Agenda Date: December 17, 2019
Item Numbers: D3 and D4

Dockets: **UE-190912 and UG-190920**
Company: **Avista Corporation d/b/a Avista Utilities**

Staff: Jennifer Snyder, Regulatory Analyst

Recommendation

Issue an order in docket UE-190912 accepting Avista Corporation's

(1) 10-year electric conservation potential of 361,700 megawatt-hours (MWh),
(2) EIA Target of 72,844 MWh,
(3) EIA Penalty Threshold of 59,948 MWh, and
(4) Decoupling Penalty Threshold of 3,642 MWh pursuant to Order 5 of docket UE-170188
(5) subject to the conditions in Attachment A.

Background

On November 1, 2019, Avista Corporation d/b/a Avista Utilities (Avista or company) filed its "2020-2021 Biennial Conservation Plan" (BCP or Plan) with the Washington Utilities and Transportation Commission (commission) under Dockets UE-190912 and UG-190920. Commission staff (staff) filed responsive comments on the Plan on December 5, 2019. In addition to the BCP required by the Energy Independence Act (EIA), the Plan addresses gas conservation goals and programs.

On November 1, 2019, Avista filed tariff changes under Dockets UE-190906 and UG-190907 to facilitate implementing the programs described in the Plan. These filings are currently scheduled for the December 19, 2019, open meeting.

Avista serves approximately 250,000 electric customers and 150,000 natural gas customers in eastern Washington. For electric customers, Avista serves the following counties: Adams, Asotin, Ferry, Franklin, Grant, Lincoln, Spokane, Stevens, and Whitman counties. In addition to the counties served for electric service, the natural gas service territory also includes Klickitat and Skamania counties.

Discussion

Biennial Conservation Target and Portfolio Savings

Avista's 2020-2029 Conservation Potential Assessment resulted in a 10-year achievable economic conservation potential of 361,700 megawatt-hours (MWh).[1] The pro-rata share of the 10-year potential is 72,340 MWh, not including 504 MWh of distribution and street light

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[1] The economic screen for the conservation potential is part of the 2019 Integrated Resource Plan (IRP) progress report, not an acknowledged IRP. *See* UE-190912 Staff Comments, Page 14.

efficiency. Together this results in Avista's 2020-2021 EIA Target of 72,844 MWh. By removing 12,896 MWh of Northwest Energy Efficiency Alliance (NEEA) savings, Avista calculated an EIA Penalty Threshold of 59,948 MWh. As discussed in staff comments, the definitions of EIA Target and EIA Penalty Threshold addressed continued concerns about the treatment of NEEA savings under the EIA.

In compliance with Order 05 in Docket UE-170188, Avista calculated a Decoupling Penalty Threshold of 3,642 MWh, 5 percent beyond the EIA Target. In anticipation of the increased energy efficiency resources needed to meet the requirements of the Clean Energy Transformation Act (CETA), Avista designed a BCP to implement conservation programs to achieve 97,178 MWh, well beyond the calculated utility goal. Avista discussed these adjustments with its Advisory Group during the months leading up to the filing of the BCP.

Electric Energy Efficiency Programs Biennial Budget and Cost-Effectiveness
The BCP provides budget details regarding Avista's plan for achieving the savings identified in its portfolio. Table 1, below, is a summary of these details. Avista's 2020-2021 electric budget is $31 million, 40 percent higher than the budget for the 2018-2019 biennium.[2]

Table 1. Electric Savings and Budgets from 2018-2019 and 2020-2021 BCPs

Program	2018-2019 Projected Savings (MWh)[3]	2018-2019 Budget	2020-2021 Projected Savings (MWh)	2020-2021 Budget
Residential	*40,420*	*$3,214,000*	*11,257*	*$4,814,000*
Low-income	*1,400*	*$2,066,000*	*883*	*$1,713,000*[4]
Residential Total	**41,820**	**$5,280,000**	**12,140**	**$6,527,000**
Non-Residential	41,960	$6,943,000	72,142	$11,609,000
Distribution	749	-	504	-
NEEA	9,986	$2,800,000	12,896	$2,716,000
Administration/Other	-	$7,480,000	-	$11,131,000
Total	**95,797**	**$22,504,000**	**97,682**	**$31,482,000**[5]

[2] The budget is nearly the same as 2018-2019 if fuel conversions are included.
[3] Calculated by subtracting fuel conversions from UE-171091, Avista's 2018-19 BCP Appendix A.
[4] Avista's low-income budget here is a projection. The spending is split between electric and gas based on Community Action partners' actual use of these funds.
[5] This budget includes $750,000 of Community Energy Efficiency Program (CEEP) matching funds.

One notable change this biennium is in the residential program. New residential lighting standards have removed a significant source of inexpensive first year savings. As a result, the residential program savings have dropped by over 70 percent while the budget, not including low income, has increased by 50 percent. It is important to note that while first year savings are lower, the more expensive savings from shell measures often have much longer lives. In order to capture these savings, Avista has increased incentives and is running a targeted home energy audit pilot.

Avista expects its portfolio to achieve a Total Resource Cost (TRC) ratio of 1.7 and a Utility Cost Test (UCT) ratio of 2.3, indicating that the portfolio is cost-effective.[6]

Gas Energy Efficiency Programs Biennial Budget and Cost-Effectiveness
Avista's 2020-2021 gas budget is an increase of 82 percent over the budget for the 2018-2019 biennium, shown in Table 2. Savings for the 2020-2021 biennium are projected to be 30 percent more than the previous biennium. Similar to the electric residential program, the gas residential energy efficiency program is more aggressively pursuing shell measures by meaningfully increasing incentives.

Avista expects its portfolio to achieve a TRC ratio of 0.96 and a UCT ratio of 2.3, indicating that the portfolio is cost-effective (Avista continues to work toward a fully-balanced TRC).[7,8]

Table 2. Gas Savings and Budgets from 2018-2019 and 2020-2021 BCPs

Program	**2018-2019 Projected Savings (Therms)**	**2018-2019 Budget**	**2020-2021 Projected Savings (Therms)**	**2020-2021 Budget**
Residential	*974,090*	*$2,135,000*	*1,285,450*	*$6,006,000*
Low-income	*30,646*	*$1,663,000*	*51,487*	*$3,292,000*
Residential Total	**1,004,736**	**$3,798,000**	**1,336,937**	**$9,298,000**
Non-Residential	434,165	$1,056,000	537,454	$1,430,000
NEEA	0	$410,000	0	$410,000
Administration/Other	-	$1,297,000	-	$839,000
Total	**1,438,901**	**$6,581,000**	**1,874,392**	**$11,977,000**

[6] Excluding low-income programs as allowed by WAC 480-109-100(10)(b). When low-income programs are included, the portfolio achieves a TRC of 1.7 and a UCT of 2.2.
[7] Excluding low-income programs as allowed by WAC 480-109-100(10)(b). When low-income programs are included, the portfolio achieves a TRC of 0.93 and a UCT of 1.7.
[8] *See* UG-121207 Policy Statement On The Evaluation Of The Cost-Effectiveness Of Natural Gas Conservation Programs.

Proposed Tariff Revisions

To implement the programs described in the BCP and accompanying Annual Conservation Plans, Avista filed tariff revisions in Dockets UE-190906 and UG-190907. These revisions remove the incremental cost cap and incentive level limits currently in place, increasing the flexibility for Avista to adaptively manage the programs. Both dockets are currently scheduled for the December 19, 2019, open meeting.

Conditions List

Staff's proposed conditions are included as Attachment A to this memo. Section 1(b) requires Avista to file a petition by April 15, 2020, updating the EIA target, penalty threshold, decoupling penalty threshold and ten-year potential incorporating the effects of CETA to the degree possible. The timeframe is intended to allow the utility and stakeholders to gain additional insight into appropriate modeling of the social cost of greenhouse gas (GHG) emissions for conservation targets at the January 16 CETA workshop; sufficient time to revise modeling, targets, and conservation plans as needed; and for 30 days advance notice to the advisory group.[9]

In addition, the proposed conditions contain new requirements necessary to implement CETA as well as other minor modifications to the existing conditions. These conditions were created with input from the company and the Advisory Group.

Stakeholder Comments

In its comments filed on December 5, 2019, NW Energy Coalition (NWEC) offered general support for the filing, the update that includes the social cost of GHGs, and for staff's proposed conditions. NWEC emphasizes that robust customer-side programs will be needed to fulfill the intent of CETA. In particular, its comments highlight that the region will not be able to meet efficiency acquisition needs if underserved markets remain. NWEC requests Avista find more granular ways to report program accomplishments to assess underserved markets. In addition, NWEC encourages staff to facilitate collaboration on much of the work needed for energy efficiency programs to implement CETA.

Conclusion

Staff recommends the commission issue an order accepting Avista's 10-year electric conservation potential of 361,700 MWh, EIA Target of 72,844 MWh, EIA Penalty Threshold of 59,948 MWh, and Decoupling Penalty Threshold of 3,642 MWh subject to the conditions in Attachment A.

[9] See UE-160698 Notice Of Discussion And Joint Workshop - Methodologies for incorporating social cost of greenhouse gas emissions in utility planning, evaluation and acquisition.