this section does not address key topics such as: how data is actually processed to result in reports, cost-effectiveness analysis, and rebate or incentive payments; quality assurance and quality control measures; how and whether the data systems interact; what happens when errors are discovered. The Framework indicates that during 2011 an external evaluation of data management strategies will be conducted.⁷ We believe that after that evaluation is completed, which may result in changes to Avista's data management, this section of the Framework should be reviewed and updated as necessary to address the topics above.

Determination of Ex Ante Savings Estimates. The section of the Framework on the TRM includes a discussion of the documentation and basis of the *ex ante* savings estimates Avista will employ.⁸ Prior draft versions of the Framework, including the version parties used to submit comments and edits to Avista at the end of August, included language that indicated Avista would use Regional Technical Forum (RTF) deemed savings estimates, or in the alternative would use estimates based on documented modification of existing estimates and/or rigorous

⁴ Framework, pp. 31-33.

⁵ Framework, p. 9.

⁶ Framework, pp. 35-36.

⁷ The pending Settlement Stipulation of Avista's 2010 general rate case includes a requirement that Avista have an independent third-party conduct an evaluation of the Company's data management systems and strategies for its energy efficiency programs. See Settlement Stipulation, Dockets UE-100467 & UG-100468, filed August 24, 2010, at ¶17.

⁸ *Ex ante* savings estimates are defined in the Framework as follows: "Forecasted savings used for program planning; from Latin for "beforehand." Framework, p. 6.

To: Mr. Danner
Re: Docket Nos. UE-090134, UG-090135 & UG-060518
Date: September 20, 2010
Page 4 of 4

impact evaluation. This prior language was consistent with Avista's conditions under their I-937 conservation targets.⁹ However, the final version of the Framework contained a significant change to this language, indicating that *ex ante* savings estimates can be based on *either* the Avista TRM or the RTF estimates, and further, that rigorous documentation is required if Avista departs from the TRM or RTF estimates.¹⁰

Our concern is that this language may represent an inadvertent weakening of the standards for documenting savings estimates. While the intent is that Avista's TRM will contain savings estimates based upon rigorous evaluation and documentation, and the TRM will be initially reviewed by an independent expert, at present the Framework does not specifically describe any guidelines regarding the expected rigor and documentation of the estimates in the TRM. This is a key section of the Framework, and it may be necessary to examine this section further, particularly since there was not an opportunity for Collaborative discussion of this new language as the change was made at the very end of the process. In addition, it might be beneficial to separately describe the documentation and basis for electric and natural gas savings estimates, in light of the fact that the RTF's deemed savings estimates are for electric measures.

Again, we applaud the Company and stakeholders for their efforts participating in this Collaborative. The experience has been very worthwhile from Public Counsel's perspective. We look forward to continuing to work with Avista and stakeholders on the 2011 EM&V Plan.

Sincerely,

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⁹ See Docket No. UE-100176, Order 01, May 13, 2010, ¶ 62.

¹⁰ Framework, p. 32.