

## Attachment A – Docket UE-210826

### Proposed Conditions for 2022-2023 Avista Corporation Electric Conservation

#### 1) Conservation Potential and Targets – Approval and Conditions

- a) The following electric conservation targets are approved for Avista Corporation (Avista or Company), with conditions pursuant to RCW 19.285.040(1)(e) and WAC 480-109-120(1). This approval is subject to the Conditions described in Paragraphs (2) through (13) below.<sup>1</sup>
  - i.) Ten-Year Potential: 507,829 megawatt-hours.
  - ii.) Two-Year EIA Target: 101,566 megawatt-hours.
  - iii.) Two-Year EIA Penalty Threshold: 91,054 megawatt-hours.
  - iv.) Two-Year Decoupling Penalty Threshold: 5,078 megawatt-hours, pursuant to Order 5 in Dockets UE-140188 and UG-140189.
  - v.) *Total Two-Year Utility Conservation Goal*: 106,644 megawatt-hours.
- b) The Commission approves the above targets and thresholds as measured at the customer meter. All planning and reporting must include savings data as measured at the customer meter.
- c) As part of Avista’s biennial conservation acquisition efforts, Avista must continue to invest in regional studies and market transformation, in collaboration with funding from other parties and with other strategic market partners in this biennium that complements Avista’s energy efficiency programs, planning, services, and measures.

- 2) **Avista Retains Responsibility.** Nothing in these conditions relieves Avista of the sole responsibility for complying with RCW 19.285 and WAC 480-109. Specifically, the conditions regarding the need for a high degree of transparency, and communication and consultation with external stakeholders, diminish neither Avista’s operational authority nor its ultimate responsibility.

#### 3) Advisory Group

- a) To meet the requirements of WAC 480-109-110, Avista must continue to use its Advisory Group, initially created under Docket UE-941377 and UG-941378, and its Integrated Resource Planning Advisory Group as described under WAC 480-100-630.
- b) Avista must notify Advisory Group members of all public meetings scheduled to address Avista’s integrated resource plan. Avista must also coordinate a meeting with Advisory Group members and the entity conducting the conservation potential assessment (CPA) addressing the scope and design of the CPA. Such a meeting must address the assumptions and relevant information utilized in the development of Avista’s integrated

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<sup>1</sup> The definitions of “Two-Year EIA Target” and “Two-Year EIA Penalty Threshold” were developed in 2018 through the Statewide Advisory Group (SWAG) process. *See* Dockets UE-171087, UE-171091, and UE-171092, “Report on 2018 Washington State Investor-Owned Utility Energy Efficiency Joint Advisory Group Activities and Outcomes.”

resource plan as they apply to development and/or modification of the ten-year conservation potential. This meeting must be held early enough in the integrated resource plan public process to incorporate the group's advice. Avista must notify Advisory Group members of IRP Advisory Group meetings that present the Company's natural gas and energy price forecasts and generation resource cost assumptions used in the development of the Company's integrated resource plan, as these assumptions will inform the ten-year conservation potential.

- c) Avista must consult with the Advisory Groups starting no later than July 1, 2023, to begin to identify achievable conservation potential for 2024-2033 and to begin to set annual and biennial targets for the 2024-2025 biennium, including necessary revisions to program details and the quadrennial 2022-2025 CEIP target. See RCW 19.285.040(1)(b); WAC 480-109-120; and WAC 480-100-640(11).
  - d) Avista must inform the Advisory Group members when its projected expenditures indicate that Avista will spend more than 120 percent or less than 80 percent of its annual conservation budget.
  - e) If Avista believes that an event beyond its reasonable control has occurred that may prevent it from meeting its combined EIA Penalty Threshold and Decoupling Penalty Threshold, Avista will confer with the Advisory Group members as soon as possible to determine a path forward. See RCW 19.285.040(1)(e) and RCW 19.285.060(2).
  - f) Prior to filing the 2024-2025 Biennial Conservation Plan, Avista must provide the following information to the Advisory Group: draft ten-year conservation potential, revised four-year target, and two-year target by August 1, 2023; draft program details, including budgets, by September 1, 2023; and draft program tariffs by October 2, 2023.
- 4) Annual Budgets and Energy Savings.** Avista must provide its proposed budget in a detailed format with a summary page indicating the proposed budget and savings levels for each conservation program, and subsequent supporting spreadsheets providing further detail for each program and line item shown in the summary sheet. Avista must allocate a reasonable amount of its program budget (as determined through consultation with the Advisory Group) towards pilot programs, research, and data collection.
- 5) Program Details.** Avista must maintain its conservation tariffs, with program descriptions, on file with the Commission. Program details about specific measures, incentives, and eligibility requirements must be filed and updated in this docket. Avista must notify the Advisory Group when it files updated measures, incentives, or eligibility requirements.
- 6) Approved Strategies for Selecting and Evaluating Energy Conservation Savings**
- a) Avista has identified several potential conservation measures described in the BCP. The Commission is not obligated to accept savings identified in the BCP for purposes of compliance with RCW 19.285.
  - b) When Avista proposes a new or significant change to a program, pilot, or tariff schedule, it must present the program to the Advisory Group with program details fully defined, to the extent practicable. After consultation with the Advisory Group in accordance with

WAC 480-109-110(1)(h), the Advisory Group may advise if a revision to the Conservation Plan in this docket is necessary.

- c) Avista must spend a reasonable (as determined through consultation with the Advisory Group) amount of its conservation budget on evaluation, measurement, and verification (EM&V), including a reasonable proportion on independent, third-party EM&V. Avista must perform EM&V annually on a maximum four-year schedule of selected programs such that, over the EM&V cycle, all major programs are covered. The EM&V function includes impact, process, market, and cost test analyses. The results must verify the level at which claimed energy savings have occurred, evaluate the existing internal review processes, and suggest improvements to the program and ongoing EM&V processes.
- d) An independent third-party must review portfolio-level electric energy savings reported by Avista for the 2022-2023 biennial period, from existing conservation programs operated during that period, per WAC 480-109-120(4)(b)(v). The independent third-party reviewer must be selected through an RFP process and is intended to:
  - i.) Verify the calculation of total portfolio MWh savings; and
  - ii.) Provide a review of EM&V activities and application for best practices and reasonable findings, which includes the following:
    - (1) Validate the adequacy of Avista’s savings verification process, controls and procedures.
    - (2) Validate savings tracking and reporting processes and practices.
    - (3) Review program process and impact evaluations completed during the biennium for appropriateness of evaluation approach/methodologies (program specific) and program cost-effectiveness calculations.
- e) A final report for the entire 2022-2023 biennium may be implemented in phases and delivered as a final product at an earlier date, as needed, by Avista.

## **7) Program Design Principles**

- a) Modifications to the programs must be filed with the Commission as revisions to tariffs or as revisions to Avista’s current Conservation Plan, as determined in consultation with the Advisory Group.
- b) Incentives and Conservation Program Implementation — Programs, program services, and incentives may be directed to consumers, retailers, manufacturers, trade allies or other relevant market actors as appropriate for measures or activities that lead to electric energy savings. Avista must work with the Advisory Group to establish a balanced portfolio of measures that provides savings from a variety of savings types and meets the needs of a broad spectrum of Avista customers.
- c) Conservation Efforts without Approved EM&V Protocol — Avista may spend up to 10 percent of its conservation budget on programs whose savings impact has not yet been measured, if the overall portfolio of conservation passes the primary cost-effectiveness test used by the Commission. These programs may include information-only, and pilot projects. Avista may ask the Commission to modify this spending limit, following Advisory Group consultation.

- i.) Information-only services refers to those information services that are not associated with an active incentive program or that include no on-site technical assistance or on-site delivery of school education programs. Information-only services and behavior change services must be assigned no quantifiable energy savings value without full support of the Advisory Group.
- ii.) If quantifiable energy savings have been identified and Commission-approved for any aspect of such programs, the budget associated with that aspect of the program will no longer be subject to this 10 percent spending restriction.

#### **8) Cost-Effectiveness Tests**

- a) The Commission currently uses a modified Total Resource Cost Test (TRC), consistent with the Council, as its primary cost-effectiveness test. The modified TRC test includes all quantifiable nonenergy impacts, a risk adder, and a 10 percent conservation benefit adder. Avista's portfolio must pass the modified TRC test. All cost-effectiveness calculations will assume a Net-to-Gross ratio of 1.0, consistent with the Council's methodology.
- b) Avista must also provide calculations of the Program Administrator Cost Test (also called the Utility Cost Test) as described in the National Action Plan for Energy Efficiency's study "Understanding Cost-Effectiveness of Energy Efficiency Programs" (November 2008), located at:  
<https://www7.eere.energy.gov/seeaction/system/files/documents/understanding-cost-effectiveness-ee-programs.pdf>.
- c) Conservation-related administrative costs must be included in portfolio level analysis.

#### **9) Low-Income and Named Community Programs**

- a) The Avista must demonstrate progress toward sustained energy burden reductions during the 2022-2023 biennium by, at a minimum, funding all eligible and cost-effective low-income conservation measures, consistent with RCW 19.405.120.
  - i.) Avista's biennial report must include the contribution from low-income conservation programs toward sustained energy burden reductions. The report must include the number of participants and any other information that demonstrates progress as described above. The utility should include a discussion of barriers to success, options for overcoming these barriers, and potential uses for increased low-income conservation funding.
  - ii.) Energy savings from low-income conservation measures will be counted toward conservation goals.
  - iii.) Avista may, after consultation with advisory groups, fully fund repairs, administrative costs, and health and safety improvements associated with cost-effective low-income conservation measures. These costs are excluded from portfolio cost-effectiveness calculations. Avista shall maintain a project cost allowance of up to 30 percent for Administrative/Indirect Rate associated with the delivery of low-income conservation measures.

- b) Avista must consider how and whether existing conservation programs serve the highly impacted communities and vulnerable populations identified in its CEIP. In addition, Avista must adjust existing conservation programs or design new programs and offerings so that the portfolio of programs ensures an improvement in the equitable distribution of energy and nonenergy impacts to the same communities identified in its CEIP. See WAC 480-100-640(4).

#### **10) Research Efforts and Innovative Programs**

- a) Avista must evaluate opportunities for location-targeted programs that provide non-wires alternatives to eliminate or delay the need for distribution system investments.
- b) In accordance with RCW 19.285.040(1)(g), Avista is encouraged to promote the adoption of air conditioning with refrigerants not exceeding a global warming potential (GWP) of 750 and the replacement of stationary refrigeration systems that contain ozone-depleting substance or hydrofluorocarbon refrigerants with a high GWP. At a minimum, Avista must explore the feasibility of determining and incorporating of the avoided emissions associated with replacing refrigerants exceeding 750 GWP in its cost-effectiveness calculations and discuss the results with its Advisory Group as necessary.
- c) Avista should consult with its Advisory Group to determine how it should implement RCWs 80.28.260(2) and 80.28.300. Such consultation should include, but is not limited to: whether and how to research and evaluate opportunities for cool roof and tree planting conservation, with special consideration given to highly impacted communities and vulnerable populations; whether and how to provide information to their customers regarding landscaping that includes tree planting for energy conservation; and what outreach and education efforts should be conducted to inform customers of the energy and nonenergy benefits of cool roofs and strategic tree planting. Avista should utilize the department of health's environmental health disparities map and coordinate with the department of natural resources to identify areas within the utility's service territory that would benefit from heat island mitigation and strategic tree planting programs.
  - i.) If Avista pursues such research, evaluation, and/or outreach, it should detail the research and evaluation results and outreach efforts in its conservation reporting.

#### **11) Equitable Distribution of Nonenergy Benefits**

- a) During this biennium, Avista must continue to demonstrate progress towards identifying, researching, and properly valuing nonenergy impacts. The nonenergy impacts considered must include the costs and risks of long-term and short-term public health benefits, environmental benefits, energy security, and other applicable nonenergy impacts. In consultation with the Company's conservation, equity, and resource planning advisory groups, nonenergy impacts and risks must be included in the next Biennial Conservation Plan and Conservation Potential Assessment.
- b) Avista must identify the discrete nonenergy impacts and the monetized value used in cost-effectiveness testing for each electric conservation program. This must be provided in a detailed format with a summary page and subsequent supporting spreadsheets, in

native format with formulas intact, providing further detail for each program and line item shown in the summary sheet in annual plans and reports.

- c) Avista must begin to identify the forecasted distribution of energy and nonenergy benefits in annual plans and reports. This reporting must use currently quantified nonenergy impacts as well as values and estimates of additional impacts as they become available. See WAC 480-100-640(3)(a)(i).

## 12) Recovery through an Electric Conservation Service Rider

- a) Scope of Expenditures — Funds collected through the Electric Conservation Service Rider must be used on approved conservation programs and their administrative costs. Additionally, Rider funds may be used for other purposes when they have a benefit to Avista customers and are approved by the Commission.
- b) Recovery for Each Customer Class — Rate spread, and rate design must match Avista's underlying base volumetric rates.
- c) Recovery of costs associated with distribution and production efficiency initiatives are not funded through the Electric Conservation Tariff Rider because these programs are not *customer* conservation initiatives. These are company conservation programs. As such, these costs are recovered in the general rate making process over time and may be requested through a general rate case, a deferred accounting petition or other allowed mechanism. The method of cost recovery in no way diminishes its obligation as required in RCW 19.285 and WAC 480-109.
- d) Avista must file revisions to its cost recovery tariff (Schedule 91) by June 1 each year, with requested effective date of August 1 of that same year. If Avista files its cost recovery tariff early, a Draft Annual Report with completed savings evaluations must accompany the filing.

## 13) Additional Commitments

- a) Avista must continue to pursue cost-effective conservation in the form of reduction in electric power consumption resulting from increases in the efficiency of energy used at electric power production facilities it owns in whole or in part. Avista's Annual Report must include updates regarding production efficiency activities in power production facilities operated by Avista and, to the extent practicable, facilities wholly or partially owned by Avista that are not operated by the Company.
- b) To avoid double-counting of efficiency savings achieved at electric power production facilities owned in whole or in part by Avista, the Company must consult with the Advisory Group when developing or modifying its protocol for how savings will be claimed.