

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

AVISTA CORPORATION REPORT
CONCERNING ITS 2016-2025 TEN-YEAR
CONSERVATION POTENTIAL AND 2016-
2017 BIENNIAL CONSERVATION TARGET

DOCKET NO. UE-152076

COMMENTS OF PUBLIC COUNSEL

December 3, 2015

I. INTRODUCTION

1. Pursuant to the Commission's November 12, 2015, 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 17, 2015, Open Meeting. These comments address Avista's Biennial Conservation Plan (BCP) report concerning its ten-year conservation potential and its 2016-2017 biennial conservation target filed with the Commission in compliance with RCW 19.285.040.
2. Avista's BCP proposes a biennial conservation target of 72,461 megawatt hours for 2016-2017, and a ten year conservation potential of 391,000 megawatt hours.¹ The proposed biennial target excludes conservation savings achieved through Avista's contributions to the Northwest Energy Efficiency Alliance (NEEA), and also excludes achievement from Avista's

¹ Docket UE-152076, *In the Matter of Avista's 2016-2025 Ten-Year Achievable Conservation Potential and Biennial Conservation Target in Compliance with RCW 19.285 and WAC 480-109-120(1)*, Avista's Biennial Conservation Plan, October 30, 2015 (hereafter "Avista BCP"), p. 2.

electric to natural gas fuel conversion programs. Importantly however, those programs are included in Avista's Conservation Portfolio and budget for 2016-2017.²

3. As the Commission's Notice observes, these are voluminous documents. We have been reviewing these documents, submitted a few data requests to the Company, and appreciate Avista's responsiveness to those requests and the additional information that has been provided. At this time Public Counsel believes the following issues require further attention from the Company and consultation with the Advisory Group. The first two issues pertain specifically to the BCP and may require some revisions to Avista's proposed biennial target.

- *NEEA Savings.* Avista has proposed to exclude NEEA savings from the biennial target using a calculation that estimates the portion of NEEA savings in the ten-year potential. While we understand Avista's reasoning for considering such an approach, we believe that a more straightforward and reasonable approach is to use the biennial forecast Avista has received from NEEA. That approach is consistent with how PSE and PacifiCorp have excluded NEEA from the proposed biennial target.
- *Residential Behavior Program Savings in Biennial Target.* There is a significant disparity between the potential identified in the CPA for residential behavior savings, and Avista's business planning savings projected for the biennium. Avista has begun exploring this issue but it has not yet been fully reviewed and resolved with the Advisory Group.
- *Achievable Potential for 2016-2017 identified in the CPA.* The achievable potential for 2016-2017 identified in the CPA is very low, not only relative to the ten-year potential, but also in comparison to PacifiCorp, even though Avista serves about twice as many electric customers in Washington.
- *Update to 2016 DSM Business Plan to include Savings and Budgets.* Avista's 2016 Business Plan (Appendix B to the BCP), did not include projected savings and budgets for planned programs. We believe this information should be provided and filed with the Commission.

4. Avista has begun further analysis on these issues and stakeholders have had some preliminary discussions. We appreciate that Avista has been receptive to further review,

² Avista BCP, Appendix A.

analysis, and discussions of these issues. At this time Public Counsel does not have a specific recommended revision to Avista's biennial conservation target. These issues are described in more detail below. We look forward to reviewing the comments of Staff and other stakeholders, and to further discussions with the Advisory Group on all outstanding issues prior to developing a formal recommendation to the Commission at the December 17, 2015, Open Meeting regarding Avista's BCP.

5. Public Counsel's comments are focused on issues related to Avista's electric DSM operations and compliance with the Energy Independence Act (EIA). However, as stated in the Commission's Notice, Avista's DSM Business Plan for 2016, attached as Appendix B to the Company's BCP, discusses both the electric and natural gas DSM portfolios.

II. TEN-YEAR POTENTIAL AND BIENNIAL CONSERVATION TARGETS

A. Basis for Avista's Ten-Year Potential and Biennial Conservation Target

6. Consistent with the EIA, the Commission's rules state that in determining its ten-year conservation potential, a utility shall consider conservation resources that are "cost-effective, reliable and feasible."³ With respect to the biennial conservation target, the utility "must identify and quantify in megawatt-hours, all available conservation that is cost-effective, reliable, and feasible."⁴ In addition, the biennial conservation target must be no lower than a pro-rata share of the ten year potential.⁵
7. The primary building block for Avista's proposed target comes from the Conservation Potential Assessment (CPA) conducted by the firm AEG as part of Avista's 2015 Electric

³ WAC 480-109-100 (2)(a).

⁴ *Id.* at (3)(a).

Integrated Resource Plan (IRP). The CPA identified a ten-year achievable conservation potential of 391,000 MWh and biennial conservation potential for 2016-2017 of 50,000 MWh for Avista's Washington service territory.⁶ The identified biennial potential represents less than 13% of the ten year potential, however, and thus does not meet the pro-rata share requirement. Therefore, Avista is using the pro-rata share of the ten year potential in the development of the biennial target. That amount is 78,200 MWh.

8. In addition to the electric end-use efficiency potential identified in the CPA, Avista is also proposing to incorporate a small amount of distribution efficiency and generation efficiency in its biennial conservation target. Distribution efficiency savings of 2,082 MWh reflect street lighting improvements and a feeder upgrade. The generation efficiency savings of 151 MWh reflect lighting upgrades at Avista's Little Falls, Long Lake and Nine Mile hydroelectric facilities.

9. Avista's proposed biennial target excludes savings for regional market transformation efforts conducted by the Northwest Energy Efficiency Alliance (NEEA). Excluding NEEA savings from the biennial conservation target was the approach used for all three utilities last biennium, as a result of a joint utility proposal in 2012. Further discussion regarding the mechanics of Avista's approach to excluding NEEA savings from the target is provided below. Importantly, Avista's conservation portfolio for the biennium will continue to include and support NEEA's regional efforts.

⁵ *Id.* at (3)(b). "Pro-rata" is defined as follows: "the calculation dividing the utility's projected ten-year conservation potential into five equal proportions to establish the minimum biennial conservation target." WAC 480-109-060(19).

⁶ UE-143214, Avista 2015 Electric IRP, filed August 31, 2015, Appendix C, Table 5-1, p. 719.

10. When Avista’s full decoupling mechanism was approved as part of the company’s 2014 general rate case, the company made a commitment to achieve electric conservation savings at least five percent above its Commission approved EIA biennial conservation target.⁷ Avista’s conservation portfolio reflects a set of programs and a budget that is developed to achieve this additional conservation acquisition, but it is not possible to identify any specific program that resulted from this commitment.

11. A summary of the development of Avista’s proposed biennial conservation target for 2016-2017 is provided in Table 1 below.

Table 1. Development of Avista’s 2016-2017 Biennial Conservation Target

Development of Avista’s 2016-2017 Biennial Conservation Target		
<u>Description</u>	<u>MWh</u>	<u>Comments</u>
a. Electric End-Use Potential <i>IRP Guidance</i>	78,200	Reflects pro-rata amount (20%) of ten year achievable potential
b. Distribution and Street Lighting Efficiency	+ 2,082	Includes one feeder upgrade in WA and street lighting
c. Generation Efficiency	+ 151	Lighting upgrades at hydro facilities
d. Subtotal Base Savings	80,433	
e. Exclude NEEA <i>Pro-rata identified in IRP</i>	(7,972)	Actual NEEA forecast to Avista is 6,220 MWh for 2016-2017
f. EIA Penalty Target	72,461	
g. Decoupling commitment	3,623	5% above EIA target

⁷ *WUTC v. Avista*, Dockets UE-140188 & UG-14018 (consolidated), Order 05, (November 25, 2014), ¶26.

12. As mentioned above, the achievable potential for 2016-2017 identified in the CPA was very low, at 50,000 MWh. Avista's BCP explains that this amount is lower than the pro-rata share of the ten-year achievable potential primarily because of an increase in avoided costs in 2020, when Avista requires additional capacity, as well as an assumed increase in LED savings for the non-residential sector starting in 2020.⁸ During our review and discussions regarding the development of Avista's biennial conservation target, stakeholders observed that Avista's achievable biennial potential identified in the CPA (50,000 MWh) was substantially lower than the amount identified in PacifiCorp's CPA (85,800 MWh)⁹ even though Avista serves about twice as many customers in Washington as PacifiCorp. In addition, the same consulting firm, AEG, conducted the CPA for both Avista and PacifiCorp. While there are differences in the service territory and customer base of the two utilities, such as potentially a larger natural gas penetration in Avista's service territory, the magnitude of the difference in achievable potential is noteworthy. Both utilities have recently provided the CPA model to Staff and Public Counsel. We anticipate further analysis and discussions to better understand this issue with Avista and its Advisory Group, but recognize that those efforts are most likely to inform our analysis for the subsequent biennium (2018-2019).

B. Adjustments to Avista's Ten-Year Potential and Biennial Conservation Target

1. NEEA Savings

13. Subsequent to the 2010-2011 biennium, the Commission ordered the three electric utilities to develop a consistent approach for treatment of NEEA savings relative to the biennial conservation target. The utilities proposed that NEEA savings no longer be included in the

⁸ Avista BCP, p. 6.

biennial conservation target, and that approach was used for the 2014-2015 biennium.¹⁰ In preparation for the 2016-2017, stakeholders met to revisit this issue. Ultimately, it was generally agreed that the current approach was reasonable and should be used again for 2016-2017. Avista has therefore proposed an adjustment to remove savings associated with NEEA's market transformation initiatives from the biennial target.

14. Avista has proposed to exclude NEEA savings from the biennial target using a calculation that estimates the portion of NEEA savings in the ten-year potential. This calculation is described in a memo prepared by AEG, provided in Appendix E to the BCP. While we understand Avista's reasoning for considering such an approach, given the pro-rata share of the ten-year potential as the basis for the biennial target, we believe that a more straightforward and reasonable approach is to use the 2016-2017 forecast Avista has received from NEEA. That approach is consistent with how PSE and PacifiCorp have excluded NEEA from the proposed biennial target. In response to a recent request from Staff, Avista has indicated a willingness to revise the biennial target in this manner, which we support. This revision would remove 6,220 MWh as projected NEEA savings, as compared with the 7,972 MWh estimate proposed by Avista in the BCP.¹¹ Such a revision would therefore increase Avista's biennial target by 1,752 MWh.

2. Home Energy Reports

15. Avista's Home Energy Reports (HER) Program, a residential behavior program administered by Opower, launched in June, 2013 as a three-year program targeting 48,000

⁹ Docket UE-152072, PacifiCorp's Biennial Conservation Plan, filed October 30, 2015, p. 12.

¹⁰ Docket UE-100176, Joint Utility Proposal for a consistent approach to NEEA claimed conservation savings for the 2014-2015 biennium, filed October 31, 2012, in compliance with Order 03, ordering paragraph (4).

customers in Washington. The program was interrupted from January to August, 2015, however, due to complications associated with Avista's migration to a new customer information system. The interruption has likely contributed to somewhat greater attrition, and currently the original program is now reaching about 35,000 Washington customers. In the past few weeks, Avista has informed its Advisory Group that it is considering an additional Home Energy Reports program, as a refill to the original treatment and control group. Public Counsel understands that this refill effort would target about 16,000 additional customers in the treatment group, and another 10,000 in a new control group. The 2016 Business Plan mentions that Avista is evaluating this refill option, but does not include program details such as projected savings, budgets, eligibility criteria, evaluation plans, and cost-effectiveness.¹² Avista's Advisory Group is meeting next week to discuss this and other issues.

16. For 2014-2015, Avista's biennial target was increased by the amount of projected savings from the Home Energy Reports program because the CPA did not identify any residential behavior savings in the achievable potential for the biennium. While Avista's recent CPA does include residential behavior in its analysis, the identified savings for 2016-2017 are minimal, only 186 MWh as a pro-rata share of the ten-year potential. In contrast, Avista is projecting substantial savings from the HER program, 13,110 MWh for 2016-2017, using a two-year measure life.¹³ This large disparity between the potential identified in the CPA and Avista's

¹¹ Avista BCP, p. 2, Table No. 1.

¹² Avista BCP, Appendix B, 2016 DSM Business Plan, p. 21. We anticipate that Avista will provide program details regarding this possible refill effort to the Advisory Group shortly, in advance of a December 7, 2015 meeting.

¹³ Avista BCP, Appendix A. The projected HER savings represent 27% of anticipated savings for the residential sector. *Id.*

business planning projections are likely due to several factors, including difficulties associated with modeling behavior measures in a CPA, and differing assumptions regarding measure life.¹⁴

17. Both PacifiCorp and PSE are using business planning projections that assume a two-year measure life for residential behavior programs in the development of the proposed biennial conservation target, rather than identified potential in the CPA. PSE's CPA does not model behavior measures as part of its analysis, and therefore PSE is proposing to increase the 2016-2017 biennial target to include projected savings from its legacy HER program.¹⁵ PacifiCorp's CPA did include residential behavior in its analysis, but assumed a one-year measure life. In an effort to align the planning and reporting conventions for behavior programs across the utilities, stakeholders reached consensus on a two-year measure life for these programs. PacifiCorp has therefore proposed an adjustment to remove assumed behavior savings potential identified in the CPA, and then increase the biennial target to reflect the savings projections for 2016-2017 using a two-year measure life.

18. Avista has shared some initial information with stakeholders on this issue, and our understanding is the Company is open to further consideration with its Advisory Group as to whether a revision to the proposed biennial conservation target may be appropriate.

C. Updated Unit Energy Savings (UES) Values.

19. The heightened focus on conservation as a least cost resource and EIA implementation has brought greater focus on the unit energy savings (UES) values used to report and claim

¹⁴ Avista's CPA assumes a three-year measure life for residential behavior measures, whereas the recent business planning forecast was developed using a two-year measure life.

¹⁵ PSE proposes to include savings from its original legacy HER program in the biennial conservation target, but does not include savings associated with its pilot HER programs. This is consistent with PSE's approach for the 2014-2015 biennium.

conservation acquisition. These values are critical inputs for the Commission and stakeholders in evaluating the cost-effectiveness and impact of these programs and assessing EIA compliance. The UES values are also critical for the utility, particularly as conservation becomes a more significant resource, for load forecasting and power planning purposes. Evaluation, measurement, and verification (EM&V) efforts help to further refine and improve the accuracy of those savings values, leading to program improvement and greater confidence in reported conservation acquisition.

20. For the 2014-2015 and 2012-2013 biennia, Avista requested to have UES values considered 'fixed' for the duration of the biennium. This is sometimes also referenced as a "frozen baseline." While Public Counsel supported those requests as a compromise, we reiterated the position we have maintained since the 2010-2011 biennium, that our strong preference is for utilities to make annual adjustments to savings estimates and report conservation achievement using those updated savings values.¹⁶ We believe this approach encourages adaptive management and improvement of conservation program management. PSE has consistently utilized this approach.

21. Public Counsel is very pleased that for the 2016-2017 biennium, Avista is proposing to update its savings values on an annual basis. The BCP states, "[t]he UES list is 'locked' until the annual update of Avista's TRM [Technical Reference Manual]."¹⁷ This means that any updates to UES values that occur in 2016, such as through RTF savings updates or evaluation findings,

¹⁶ Dockets UE-100170 (PacifiCorp), UE-100176 (Avista), and UE-100177 (PSE), Comments of Public Counsel dated August 2, 2012, p. 7.

¹⁷ Avista BCP, p. 9.

would be reflected in 2017. We applaud the Company for making this shift and utilizing this approach going forward.

D. Conditions.

22. Public Counsel anticipates that discussions among the Company and stakeholders regarding conditions for the approval of Avista's BCP will commence before the December 17, 2015, Open Meeting. We believe the conditions adopted by the Commission in its approval of Avista's 2014-2015 biennial conservation target have largely provided an effective and comprehensive framework regarding operation of the utility's conservation programs and assessment of EIA compliance. We recognize that because several conditions have been reflected in the Commission's recently revised rules, those conditions can likely be streamlined. We anticipate providing our recommendation regarding these conditions at the Open Meeting.

III. AVISTA'S 2016-2017 ELECTRIC CONSERVATION PORTFOLIO

A. Overview

23. Avista's conservation portfolio for 2016-2017, as summarized in Appendix A to the BCP, projects electric conservation acquisition of 103,072 MWh for the biennium, at a budget of \$26.6 million.¹⁸ These projected savings and budgets include two initiatives that are outside of, or supplemental to, the EIA approved biennial target. Those additional conservation activities include:

¹⁸ Public Counsel understands that as a result of a spreadsheet error in Appendix A, the electric portfolio budget is approximately \$26.6M for the biennium rather than the \$29M shown in Appendix A. The electric budget for the Web thermostat program is about \$15,500 as opposed to the \$2.4M shown in Appendix A. E-mail from Mike Dillon at Avista, December 3, 2015.

- *Fuel conversion.* Avista has a substantial residential and low-income electric to natural gas fuel conversion program, and anticipates savings of 14,540 MWh for the biennium.¹⁹ These savings are excluded from the EIA target to be consistent with the Council’s methodology.²⁰
- *NEEA Savings.* Avista’s proposed target excludes projected savings associated with NEEA’s regional market transformation initiatives, as discussed earlier. NEEA is forecasting acquisition of 6,220 MWh in Avista’s service territory for 2016-2017.²¹

24. After removing the savings from those two initiatives, Avista is forecasting electric conservation achievement of 82,312 MWh toward its EIA target for 2016-2017, which is about 114% of its proposed EIA target of 72,461 MWh. As described earlier, Avista has also committed to achieve electric savings at least five percent beyond its EIA target, as part of the full decoupling mechanism implemented in 2015. The BCP does not identify any specific program, measure, or efforts that will be attributable to the decoupling commitment.

B. 2016 DSM Business Plan

25. Avista’s filing includes its 2016 DSM Business Plan as Appendix B to the BCP. The business plan discusses the energy efficiency programs that Avista plans to offer in 2016 to achieve savings toward their proposed EIA target, and provides cost-effectiveness analyses. Avista projects that its 2016 Washington electric portfolio will have a cost-effectiveness ratio of 1.84 according to the Total Resource Cost (TRC) analysis. The 2016 Business Plan does not include projected savings and budgets the programs Avista plans to offer in 2016. Public Counsel requested this information from Avista and we have received a draft summary from the

¹⁹ Avista BCP, Appendix A. This total includes 13,215 MWh savings for the residential program and 1,325 MWh savings for the low-income conversion program. *Id.* These savings are so substantial that the corresponding additional natural gas consumption for the residential program (576,992 therms) fully offsets the projected natural gas savings for residential natural gas energy efficiency programs. *Id.*

²⁰ Avista BCP, p. 7.

²¹ Avista BCP, p. 2, Table 1.

Company outlining savings and budgets at the program level. We recommend this information should be finalized and filed with the Commission.

IV. CONCLUSION

26. Public Counsel appreciates the opportunity to comment on Avista's proposed 2016-2017 biennial conservation target and ten year potential. We anticipate engaging in discussions with the Company and stakeholders regarding possible revisions to the biennial target, related NEEA savings and the residential behavior program, as described in these comments. We also anticipate discussing potential conditions with Avista and stakeholders. We look forward to reviewing the comments submitted by other parties, as well as additional information to be provided by Avista, and addressing these issues at the Commission's December 17, 2015, Open Meeting.