

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of
AVISTA CORPORATION'S

2012-2021 Ten-Year Achievable
Conservation Potential and 2012-2013
Biennial Conservation Target Under RCW
19.285.040 and WAC 480-109-010

DOCKET UE-111882

ORDER 01

ORDER APPROVING AVISTA'S
2012-2021 TEN-YEAR ACHIEVABLE
CONSERVATION POTENTIAL AND
2012-2013 BIENNIAL
CONSERVATION TARGET,
SUBJECT TO CONDITIONS

BACKGROUND

- 1 Washington voters approved Initiative 937, the Energy Independence Act (EIA), in the 2006 general election. Now codified in Chapter 19.285 of the Revised Code of Washington, it requires electric utilities with 25,000 or more customers to set and meet energy conservation targets, among other things.
- 2 Under RCW 19.285.040(1)(a) and (b), utilities are required to do the following:
 - (1) Each qualifying utility shall pursue all available conservation that is cost-effective, reliable, and feasible.
 - (a) By January 1, 2010, using methodologies consistent with those used by the Pacific Northwest electric power and conservation planning council in its most recently published regional power plan, each qualifying utility shall identify its achievable cost-effective conservation potential through 2019. At least every two years thereafter, the qualifying utility shall review and update this assessment for the subsequent ten-year period.
 - (b) Beginning January 2010, each qualifying utility shall establish and make publicly available a biennial acquisition target for cost-effective conservation consistent with its identification of achievable opportunities in (a) of this subsection, and meet that

target during the subsequent two-year period. At a minimum, each biennial target must be no lower than the qualifying utility's pro-rata share for that two-year period of its cost-effective conservation potential for the subsequent ten-year period.

- 3 Under RCW 19.295.040(1)(e), the Washington Utilities and Transportation Commission (Commission) has authority to "rely on its standard practice for review and approval of investor-owned utility conservation targets." A rule adopted by the Commission, WAC 480-109-010, guides investor-owned utilities' compliance with RCW 19.285.040(1). WAC 480-109-010(1) requires each utility, by January 1, 2010, and every two years thereafter, to project its cumulative ten-year conservation potential. WAC 480-109-010(3) requires each utility, beginning January 2010, and every two years thereafter, to establish a biennial conservation target. WAC 480-109-010(3) directs that, "On or before January 31, 2010, and every two years thereafter, each utility must file with the Commission a report identifying its ten-year achievable conservation potential and its biennial conservation target." WAC 480-109-010(4) describes the process for review by the Commission. Under WAC 480-109-010(4)(c), upon conclusion of that review, "the Commission will determine whether to approve, approve with conditions, or reject the utility's ten-year achievable conservation potential and biennial conservation target."
- 4 During December of 2009, Avista Corporation (Avista or Company) filed with the Commission a Projected "Cumulative Ten-Year Electric Potential" in Docket UE-091983. In January 2010, Avista filed a report in Docket UE-100176 to establish a biennial conservation target. On May 13, 2010, in Docket UE-100176, the Commission issued Order 01 approving Avista's 2010-2019 ten-year achievable conservation potential and 2010-2011 biennial conservation target subject to conditions. Pursuant to RCW 19.285.070 and WAC 480-109-040, Avista will report to the Commission on its progress towards meeting its target on or before June 1, 2012.
- 5 In Docket UE-100176 Order 01, the Commission ordered Avista to file its next biennial conservation plan (BCP), including revised program details and program tariffs, together with identification of 2012-2021 achievable conservation potential, by November 1, 2011.

- 6 On November 1, 2011, Avista timely filed its BCP with the Commission in Docket UE-111882. As part of the BCP, Avista identified a range for its 2012-2013 biennial conservation target pursuant to WAC 480-109-010(2)(c). As required by WAC 480-109-010(3)(b), Avista stated that it had used its 2011 electric Integrated Resource Plan as the basis for its 2012-2013 biennial acquisition target range.¹
- 7 On November 4, 2011, the Commission issued a Notice of Opportunity to Comment on Avista's BCP by December 7, 2011, and a notice that Avista's BCP would be considered at the Commission's Open Meeting on December 15, 2011. During the comment period, the Commission received written comments from Public Counsel and Commission Staff. The Commission heard additional oral comments at the December 15, 2011, Open Meeting from Public Counsel, the Northwest Energy Coalition, the Company, and Commission Staff.
- 8 At the conclusion of the December 15, 2011, Open Meeting, the Commission encouraged Staff to develop a draft order for the Commission's consideration at a later Open Meeting. The Commission considered the draft order and conditions at its February 10, 2012, Open Meeting.

SUMMARY AND DISCUSSION OF COMMENTS FROM INTERESTED PERSONS

Commission Staff

- 9 Staff provided oral and written comments that summarized its review of the ten-year conservation potential and biennial conservation target. Based on its review, Staff recommended that the Commission approve the ten-year and biennial conservation targets, subject to conditions and shown in the following table.

¹ WAC 480-100-238 requires electric utilities regulated by the Commission to file an integrated resource plan every two years. *See* RCW Chapter 19.280. Avista presented its 2011 electric Integrated Resource Plan to the Commission in Docket UE-101482.

	2012-2013 Biennial Targets ²		2012-2021 Ten-Year Potential	
	Low range (MWh)	High range (MWh)	Low range (MWh)	High range (MWh)
End-use efficiency	76,202	137,410	529,114 ³	1,079,345 ⁴
Distribution efficiency	32,387	60,147	71,539 ⁵	102,199 ⁶
Aggregate BCP Target	108,589	197,557	600,653	1,181,544

10 Initially, Staff recommended the adoption of new conditions based on comments offered by Avista in its BCP filing. However, after receiving the comments of other parties, Staff supported the continued use of conditions from Order 01 of UE-100176 with minor modifications and a new condition addressing the evaluation, measurement and verification (EM&V) of distribution efficiency measures.⁷

Public Counsel

11 Public Counsel provided oral and written comments agreeing with Avista’s proposed conservation target of 108,589 to 197,557 MWh for the 2012-2013 biennium, subject to conditions but advised against approval of the target until all comments could be received and processed.

12 With respect to the conditions, Public Counsel recommends the Commission retain the conditions adopted in Docket UE-100176. In particular, Public Counsel identified four recommendations with respect to the conditions:

- Clarify that savings estimates for prescriptive programs shall be based upon Regional Technical Forum (RTF) estimates, rigorous third-party impact

² BCP page 30.

³ BCP page 12.

⁴ Id.

⁵ Based on 30 percent reduction from the High Range Estimate. See BCP page 35.

⁶ Avista identified 6.1 aMW (53,436 MWh) of potential savings from feeder efficiencies, 42,000 MWh from the Spokane area Smart Grid Investment Grant (SGIG) savings, and 6,763 MWh from the Pullman Smart Grid Demonstration Project (SGDP) savings over the 20 year IRP planning horizon. See BCP page 34-35.

⁷ Staff Open Meeting Memo, February 10, 2012.

evaluations, and/or other reliable and relevant source data that has verified savings levels;

- Retain the requirement that Avista's next conservation potential shall be based upon a Conservation Potential Assessment (CPA) of its Washington service territory,
- Clarify that distribution savings will be verified by an independent third party, and
- Retain the condition that the Commission is not obligated to accept savings identified in the BCP for purposes of compliance with the EIA.

Northwest Energy Coalition

- 13 In oral comments, the Northwest Energy Coalition expressed concern about the use of a range for determining a conservation potential and a target.⁸ The organization also regarded the low range as conservative. However, it did not oppose Avista's ten-year potential and biennial target. It also supported the continued use of conditions from Order 01 of UE-100176, as modified by the recommendations of Public Counsel and Commission Staff.

FINDINGS AND CONCLUSIONS

- 14 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies. *RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16, RCW 80.28.*
- 15 (2) The Washington Utilities and Transportation Commission has authority to determine investor-owned utilities' compliance with RCW 19.285.040(1) and RCW 19.285.060(6). The Commission has authority to review and decide whether to approve investor-owned utility conservation targets. The Commission may rely on its standard practice in exercising that authority. RCW 19.285.040(1)(e). The Commission has adopted WAC 480-109-010 to implement RCW 19.285.040(1).

⁸ For a fuller discussion of this issue, see *In re Adopting Rules to Implement the Energy Independence Act*, Docket UE-061895, General Order R-546 ¶¶ 17, 26, 28 (Wash. Utils. & Transp. Comm'n, Nov. 30, 2007).

- 16 (3) Avista is an electric company and a public service company subject to Commission jurisdiction. Avista is a qualifying investor-owned electric utility under RCW 19.285.030.
- 17 (4) In accordance with Order 01 in Docket UE-100176, Avista timely identified its 2012-2021 ten-year achievable conservation potential and 2012-2013 biennial conservation target, and timely submitted a report, entitled “2012-2013 Biennial Conservation Plan of Avista Corporation,” to the Commission under WAC 480-109-010. Avista used its 2011 electric Integrated Resource Plan as the basis for its 2012-2013 biennial acquisition target range.
- 18 (5) Avista has satisfied the Staff and public participation requirements of WAC 480-109-010(3) and Order 01 in Docket UE-100176 in developing its 2012-2021 ten-year conservation potential and 2012-2013 biennial conservation target.
- 19 (6) After reviewing Avista’s 2012-2013 Biennial Conservation Plan filed on November 1, 2011, and giving due consideration to all relevant matters and for good cause shown, the Commission finds it is in the public interest to approve with conditions Avista’s Ten-Year Achievable Conservation Potential and Biennial Conservation Target identified in the Company’s Biennial Conservation Plan, as authorized by RCW 19.285.040(1)(e) and WAC 480-109-010(4).
- 20 (7) The 2012-2021 ten-year achievable conservation potential that Avista identified is consistent with RCW 19.285.040(1) and WAC 480-109-010(1). The 2012-2013 biennial conservation target that Avista established is consistent with RCW 19.285.040(1) and WAC 480-109-010(2). Avista’s 2012-2021 ten-year achievable conservation potential of 600,653 to 1,181,544 megawatt-hours, and Avista’s 2012-2013 biennial conservation target of 108,589 to 197,557 megawatt-hours, are appropriate, subject to the Conditions described in this Order.
- 21 (8) On August 8, 2011, the Commission issued Order 05 in Dockets UE-110876 and UG-110877 granting a joint motion for clarification on forum for resolution of Demand Side Management (DSM) prudence. Nothing in this order modifies Order 05 in Dockets UE-110876 and UG-110877.

- 22 (9) This matter originally came before the Commission at its regularly-scheduled meeting on December 15, 2012. The Commission revisited this matter at its regularly-scheduled meeting on February 10, 2012.

ORDER

THE COMMISSION ORDERS:

- 23 (1) Avista Corporation's 2012-2021 Ten-Year Achievable Conservation Potential range of 600,653 to 1,181,544 megawatt-hours and 2012-2013 Biennial Conservation Target range of 108,589 to 197,557 megawatt-hours are approved with conditions pursuant to RCW 19.285.040(1)(e) and WAC 480-109-010(4)(c). This approval is subject to the Conditions described in Paragraphs (2) through (11) below.
- 24 (2) **Company Retains Responsibility.** Nothing in this Order relieves Avista Corporation of its sole responsibility to comply with RCW 19.285, which requires Avista Corporation to use methodologies consistent with those used by the Pacific Northwest Electric Power and Conservation Planning Council (Council). Specifically, the Conditions regarding the need for a high degree of transparency, and communication and consultation with external stakeholders, diminish neither Avista Corporation's operational authority nor its ultimate responsibility for meeting the biennial conservation target approved herein.
- 25 (3) **Advisory Group.**
- (a) Avista Corporation must maintain and use an external conservation Advisory Group of stakeholders to advise Avista Corporation on the topics described in subparagraphs (i) through (ix) below. To meet this condition, Avista Corporation may continue to use its External Energy Efficiency Board created under Docket UE-981126, and its Integrated Resource Planning Technical Advisory Committee created under WAC 480-100-238. The Advisory Group shall advise on the following:
- (i) Development and modification of protocols to evaluate, measure, and verify energy savings in Avista Corporation's programs.

- (ii) Development of conservation potential assessments under RCW 19.285.040(1)(a) and WAC 480-109-010(1).
- (iii) Guidance to Avista Corporation regarding methodology inputs and calculations for updating cost-effectiveness.
- (iv) Review of data sources and values used to update supply curves.
- (v) Consideration of the need for tariff modifications or mid-course program corrections.
- (vi) Review appropriate level of and planning for:
 - (1) Marketing conservation programs.
 - (2) Incentives to customers for measures and services.
- (vii) Consideration of issues related to conservation programs for customers with limited income.
- (viii) Comparing program achievement results with annual and biennial targets.
- (ix) Review of conservation program budgets and actual expenditures compared to budgets.
- (b) The Advisory Group should meet quarterly at a minimum. Avista Corporation must permit any member to request an additional meeting of the Advisory Group with reasonable notice.

26 (4) **Annual Budgets and Energy Savings.**

- (a) Avista Corporation must submit annual budgets to the Advisory Group and to the Commission no later than November 1 of each year. The submissions must include reasonable program detail that shows planned expenses and the resulting projected energy savings. In odd-numbered years, the annual budget may be submitted as part of the Biennial Conservation Plan required under Paragraph 8(e) below. In even-numbered years, the annual budget may be submitted as part of the DSM Business Plan required under Paragraph 8(b) below.
- (b) Avista Corporation must provide its proposed budget in a detailed format with a summary page indicating the proposed budget and savings levels for each electric conservation program, and subsequent supporting spreadsheets providing further detail for each program and line item shown in the summary sheet.

- 27 (5) **Program Details.** Avista Corporation 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 as tariff attachments or as revisions to Avista Corporation's DSM Business Plan. Avista Corporation may propose other methods for managing its program details in the Biennial Conservation Plan required under Paragraph 8(e) below, after consultation with the Advisory Group as provided in Paragraph 9(b) below.
- 28 (6) **Approved Strategies for Selecting and Evaluating Energy Conservation Savings.**
- (a) Avista Corporation has identified a number of potential conservation measures as qualifying measures in its BCP filed on November 1, 2011, in this Docket. The Commission is not obligated to accept savings identified in the Revised Report for purposes of compliance with RCW 19.285. Avista Corporation 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); *Wash. Utils. & Transp. Comm'n v. Avista Corp.*, Dockets UE-110876/UG-110877, Order 05 Granting Joint Motion for Clarification on Forum for Resolution of DSM Prudence (Aug. 18, 2011).
 - (b) Except as provided in subparagraph (6)(c), Avista Corporation must use the Council's Regional Technical Forum's (RTF's) "deemed" savings for electricity measures. As of the date of this Order, the RTF maintains a Web site at <http://www.nwcouncil.org/energy/rtf/>.
 - (c) If Avista Corporation 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 verified savings levels, and be presented to the Advisory Group for comment.
 - (d) When Avista Corporation proposes a new program, it must present it to the Advisory Group for comment with program details fully defined. After consultation with the Advisory Group in accordance with Paragraph 3 above, Avista Corporation must file a revision to its DSM Business Plan in this Docket. The revision may be acknowledged by placement on the Commission's No Action Open Meeting agenda.

- (e) Avista Corporation must provide opportunities for the Advisory Group to review and assist with the development of evaluation, measurement and verification protocols for conservation programs. See Paragraph 3(a)(i) above.
- (f) Avista Corporation must spend a reasonable amount of its conservation budget on evaluation, measurement, and verification (EM&V), including a reasonable proportion on independent, third-party EM&V. Avista Corporation must perform EM&V annually on a multi-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. An annual independent, third-party EM&V report involving analysis of both program impacts and process impacts must be part of the reports on conservation acquisition described in Paragraphs 8(c) and (f) below.
- (g) For savings claimed from distribution efficiency, Avista Corporation must provide third-party verified values calculated using applicable parts of the RTF's Automated CVR Protocol No. 1, Voltage Optimization Protocol, or any other protocol recognized by the RTF following the date of this order. This requirement does not prevent Avista Corporation from developing an additional EM&V methodology for distribution efficiency and advocating at a future Commission proceeding for the recognition of third-party verified savings calculated using that additional methodology.

29 (7) **Program Design Principles**

- (a) **All Sectors Included** — Avista Corporation must offer a mix of tariff-based programs that ensure it is serving each customer sector, including programs targeted to the limited-income subset of residential customers. Modifications to the programs must be filed with the Commission as revisions to tariffs or as revisions to Avista Corporation's DSM Business Plan, as appropriate.
- (b) **Outreach on Programs** — Avista Corporation must establish a strategy and proposed implementation budget for informing participants about program

opportunities in the relevant market channels for each of its energy efficiency programs. Avista Corporation must share these strategies and budgets with the Advisory Group for review and comments, and provide updates at Advisory Group meetings.

- (c) Incentives and Conservation Program Implementation — Avista Corporation must offer a cost-effective portfolio of programs in order to achieve all available conservation that is cost-effective, reliable, and feasible. Programs and incentives may be directed to consumers, retailers, or trade allies, as appropriate for measures that save energy. Incentive levels and other methods of encouraging energy conservation need to be periodically examined to ensure that they are neither too high nor too low. Incentive levels and implementation methods should not unnecessarily limit the acquisition of all achievable energy conservation.
- (d) Conservation Efforts without Approved EM&V Protocol — Avista Corporation may spend up to ten (10) percent of its conservation budget on programs whose savings impact has not yet been measured, as long as the overall portfolio of conservation passes the Total Resource Cost (TRC) test as modified by the Council. These programs may include educational, behavior change, and pilot projects. Avista Corporation may ask the Commission to modify this spending limit following full Advisory Group consultation. As of the date of this Order, an outline of the major elements of the Council's methodology for determining achievable conservation potential, including the Total Resource Cost test, is available on the Council's Web site at http://www.nwcouncil.org/energy/powerplan/6/supplycurves/I937/CouncilMethodology_outline%20_2_.pdf.

30 (8) **Required Reports and Filings**

Avista Corporation must file the following:

- (a) A cost recovery tariff by June 1, 2012, with requested effective date of August 1, 2012.
- (b) 2013 DSM Business Plan, containing any changes to program details and an annual budget by November 1, 2012.

- (c) 2012 Annual Report on Conservation Acquisition, including an evaluation of cost effectiveness and comparing budgets to actual, by June 1, 2013.
- (d) A cost recovery tariff by June 1, 2013, with requested effective date of August 1, 2013.
- (e) Biennial Conservation Plan including revised program details and program tariffs, together with identification of 2014-2023 achievable conservation potential, by November 1, 2013, requesting effective date of January 1, 2014. This filing will satisfy the requirement in WAC 480-109-010 to file ten-year Achievable Conservation Potential and Biennial Conservation Target on or before January 31.
- (f) Two-year report on conservation program achievement by June 1, 2014. This filing is the one required in WAC 480-109-040(1) and RCW 19.285.070, which require that the report also be filed with the Washington Department of Commerce.

31 (9) **Required Public Involvement in Preparation for the 2014-2015 Biennium**

- (a) By July 1, 2013, Avista Corporation must consult with the Advisory Group to facilitate completion of a ten-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 Corporation's service area within Washington State. This may be conducted within the context of Avista Corporation's integrated resource plan. If Avista Corporation 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.
- (b) Avista Corporation must consult with the Advisory Group between July 1, 2013, and October 31, 2013, to identify achievable conservation potential for 2014-2023 and set annual and biennial targets for the 2014-2015 biennium, including necessary revisions to program details. *See* RCW 19.285.040(1)(b); WAC 480-109-010(2) and (3).
- (c) During the consultation described in subparagraph 9(b) above, Avista Corporation must review with the Advisory Group whether standard-efficiency fuel conversion savings should be included in the 2014-2015 Biennial Conservation Target.

- 32 **(10) Cost Effectiveness Test is the Total Resource Cost Test**
- (a) The primary cost effectiveness test is the Total Resource Cost (TRC) test as modified by the Council. The Council-modified calculation of TRC includes quantifiable non-energy benefits, a risk adder, and a 10 percent conservation benefit adder that increases the avoided costs by 10 percent. The Council does not include a net-to-gross adjustment. As of the date of this Order, an outline of the major elements of the Council’s methodology for determining achievable conservation potential, including the Total Resource Cost test, is [referenced](#) in paragraph (7)(d).
 - (b) In addition to the Council-modified TRC, Avista Corporation must provide calculations of the Program Administrator Cost test (also called the Utility Cost test), Ratepayer Impact Measure test, and Participant Cost test described in the National Action Plan for Energy Efficiency’s study “Understanding Cost-effectiveness of Energy Efficiency Programs.” As of the date of this Order, the study is available on the Web site of the United States Environmental Protection Agency at <http://www.epa.gov/cleanenergy/documents/suca/cost-effectiveness.pdf>.
 - (c) Overall conservation cost-effectiveness must be evaluated at the portfolio level. Costs included in the portfolio level analysis include conservation-related administrative costs. Avista Corporation must continue to evaluate measure and program level cost tests.
- 33 **(11) Recovery Through an Electric Tariff Rider**
- (a) Annual Filing — Avista’s annual tariff rider filing, required under Paragraphs (8)(a) and (d), will recover the future year’s budgeted expenses and any significant variances between budgeted and actual income and expenditures during the previous period.
 - (b) Scope of Expenditures — Funds collected through the rider must be used on approved conservation programs and their administrative costs.
 - (c) Recovery for Each Customer Class — Rate spread and rate design must match Avista’s underlying base volumetric rates.

DATED at Olympia, Washington, and effective February 10, 2012.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PHILIP B. JONES, Commissioner