

Agenda Date: August 9, 2012  
Item Numbers: A8 and A11

**Dockets:** **UE-100176 and UG-121026**  
**Company:** Avista Corporation

**Staff:** Eric Russell, Regulatory Analyst  
Juliana Williams, Regulatory Analyst  
Chris McGuire, Regulatory Analyst  
Deborah Reynolds, Assistant Director, Conservation and Energy Planning

### **Recommendation**

Issue an Order in Docket UE-100176 finding Avista Corporation

1. complied with the June 1, 2012 reporting requirements pursuant to WAC 480-109-040;
2. complied with Order 01 in Docket UE-100176;
3. has a 2010-11 biennial conservation achievement of 165,505 megawatt-hours; and
4. must develop an approach to claiming Northwest Energy Efficiency Alliance conservation savings that is consistent with that of Puget Sound Energy and Pacific Power & Light Company, d/b/a PacifiCorp, which will be filed with the Commission by November 1, 2012.

Issue an Order in Docket UG-121026 finding Avista Corporation

1. complied with Order 05 in Dockets UE-110876 and UG-110877; and
2. has a natural gas demand-side management program that will be reviewed for prudence consistent with Puget Sound Energy and Pacific Power and Light Company.

### **Background**

On July 16, 2012, interested parties, including staff, filed comments on Avista Corporation's (Avista) 2010-11 Biennial Conservation Report (BCR), including its natural gas demand-side management (DSM) program expenditures. Interested parties presented oral comments at the July 27, 2012, open meeting. At that open meeting, interested parties were given an opportunity to submit additional written comments by August 2, 2012.

Following the July 27, 2012, open meeting, staff held an informal meeting with interested parties to identify areas of disagreement and issues needing further clarification. This memo identifies the issues that should be resolved at the August 9, 2012, open meeting. Other issues identified by interested party comments are listed in Attachment A to Docket UE-100176, and may be addressed at a later time.

## **Discussion**

### ***Prudence of conservation programs and expenditures – Dockets UE-100176 and UG-121026***

Avista's natural gas conservation portfolio has been exposed to a high level of scrutiny through the development of conservation potential assessments, acknowledgement of the company's integrated resource plan, review of the DSM business plan, continued advisory group involvement, commission review of DSM tariff riders, and third party evaluation of the conservation achievement.<sup>1</sup> As a result, a separate determination of prudence is unnecessary. Conservation portfolios should be reviewed for prudence through the planning and reporting cycle described in the staff comments in Docket UE-100176, and in the Commission's Order 01 in that docket.

In addition to the material above, Order 05 in Dockets UE-110876 and UG-110877 states that

The request provides for an alternative process in which the commission will review and rule on the prudence of Avista's electric and natural gas DSM expenditures. However, the request does not alter the Commission's examination of Avista's implementation of its natural gas decoupling program or any request to recover lost margins resulting from Avista's DSM programs in this proceeding. Avista is the only qualifying utility whose DSM expenditures are currently reviewed for prudence in a general rate case. Granting of the joint motion (Order) will align the prudence review process of Avista's DSM expenditures with the process of other qualifying utilities. 2 at ¶ 7.

Based on the above discussion from Order 05, staff believes it should review the prudence of Avista's conservation programs consistent with the other qualifying utilities. At this time, Avista is the only company that has been required to obtain a specific finding of prudence. Staff recommends that this review and all future review of Avista's DSM programs be consistent with Puget Sound Energy (PSE) and Pacific Power and Light Company (PacifiCorp).

Both PSE and PacifiCorp agree that prudence of expenditures is reviewed during the review of the conservation tariff riders.<sup>2</sup> This has always been the case with Avista, but Avista has provided evidence of cost-effectiveness of its conservation portfolio during the general rate case to augment that review. Avista will continue to have its prudence of expenditures reviewed during the review of its conservation riders, and will provide evidence of the cost-effectiveness of its portfolio with the June 1 reports. The commission suspended Avista's conservation rider tariffs at the July 27, 2012, open meeting, and review of conservation expenditures is on-going.<sup>3</sup>

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<sup>1</sup> Docket UG-121026, Staff Comments, July 16, 2012, pp. 4.

<sup>2</sup> Docket UE-100177, PSE Comments Matrix, August 6, 2012; Docket UE-100170, PacifiCorp Comments Matrix, August 3, 2012.

<sup>3</sup> Dockets UE-120788 and UG-120790. See initial orders.

RCW 19.285.040(1) states that “Each utility shall pursue all available conservation that is cost-effective, reliable, and feasible.” In reviewing company compliance with initial target-setting orders, staff determined that Avista complied with the statutory requirements.<sup>4</sup> Avista provided evidence of cost-effectiveness far superior to its previous general rate case material. Staff will continue evaluating conservation achievement in the context of the biennial conservation plans, the orders approving the biennial conservation targets and the BCRs.

### ***Electric Conservation Program Review – Docket UE-100176***

In a data request, Public Counsel learned that the installation rate estimate for the CFL bulbs distributed through the Simple Steps program were inconsistent with the installation rates established by the Regional Technical Forum (RTF). Using the RTF value for the program results in a 3,962 MWh reduction in savings from the program. Staff recommends Avista’s total 2010-2011 biennial conservation achievement be reduced by 3,962 MWh and that the commission approve final 2010-11 conservation achievement of 165,505 MWh for Avista.<sup>5</sup>

The company’s conservation savings from the Northwest Energy Efficiency Alliance (NEEA) should be accepted for the 2010-11 conservation achievement. Staff recommends that the commission order Avista, PacifiCorp and Puget Sound Energy to develop a consistent approach toward calculating conservation savings from NEEA, and that the companies file a report on that approach with the commission by November 1, 2012.<sup>6</sup>

### ***Natural Gas Conservation Program Review – Docket UG-121026***

Staff recommends that the commission find that Avista complied with Order 05 in Dockets UE-110876 and UG-110877, and provided sufficient information to evaluate its natural gas DSM program.<sup>7</sup> Avista’s conservation portfolio was cost-effective. The prudence of expenditures will be reviewed in Docket UG-120790.

## **Conclusion**

Issue orders as described in the recommendation section above.

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<sup>4</sup> Dockets UE-100170, UE-100176, UE-100177, Staff Comments, July 16, 2012, pp. 8-10. See also pp. 18-19.

<sup>5</sup> *Id.*, pp. 19.

<sup>6</sup> *Id.*, pp. 24-25.

<sup>7</sup> Docket UG-121026, Staff Comments, July 16, 2012, pp. 6.