

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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

DOCKET NO. UE-111882

**COMMENTS OF PUBLIC COUNSEL**

**December 7, 2011**

**I. INTRODUCTION**

1. Pursuant to the Commission's November 4, 2011, 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 15, 2011, Open Meeting. These comments address Avista's Biennial Conservation Plan (BCP) report concerning its ten-year conservation potential and its 2012-2013 biennial conservation target filed with the Commission in compliance with RCW 19.285.040 and WAC 480-109-010 (hereafter "BCP").
2. Public Counsel strongly supports the acquisition of cost-effective conservation as a least-cost resource. Conservation benefits consumers by adding diversity to utility resource portfolios, advancing the policy goals of the Energy Independence Act (EIA), and giving consumers options to save energy and contribute to environmental protection.
3. Avista has proposed a conservation target range of 108,589 to 197,557 megawatt hours for the 2012-2013 biennium, which includes distribution efficiency savings, and a ten year

conservation potential of 521,114 to 1,079,345 megawatt hours. Because the low range of the proposed target would effectively function as the legal target with respect to assessing compliance with the EIA, Public Counsel's analysis focused on the low range of the proposed target. Public Counsel is particularly pleased that Avista has developed its target based upon a Conservation Potential Assessment (CPA) focused on Avista's service territory, conducted by an independent third-party, Global Consulting. Avista's 2010-2011 target, in contrast, was based upon the Council's Sixth Plan calculator.

4. Public Counsel supports Avista's proposed biennial target for 2012-2013, subject to conditions. We understand that Commission Staff will recommend a set of conditions, attached to Staff comments filed December 7, 2011. We recognize the careful work of Staff regarding the conditions, and appreciate the willingness of Staff to discuss the filing with Public Counsel. However, at this time we are not yet prepared to recommend the Commission approve Avista's targets, subject to conditions, as we have not yet reviewed the final conditions and comments of Staff and other stakeholders pursuant to the Commission's Notice.

5. Public Counsel believes the conditions adopted by the Commission in its approval of Avista's 2010-2011 biennial target have provided an effective and comprehensive framework regarding operation of the utility's conservation programs and assessment of EIA compliance. Accordingly, Public Counsel recommends those conditions be retained for the 2012-2013 biennium, with two modifications as discussed in these comments.

6. **Public Counsel Recommendation**

**Public Counsel agrees with Avista's proposed conservation target of 108,589 to 197,557 MWh for the 2012-2013 biennium, subject to conditions. Public Counsel does not yet recommend the Commission approve Avista's proposed targets, as we have not yet reviewed the final conditions proposed by Staff and other parties.**

**Public Counsel recommends the Commission retain the conditions adopted in Docket UE-100176, with two modifications. Specifically, we recommend the Commission adopt the following Public Counsel proposed conditions:**

- 1. Clarify that savings estimates for prescriptive programs shall be based upon RTF estimates, rigorous third-party *impact* evaluations, and/or other reliable and relevant source data that has verified savings levels;**
- 2. Retain the requirement that Avista's next conservation potential shall be based upon a Conservation Potential Assessment (CPA) of its Washington service territory,**
- 3. Clarify that distribution savings will be verified by an independent third-party, and**
- 4. Retain the condition that the Commission is not obligated to accept savings identified in the BCP for purposes of compliance with the EIA.**

**Public Counsel's proposed recommended conditions are outlined in Section III of these comments.**

7. Public Counsel's recommendation is premised upon the understanding that the Commission's approval is limited narrowly to the numerical MWh biennial target and ten year potential proposed by Avista in this docket. As we observed two years ago during the initial implementation of the EIA, the Commission should not prejudge the prudence of any of the underlying energy efficiency activities at this time. The approval of these targets in no way precludes the Commission from reviewing the prudence and cost-effectiveness of DSM programs at a later time. At this time Public Counsel does not take a position on the ten-year conservation potential identified in Avista's BCP. As discussed below, the ten-year potential does not appear to include distribution savings. We understand Staff is examining this issue.

8. Public Counsel's comments are focused largely on issues related to Avista's electric DSM operations and compliance with the EIA. However, Avista's DSM Business Plan for 2012, attached as Appendix A to the Company's BCP, discusses both the electric and natural gas DSM portfolios. As discussed at the end of our comments (Section IV), Avista's Business Plan projects that the natural gas portfolio will not be cost-effective in 2012. Avista has been discussing these issues with the Advisory Group and has indicated it is developing a revised natural gas DSM portfolio. The Company anticipates it may be able to file the revised plan by February 29, 2012.

## **II. TEN-YEAR POTENTIAL AND BIENNIAL CONSERVATION TARGETS**

### **A. Basis for Targets**

9. Consistent with the Energy Independence Act, the Commission rules state that in determining its ten-year conservation potential, a utility shall consider conservation resources that are "cost-effective, reliable and feasible."<sup>1</sup> With respect to the biennial conservation target, the utility "must identify all achievable conservation opportunities."<sup>2</sup> In establishing electric energy efficiency acquisition targets, WAC 480-109-010(1) provides that a utility must derive these from either the utility's most recent IRP or the utility's proportionate share of the Northwest Power and Conservation Council's (hereafter "Council") current regional power plan targets for the state of Washington.

10. Avista's aggregate 2012-2013 biennial conservation target has two main components -- electric efficiency and distribution efficiency. Seventy percent (70%) of the biennial target is based on electric efficiency (end-use) savings that would be achieved through the utility's

demand side management programs as well as regional market transformation efforts of the Northwest Energy Efficiency Alliance (NEEA). Thirty percent (30%) of the biennial target is based on distribution savings that would be achieved primarily from smart grid pilot projects, as well as upgrades to feeders and circuits. For both of these components, Avista is proposing a range of achievable conservation savings. The range for the electric end-use efficiency savings was identified as part of the Conservation Potential Assessment (CPA) conducted by a third-party, Global Consulting. The range for the distribution savings was developed by Avista, and represents a 30% plus/minus range around the Company's projected distribution savings identified in the Company's 2011 electric IRP.<sup>3</sup>

**Table 1. Avista's Proposed 2012-2013 Aggregate Conservation Target**

	Low Range (MWhs)	Percent	High Range (MWhs)	Percent
Electric Efficiency	76,202	70%	137,410	70%
Distribution Efficiency	32,387	30%	60,147	30%
Thermal Efficiency	0	0	0	0
Aggregate BCP Target	108,589	100%	197,557	100%

11. The low range of Avista's proposed biennial target (108,589 MWh) is 15% lower than the Company's target for the current 2010-2011 biennium (128,603 MWh). Avista has stated that their proposed target range recognizes "the uncertainties inherent in the estimation process."<sup>4</sup> Avista has further stated that the economic recession "has adversely influenced our projection."<sup>5</sup>

<sup>1</sup> WAC 480-108-010 (1)(a).

<sup>2</sup> *Id.* at (2)(a).

<sup>3</sup> Avista BCP, p. 31. Avista states the distribution efficiency savings targets are discussed in Chapter 5 of the IRP.

<sup>4</sup> Avista BCP, p. 6.

<sup>5</sup> *Id.*, p. 7.

Avista has indentified the following factors as influencing the lower proposed biennial target for 2012-2013 as compared to the Council's estimated savings for 2010-2011: "updated macroeconomic conditions, the impact of tax credits advancing some efficiency opportunities into prior years, and improvements in technology options and implementation strategies."<sup>6</sup> Public Counsel's analysis focused on this low range of the proposed target, as that would function as the effective legal target with respect to compliance with the EIA. With respect to the estimation uncertainties, those include savings associated with NEEA, as well as difficulties estimating distribution savings due to factors such as the limited availability of customer load profile data.

**B. Avista's Electric DSM Programs and the BCP Target.**

12. Approximately 70% of Avista's proposed BCP target is estimated to be achieved from electric end-use efficiency measures. As noted, the CPA identified a range of acquirable potential. The high end of the range is the Maximum Acquirable Potential (MAP). The low end of the range is the Realistically Acquirable Potential (RAP). The range was determined in part by the application of Program Implementation Factors (PIFs) to forecast customer behavior and program penetration rates. The PIFs were based upon other studies conducted by Global, including a national potential study for EPRI and a potential study for Ameren UE.

13. Public Counsel commends Avista for conducting a comprehensive CPA of its service territory to develop its biennial conservation target and ten year potential. The CPA and proposed targets have been discussed at Avista Advisory Group and Technical Committee meetings. These discussions included presentations by Global Consulting, as well as

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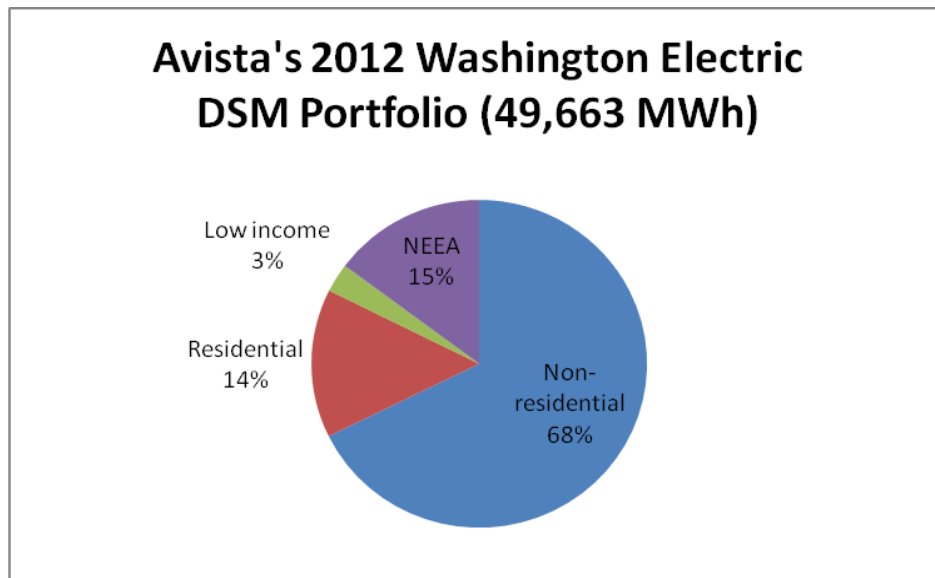
<sup>6</sup> *Id.*, p. 7.

supplemental materials regarding use of the PIFs to help determine the target range (RAP and MAP).

14. We believe Avista has complied with the Commission requirement that its proposed conservation targets shall be based upon a CPA of its Washington service territory.<sup>7</sup> In addition, we believe Avista has complied with requirements regarding stakeholder involvement in the development of the conservation targets. WAC 480-109-010(3)(a) states in part that “participation by Commission Staff and the public in the development of the ten-year conservation potential and the two-year conservation target is essential.” Avista's BCP describes recent stakeholder engagement regarding the proposed conservation targets.<sup>8</sup>
15. One of the challenges of Avista's 2011 electric CPA is that the CPA was not able to use the same measures and savings estimates as those in Avista's Technical Reference Manual (TRM). This was largely due to timing issues -- the CPA analysis was scheduled to begin before the TRM had been completed, and therefore beyond Avista's control. In this regard, while the CPA is extremely beneficial because it is focused on the unique characteristics of Avista's service territory, the results do not directly tie-in with Avista's operational features of their DSM portfolio. As a result, the BCP (based upon the CPA) and the 2012 Business Plan (based upon the TRM) are in some respects two separate documents. We understand that for the next biennium (2014-2015), Avista's intent is that the CPA will conform with the TRM. This will allow for more of a connection and "crosswalk" between the "bottom up" analysis of achievable savings from Avista's DSM programs, and the potential analysis of the CPA used to develop the biennial target. This would also provide the Company, and stakeholders, with a more

meaningful opportunity to understand the relationship between the *operations* of the Business Plan, and the *potential* identified in the CPA.

16. The 2012 Business Plan outlines the DSM 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).<sup>9</sup> For 2012, Avista projects savings of 49,663 MWh from its Washington electric DSM programs, as shown in the chart below.<sup>10</sup> The majority of conservation savings are expected to be achieved in the non-residential sector (commercial and industrial).



<sup>7</sup> *In re Avista Corp.*, Docket UE-100176, Order 01, ¶ 65.

<sup>8</sup> Avista BCP, pp. 13-16

<sup>9</sup> Avista is required to provide budget detail in spreadsheet format, for each program, as part of its proposed annual budget. In addition to the detail provided in the Business Plan, Avista provided Staff and Public Counsel with Excel spreadsheets with additional information. The parties have begun discussing ways in which those spreadsheets may be enhanced.

<sup>10</sup> BCP, Appendix A, 2012 DSM Business Plan, Tables 3-5. These savings include 829,929 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.



**C. Distribution Savings and the Biennial Target and Ten Year Potential**

17. Avista’s BCP, in Section III, discusses distribution efficiency savings for the 2012-2013 biennium. As shown above in Table 1, these savings represent 30% of Avista’s proposed biennial target. Avista projects that most of these savings will occur as a result of their smart grid projects in Spokane and Pullman, with the bulk of the expected savings resulting from Conservation Voltage Reduction (CVR).<sup>11</sup>

18. Avista’s BCP does not appear to include distribution savings within the Company’s proposed ten year potential, however. Avista identifies a ten year potential (for 2012-2021) of 529,114 to 1,079,345 MWhs, as described in Section II of the BCP regarding the End-Use Efficiency Plan.<sup>12</sup> Whereas the aggregate biennial target outlined at Table 2.3 of the BCP includes both electric (end-use) efficiency and distribution efficiency savings, there does not appear to be a comparable analysis discussing the inclusion of any distribution efficiency savings within the ten year potential. For that reason, at this time Public Counsel does not take a position on the ten-year conservation potential identified in Avista’s BCP. We understand Staff is examining this issue.

**D. NEEA Savings.**

19. Public Counsel supports region-wide market transformation efforts. However, there are numerous challenges associated with estimating the savings achievements of those activities. The three electric IOUs have taken different approaches to incorporating projected savings from NEEA's market transformation efforts in their proposed biennial targets for 2012-2013. The three different approaches are summarized below:

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<sup>11</sup> Avista BCP, pp. 33-36.

<sup>12</sup> Avista BCP, p. 6.

- Avista's BCP states that the biennial target is directly from its CPA, which includes a range of energy efficiency measures, regardless of delivery, and therefore includes savings acquired through NEEA.<sup>13</sup> Avista's does not identify a specific amount of projected savings from NEEA within its biennial target, but the 2012 Business Plan projects 7,359 MWh from NEEA in 2012, about 15% of projected Washington electric DSM savings.<sup>14</sup> Avista also states in their BCP that with respect to claiming NEEA savings, "[t]he methodology will be based upon the inclusion of the net market effects and the natural adoption of these regionally supported services and technologies ...."<sup>15</sup>
- PSE's proposed biennial target for 2012-2013 includes 38,800 MWh for projected NEEA savings, which represents about 6% of PSE's proposed target.<sup>16</sup> This amount reflects 75% of NEEA's projected net market effects savings allocated to PSE from currently funded and previously funded NEEA initiatives.<sup>17</sup> PSE is seeking to "deem" this conservative value of savings, and would report this amount in June, 2014, even if actual NEEA savings are higher or lower. PSE discussed this approach with the CRAG and the CRAG supported this approach, with the understanding that there is a need for consistency in the way the utilities claim NEEA savings.
- Pacificorp's proposed biennial target for 2012-2013 includes 2.0 aMW for projected NEEA savings (17,520 MWh), which represents about 22% of Pacificorp's proposed target.<sup>18</sup> This amount reflects NEEA's Total Regional Savings for the Company's Washington service territory, less savings from Pacificorp's local programs on relevant measures. This approach includes savings from what NEEA terms "naturally occurring baseline," or savings that would occur naturally. Pacificorp has included a memo from NEEA regarding the savings projections for the biennium as Appendix 9 to the Company's proposed 2012-2013 biennial target filed September 15, 2011.

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<sup>13</sup> Avista BCP, p. 9.

<sup>14</sup> Avista BCP, Appendix A, 2012 DSM Business Plan, Tables 4 and 5, pp. 54-55. The projection of 7,359 MWh of NEEA savings is derived by subtracting Washington local portfolio savings (42,303 MWh, shown in Table 4) from Washington total projected savings (49,662 MWh, shown in Table 5).

<sup>15</sup> Avista BCP, p. 17.

<sup>16</sup> Docket UE-111881, PSE Biennial Conservation Plan for 2012-2013, October 28, 2011, p. 27.

<sup>17</sup> PSE began using this approach regarding NEEA savings in 2007, based upon CRAG input, in conjunction with PSE's Electric Conservation Incentive Mechanism, in effect from 2007 - 2009. NEEA's "net market effects" (NME) savings are calculated as follows: NME = Total Regional Savings - Naturally Occurring Baseline - Local Programs.

<sup>18</sup> Docket UE-111880, *Pacificorp's Report on its Ten year Achievable Conservation Potential and Biennial Conservation Target for 2012-2013*, September, 15, 2011, Table 9, p. 23. Pacificorp's proposed target of 8.89 aMW does not yet include projected distribution efficiency savings.

20. At this time Public Counsel does not endorse one particular approach over another in terms of the inclusion of NEEA savings in the biennial target. While it may not be feasible for the 2012-2013 biennium, we believe that ultimately it is most appropriate for the IOUs to use a consistent approach to incorporating NEEA savings in their biennial target, and in reporting and claiming savings associated with NEEA. We would welcome any guidance from the Commission on this issue.

### **III. PUBLIC COUNSEL PROPOSED CONDITIONS**

21. Public Counsel believes the conditions adopted by the Commission in its approval of Avista's 2010-2011 biennial target have provided an effective and comprehensive framework regarding operation of the utility's conservation programs and assessment of EIA compliance. Accordingly, Public Counsel recommends those conditions be retained for the 2012-2013 biennium, with a few modifications, as discussed in this section of our comments. Avista's BCP includes several proposed commitments that are similar to, but not identical to the conditions adopted by the Commission for the 2010-2011 biennium. These conditions have worked well, and there have been no significant problems with how the Company has complied with these conditions.

22. We look forward to reviewing the set of proposed conditions included with Staff's comments filed on December 7, 2011, as well as any conditions or comments that may be raised by other stakeholders, and addressing those comments at the December 15, 2011 Open Meeting. At this time, Public Counsel does not yet recommend the Commission approve Avista's proposed targets, as we have not yet reviewed all conditions that may be proposed by various

parties. We are hopeful that subsequent to filing comments on December 7, 2011, Avista and interested stakeholders can engage in a collaborative process with the goal of reaching consensus regarding a list of proposed conditions.

23. Public Counsel is proposing four conditions that are set forth below. Our first recommended condition, regarding appropriate savings estimates for prescriptive programs, retains an existing condition, but with slightly different wording. Our second recommended condition responds to Avista's proposal to eliminate the requirement that Avista's next conservation potential (i.e. for the 2014-2015 biennium) be based upon a conservation potential assessment study of Avista's Washington service territory. We recommend this condition be retained. Our third recommended condition is to clarify that Avista's reported conservation savings achievement toward its biennial target shall include independent verification of all claimed savings: electric end-use, distribution, and any thermal efficiency savings. Lastly, our fourth recommendation responds to Avista's proposal to eliminate a condition that specified that the Commission is not obligated to accept any savings identified in the BCP. We recommend this condition be retained.

**A. Public Counsel's First Recommended Condition:  
Appropriate Sources of Savings Estimates for Prescriptive Programs.**

24. When the Commission approved Avista's proposed biennial target and ten year conservation potential in Docket UE-100176, the approval of those conservation targets included a set of conditions. One of the conditions specified that savings estimates for prescriptive programs shall be based upon the Council's Regional Technical Forum (RTF) approved

estimates, or rigorous impact evaluation studies.<sup>19</sup> Avista's BCP for 2012-2013 proposes a similar commitment, that stated Avista would look first to the RTF estimates, and retained a reference to a "rigorous impact evaluation that has verified savings levels" as another source for savings estimates.<sup>20</sup>

25. Public Counsel would oppose any proposed condition that would remove an explicit reference to impact evaluation on this topic, as well as deletion of the reference to an evaluation "that has verified savings levels." In Public Counsel's view, savings estimates for prescriptive measures should utilize savings estimates approved by the RTF, where applicable, or they should be based upon an impact evaluation of the utility's DSM programs. While there are three main types of evaluations (impact, process, market effects), it is well accepted that the primary purpose of an impact evaluation is to "determine the impacts (e.g. energy and demand savings) and co-benefits ... that directly result from a program."<sup>21</sup>

26. Accordingly, we recommend the following condition shown below, which would replace current conditions (6)(b) and (6)(c). Our proposed language is similar to the current condition, with some modification to allow Avista an opportunity to present a savings estimate based on "other reliable and relevant source data" to its Advisory Group:

Avista will look first to use the Council's Regional Technical Forum's (RTF) unit energy savings (UES) for reporting savings from prescriptive measures. The RTF maintains a website at <http://www.nwcouncil.org/energy/rtf/>.

If Avista uses savings estimates that differ from those established by the RTF, such estimates must be based on generally accepted impact evaluation data and/or other reliable and relevant source data that has

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<sup>19</sup> *In re Avista Corp.*, UE-100176, Order 01, ¶ 62, conditions (6)(b) and (6)(c).

<sup>20</sup> Avista BCP, p. 38.

<sup>21</sup> National Action Plan for Energy Efficiency (2007), *Model Energy Efficiency Program Impact Evaluation Guide*, Prepared by Steven R. Schiller Consulting, Inc., p. ES-1. (available at: [www.epa.gov/eeactionplan](http://www.epa.gov/eeactionplan)).

verified savings levels, and be presented to the Advisory Group for comment.<sup>22</sup> Avista will present such estimates to the Advisory Group for comment, with an explanation as to why Avista believes the impact evaluation and/or other source data is more appropriate for Avista's program and service territory than the RTF estimate.

**B. Public Counsel's Second Recommended Condition:  
Use of a Conservation Potential Assessment for the Next BCP.**

27. Avista's BCP proposes to eliminate the requirement that the conservation targets for the next biennium (2014-2015) be based upon a Conservation Potential Assessment (CPA) of Avista's Washington State service territory. Such a condition was included in the Commission's approval of Avista's 2010-2011 biennial target, requiring that Avista's next biennial filing (i.e. the current filing before the Commission in this docket) shall identify conservation potential that is based upon a CPA the Company's service territory in Washington.<sup>23</sup>
28. For a company of Avista's size, and in light of the scope of the DSM programs offered by Avista during the past several years, Public Counsel's view is that the most effective means of identifying conservation potential is through a Conservation Potential Assessment of Avista's service territory in Washington. We therefore recommend the Commission continue to apply this condition to Avista. We note that the same condition was included in the approval of PSE's conservation targets in Docket UE-100177.<sup>24</sup> PSE's BCP has recommended that this condition be retained for the next biennium.<sup>25</sup>

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<sup>22</sup> This proposed language regarding appropriate sources for savings estimates is from PSE's current conditions. *WUTC v. PSE*, UE-100177, Order 05, October 13, 2010, Agreed Conditions for Approval of Puget Sound Energy, Inc.'s 2010-2011 Biennial Electric Conservation Targets Under RCW 19.285, Condition (K)(6)(c). (hereafter, "UE-100177, PSE Conditions"). PSE recommends retention of this condition in their recently filed BCP in Docket UE-111881. PSE Biennial Conservation Plan, Docket UE-111881, October 28, 2011, p. 20.

<sup>23</sup> *In re Avista Corp.*, Docket UE-100176, Order 01, May 13, 2010, ¶65, condition (9)(a).

<sup>24</sup> UE-100177, PSE Conditions, condition (9)(a).

<sup>25</sup> PSE Biennial Conservation Plan, Docket UE-111881, October 28, 2011, p. 20.

29. Public Counsel recommends the condition below, which retains all language from the existing condition (9)(a) and simply updates the relevant dates to refer to 2013:

By July 1, 2013, Avista must consult with the Advisory Group to facilitate completion of a 10-year conservation potential analysis by November 1, 2013. See RCW 19.285.040(1)(a); WAC 480 109 010(1). This must be based on a current conservation potential assessment study of Avista's service area within Washington State. This may be conducted within the context of Avista's integrated resource plan. If Avista chooses to use the supply curves that make up the conservation potential in the Council's Northwest Power Plan, the supply curves must be updated for new assumptions and measures.

**C. Public Counsel's Third Recommended Condition:  
Independent Verification of all Savings Claims Toward the Biennial Target.**

30. Public Counsel is concerned that Avista is not clearly proposing independent verification of distribution efficiency savings in its BCP. As discussed above, approximately 30% of Avista's proposed biennial conservation target for 2012-2013 is expected to be achieved through distribution efficiencies. These savings are expected to result primarily from smart grid projects, and specifically Conservation Voltage Reduction (CVR), as well as upgrades to feeders and circuits. Avista states that the Company "will capture the first year energy savings entirely in the year when the assets are placed in service. The Evaluation, Measurement and Verification process will focus on the 12-month period extending forward from the date the assets are placed in service."<sup>26</sup> Avista further states that the Council has published relevant EM&V protocols, and that the Company may "leverage all or a portion of these methodologies."<sup>27</sup> Avista also states

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<sup>26</sup> Avista BCP, pp. 33-34.

<sup>27</sup> *Id.*, p. 34.

that the Company has engaged the Washington State University to provide a recommended approach to EM&V of distribution efficiency savings.<sup>28</sup>

31. Public Counsel has recently requested additional information from Avista regarding the EM&V plans for the distribution efficiency savings. At this time, our recommendation is that the independent third-party verification of Avista's conservation savings for 2012-2013 would address all savings claims toward the biennial target, including electric end-use efficiency, distribution efficiency and any thermal efficiency savings claimed toward the target.
32. Public Counsel's recommended condition is as follows, and would modify existing condition (8)(h):

A 2012-2013 Two Year Report on Conservation Acquisition Achievement will be filed by June 1, 2014. This filing is the one required in WAC 480-109-040(1) and RCW 19.285.070. This Report shall include the results of an independent third-party verification of all conservation savings claims toward the biennial target, including electric (end-use) efficiency, distribution efficiency, and thermal efficiency savings.

**D. Public Counsel's Fourth Recommendation:  
The Commission is Not Obligated to Accept Savings Identified in the BCP.**

33. In Public Counsel's view, one of the most important conditions of the current biennium specified that the Company bears the responsibility of demonstrating the prudence and cost-effectiveness of programs after savings are achieved, and that the Commission is not pre-approving any particular measures or savings identified in the BCP or its appendices.<sup>29</sup> Avista's

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<sup>28</sup> *Id.*

<sup>29</sup> *In re Avista Corp.*, Docket UE-100176, Order 01, May 13, 2010, ¶62, condition (6)(a). We note that the Commission's Order 05 in Docket Nos. UE-110876 & UG-110877 granted a joint motion to establish an alternative process in order to review Avista's DSM prudence in conjunction with EIA compliance.



BCP proposes a commitment that retains language regarding prudence and cost-effectiveness, but removes the statement that the Commission is not obligated to accept savings identified in the BCP.<sup>30</sup>

34. As part of its BCP filing, Avista included Appendix D, a list of proposed "locked" unit energy savings (UES) estimates for certain prescriptive programs. These savings estimate are important as they form the building blocks of the Company's reported conservation achievement toward the BCP target. Public Counsel has begun a review of this list and has identified a few problematic areas where we are seeking additional information to understand the rationale for certain estimates. As a result, we recommend the Commission retain the existing condition (6)(a) (shown below) to specify that the Commission is not obligated to accept any savings identified in the BCP. Some of the issues we've identified to date regarding Avista's proposed "locked" UES estimates include the following:

- *Residential refrigerator and freezer recycling.* Avista is proposing a refrigerator recycling savings estimate of 1,178 kwh, based upon a study by Cadmus for another company.<sup>31</sup> The RTF estimate, in contrast, is substantially lower, at 482 kwh per recycled refrigerator.<sup>32</sup> For both Avista and PSE, this program is administered by JACO. However, since PSE is using the RTF estimate, recycling a refrigerator in Bellevue would be expected to save 482 kwh, yet recycling the very same refrigerator would be expected to save more than twice that amount in Spokane under Avista's estimates.
- *Residential Clothes Washer.* Appendix D shows a savings estimate of 502 kwh for residential clothes washers.<sup>33</sup> We understand this is based upon a Cadmus study for the California PUC. This estimate is substantially higher than the RTF estimates of 91 – 239

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<sup>30</sup> Avista BCP, p. 36.

<sup>31</sup> Avista BCP, Appendix D, spreadsheet at p. 2. Avista's proposed freezer savings estimate is 1,119 kwh per unit, which is also substantially higher than the RTF estimate of 555 kwh per unit. Avista's proposed estimate incorporates replacement data from a study by Cadmus for Rocky Mountain Power in Wyoming.

<sup>32</sup> The RTF estimates for Residential Appliances - Refrigerator/Freezer Decommissioning, including the savings worksheet, are available at: <http://www.nwcouncil.org/energy/rtf/measures/measure.asp?id=121>.

<sup>33</sup> Avista BCP, Appendix D, spreadsheet at p. 1. This estimate pertains to an efficient clothes washer with MEF > 2.0, electric water heat, electric dryer.

kwh for similar clothes washers.<sup>34</sup> We are still seeking to understand why there is such a great disparity in these estimates.

- *Residential CFL retail buy-down.* Appendix D does not provide a savings estimate for residential retail buy-down for CFLs. We understand Avista intends to conduct impact evaluation to determine appropriate savings for CFLs. We are interested in discussing with Avista whether it may be more cost-effective to consider utilizing RTF estimates for this particular CFL delivery, in order to possibly reduce EM&V expenses or allocate EM&V resources elsewhere.

35. We have not yet had an opportunity to review and resolve all issues pertaining to Avista’s proposed list of UES values, and therefore recommend retention of the condition referenced above that the Commission is not obligated to accept the savings estimates (UES) in Avista’s BCP filing. We anticipate discussing these issues with Avista and interested Advisory Group members in the coming months, with the goal of reaching consensus.

36. Public Counsel recommends retention of existing condition (6)(a), shown below reflecting the date of Avista’s current BCP filing in this docket:

Avista has identified a number of potential conservation measures as qualifying measures in its Biennial Conservation Plan filed on November 1, 2011, in this Docket. The Commission is not obligated to accept savings identified in the Biennial Conservation Plan for purposes of compliance with RCW 19.285. Avista must demonstrate the prudence and cost-effectiveness of its conservation programs to the Commission after the savings are achieved. *See RCW 19.285.040(1)(d).*

The issues described above regarding Avista’s proposed “locked” UES estimates represent an example as to why we believe retention of this condition is important.

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<sup>34</sup> These RTF estimates vary based upon the efficiency of the new clothes washer (MEF >2.0, 2.2-2.45, 2.46-2.69, 2.7 and above), and pertain to customers with electric water heat, electric dryer. The RTF estimates for Residential Appliances – Clothes Washer in SF (Single Family) are available at: <http://www.nwcouncil.org/energy/rtf/measures/measure.asp?id=118>. *See also*, PSE BCP, Docket No. UE-111881, Exhibit 5, 2012-2013 Rebate Measure Tables, p. 4.

#### IV. NATURAL GAS DSM PORTFOLIO

37. As mentioned in the Introduction to our comments, Avista's 2012 Business Plan discusses both the electric and natural gas DSM portfolios. The Company projects a cost-effectiveness ratio of approximately 0.8 for the 2012 natural gas portfolio, on a Total Resource Cost (TRC) basis, which is below the 1.0 cost-effectiveness threshold.<sup>35</sup> Advisory Group members, including Public Counsel, have expressed significant concerns regarding the gas portfolio during recent meetings. Avista has further advised that its natural gas avoided cost may decrease by about one-third as part of the upcoming 2012 natural gas IRP, which would further reduce the TRC by about 25% (e.g. from 0.8 to 0.6). We understand that the Avista DSM team is closely examining its natural gas programs with the goal of re-designing the portfolio so that it will be cost-effective in 2012. Public Counsel strongly supports this effort. The Company has indicated to stakeholders that it will be developing a revised natural gas business plan for 2012, and that it may be able to file a revised plan with the Commission by February 29, 2012. We recommend that subsequent to such a filing, the Commission provide the Company and interested stakeholders with an opportunity to comment on the revised plan at a Commission Open Meeting.

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<sup>35</sup> Appendix A, Avista's 2012 DSM Business Plan, shows a TRC of .58 for the natural gas portfolio (Table 10). However, Avista has informed its Advisory Group that the Business Plan analysis contained some spreadsheet errors, and that the TRC is currently projected at 0.8 for the 2012 natural gas portfolio.

## V. CONCLUSION

38. Public Counsel appreciates the opportunity to comment on Avista's proposed 2012-2013 biennial conservation target and ten year potential. Public Counsel recommends continuation of all existing conditions approved by the Commission in Docket UE-100176, except as specified herein. In that regard, Public Counsel respectfully requests the Commission adopt our recommended conditions, as outlined above. We look forward to reviewing the comments submitted by other parties, and addressing those at the December 15, 2011 Open Meeting.