

Agenda Date: September 22, 2016
Item Numbers: A2 and A3

Dockets: UE-132045 and UG-132046
Company: Avista Corporation

Staff: Chris McGuire, Energy Policy Strategist
Jennifer Snyder, Regulatory Analyst
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Recommendation

Issue an Order in Docket UE-132045 finding that:

- (1) Avista Corporation has complied with reporting requirements pursuant to WAC 480-109-120 and RCW 19.285.070.
- (2) Avista Corporation has achieved 70,693 megawatt-hours of conservation during the 2014-2015 biennium.
- (3) Avista Corporation has complied with Order 01 in Docket UE-132045.

Introduction

On June 1, 2016, Avista Corporation (Avista or company) filed its 2014-2015 Biennial Conservation Report (BCR or report) with the Washington Utilities and Transportation Commission (commission), as required by Order 01 in this docket,¹ RCW 19.285.070(1), and WAC 480-109-120(4). The initial report indicated that the company had achieved 70,959 megawatt-hours of savings during the 2014-2015 biennium and had exceeded its biennial target of 64,956 megawatt-hours. Further, the report indicated that the company had exceeded its revised target of 68,204 megawatt-hours as established by the company's decoupling commitment.²

As Avista's electric and natural gas conservation programs are operated as a single, combined conservation portfolio, the company also submits its natural gas planning and reporting documents along with the electric filing requirements. As a result, Avista's BCR is cross-docketed in Dockets UE-132045 and UG-132046. Avista's BCR indicates that the company exceeded its natural gas conservation target of 1,239,042 therms, achieving 1,250,742 therms.³ Avista's natural gas target is non-binding and includes no additional commitment for decoupling.

¹ *In the Matter of Avista Corporation's Report Identifying Its 2014-2023 Ten-Year Achievable Electric Conservation Potential and Its 2014-2015 Electric Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010*, Docket UE-132045, Order 01 Appendix A ¶ 8(e) (December 19, 2013).

² *WUTC v. Avista Corporation*, Docket UE-140188, Order 05 at ¶26 (November 25, 2014).

³ While Avista does not currently have a formal natural gas conservation target, the combined 2014 and 2015 natural gas conservation business plan target used here is found on page 4 of the 2015 Annual Conservation Report. The

On August 12, 2016, this item was discussed at the commission's regularly scheduled open meeting. At that meeting, staff brought to the commission's attention a concern with the company's final evaluation report, conducted by third-party evaluator Nexant and submitted as a required component of the BCR. Specifically, Nexant's initial work plan contained clear action items related to 1) the evaluation of the DSM team's 2014 reorganization and 2) Avista's response to the prior (2012-2013) 3rd party evaluation conducted by Cadmus. A discussion of these items was not clearly identifiable in Nexant's final evaluation report. Certain members of Avista's DSM Advisory Group indicated a thorough discussion of these items was a highly anticipated element of the report.

Subsequently, Avista requested that Nexant provide a supplemental appendix to the 3rd party evaluation report that specifically and directly addressed the two items in the work plan identified above. At the August 12, 2016, Recessed Open Meeting, Avista informed the commission of its intention to file the supplemental materials, and the commission granted staff and interested parties additional time to work with the company to obtain and review the supplemental materials. The supplemental report was filed with the commission on August 19, 2016.

Discussion

Staff Adjustments to Claimed Savings

Staff has made two adjustments to Avista's reported savings. First, staff adjusted the reported savings to reflect the unit energy savings (UES) values that Avista reported to the commission on December 10, 2013,⁴ and acknowledged in Order 01 of this docket.⁵ Avista's initial request in this filing to use savings values (and implied UES values) reported by its third-party evaluator, Nexant, would have put Avista in violation of Order 01.⁶ Second, staff adjusted the savings to account for a lighting project that was mistakenly left out of the reported non-residential savings. The cumulative effect of these two adjustments is a decrease in reported savings of 266

2015 portion of the target is found on page 22 of the 2015 DSM Business Plan, filed October 31, 2014, in docket UG-143917.

⁴ *Avista Corporation*, Docket UE-132045, Supplement to Appendix C of the 2014-2015 Biennial Conservation Plan (December 10, 2013). Avista requested that those UES values remain locked over the biennium.

⁵ *In the Matter of Avista Corporation's Report Identifying Its 2014-2023 Ten-Year Achievable Electric Conservation Potential and Its 2014-2015 Electric Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010*, Docket UE-132045, Order 01 at ¶11 (December 19, 2013).

⁶ *Id.*, Appendix A at ¶ 6(c). The condition in question states that "[w]hen no RTF UES or method exists, and if Avista Corporation uses savings estimates, methods or protocols that differ from those established by the RTF, such estimates, methods or protocols must be based on generally accepted impact evaluation data and/or other reliable and relevant source data that has verified savings levels, and be presented to the Advisory Group for review."

megawatt-hours.⁷ Avista has agreed with Staff's adjustments. Tables 1 and 2, below, show the derivation of Avista's biennial savings and total conservation commitment, respectively.

2014	38,679
2015	30,250
<i>sub total</i>	68,929
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<u>Additional Claimable Savings</u>	
Generation (BCR Table 3)	249
Distribution (BCR Table 3)	1,513
Lighting (correcting formula error)	2
<i>sub total</i>	1,764
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TOTAL 2014-2015 SAVINGS	70,693

Target (Order 01, Docket UE-132045)	64,956
Decoupling Commitment (+5%)	3,248
Total Commitment	68,204
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Achievement (from Table 1)	70,693
EXCESS CONSERVATION	2,489

Supplemental Evaluation Report

On August 19, 2016, Avista filed with the commission a supplemental evaluation report meant to address concerns that the 3rd party evaluator did not follow through on specific commitments outlined in its work plan. The report indicated that Nexant did not identify any concerns with the general management of Avista's conservation programs or with the 2014 re-organization, specifically. It should be noted here that it was not possible for Nexant to directly evaluate the 2014 re-organization as its services weren't contracted for until after the reorganization was underway; Nexant could not directly observe the pre-reorganized state. Nevertheless, through numerous in-depth (confidential) interviews with Avista's DSM program staff, Nexant found

⁷ The adjustment to reflect Avista's request for fixed UES values reduced claimable savings by 267 MWh, while the adjustment to reflect the excluded lighting project increased claimable savings by 2 MWh.

that the *perceptions* of the re-organization were consistently positive. Furthermore, Nexant states that:

Our exploration through interviews with Avista staff indicate satisfaction with the current organization, clear understanding of roles and responsibilities, confidence in the quality of work, necessary collaboration, a desire to continually improve processes, and progress in standardizing and improving processes.

The evaluation team concludes that Avista's current organizational structure aligns with what it has observed as common organizational practice among smaller program administrators such as Avista.

With regard to Avista's response to the prior (2012-2013) 3rd party evaluation conducted by Cadmus, Nexant found that Avista has implemented the recommendations contained therein. Specifically, with regard to Avista's quality assurance processes for site specific measures, Nexant found that:

Avista is adhering to their outlined review model process and ... they are ... correctly completing top sheets.

Furthermore,

Avista's review process was effective in improving initial project savings estimates and concluded that the Site Specific program's QA process was a key contributor towards the program level realization rate of 99% for electricity savings.

Staff is satisfied that the supplemental report addressed the 1) the evaluation of the DSM team's 2014 reorganization and 2) Avista's response to the prior (2012-2013) 3rd party evaluation conducted by Cadmus.

Comments

In addition to staff, the NW Energy Coalition (NWEC) and interested persons, jointly, Lynn Anderson and Jon Powell (Anderson and Powell), and staff filed comments regarding Avista's report. In its comments, filed on June 21, 2016, NWEC recommended that in the future there be consistency between the reports filed with the commission and those filed with the Department of Commerce, and observed that allowing excess conservation savings to roll over to meet future decoupling targets was never considered or discussed in the negotiations leading to the amendment to the Energy Independence Act. Anderson and Powell's comments, filed June 19, 2016, discussed the lack of work papers that would enable them to fully review Avista's report,

as well as the lack of meaningful independence in internal evaluation. On September 13, 2016, Mr. Powell submitted additional comments on how Staff corroborated his earlier comments.

In its comments, filed on June 22, 2016, staff noted that the Opower Home Energy Reports interruption appears to have had little effect on program acquisition and has been properly accounted for. Staff also noted Avista's confusion in regards to the proper process for reviewing and updating unit energy savings values. Further, staff recommended that, as part of the annual update to its 2016-2017 BCP, staff recommends the commission direct Avista to review the legal framework within which it operates its conservation programs, including those commission orders and associated conditions lists further clarifying this framework. Avista should provide a presentation on this subject to its board, and include such documentation in the annual update.

Conclusion

Staff has concluded that the company has met its reporting requirements, has complied with the commission's target-setting order and associated conditions in this docket, has exceeded its biennial target, and has responded appropriately to staff's requests for additional materials, analysis and written commentary. Therefore, staff recommends that the commission issue an order in Docket UE-132045 as described in the recommendation section above.