

**BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION  
COMMISSION**

	)	
	)	DOCKET NO. UE-152076
	)	
In the Matter of Avista’s 2016-2025 Ten-year	)	2016-2025 TEN-YEAR
Achievable Conservation Potential and	)	ACHIEVABLE CONSERVATION
Biennial Conservation Plan in Compliance	)	POTENTIAL AND 2016-2017
with RCW 19.285 and WAC 480-109-120 (1)	)	BIENNIAL CONSERVATION
	)	TARGET OF AVISTA
_____	)	CORPORATION - REVISED

In compliance with WAC 480-109-120(1), Avista Corporation (hereinafter Avista or Company), respectfully submits this Ten-Year Achievable Conservation Potential and 2016-2017 Biennial Conservation Target (Biennial Conservation Plan or BCP) in the above-captioned matter. The term “conservation” will be used interchangeably with energy efficiency and Demand-Side Management (DSM) throughout this plan.

**I. EXECUTIVE SUMMARY**

This 2016-2017 Biennial Conservation Plan is responsive to the energy efficiency requirements of WAC 480-109-120. In this BCP, Avista states its targets and describes how these were developed consistent with RCW 19.285 and WAC 480-109-120. This filing includes the Company's 2016 DSM Business Plan, provided as Appendix B, which is designed to achieve these targets and how savings will be defined and presented. Reporting standards and stakeholder involvement are also described.

Avista has chosen to use its 2015 Electric Integrated Resource Plan (IRP) centered on its recently completed Conservation Potential Assessment (CPA), as the basis for its 2016-2017 biennial acquisition target.<sup>1</sup> The pro rata share of Avista’s 10 year conservation potential is

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<sup>1</sup> For the Company’s 2015 Electric IRP and accompanying appendices, refer to the following link. [www.avistautilities.com/inside/resources/irp/electric/Pages/default.aspx](http://www.avistautilities.com/inside/resources/irp/electric/Pages/default.aspx)

78,200 MWh and the Company intends to acquire at least that level of qualifying energy efficiency during the 2016-2017 biennium. In addition, Avista will remove the expected share of the Northwest Energy Efficiency Alliance (NEEA) savings, adjust the potential savings to updated, residential behavioral program, RTF and 7<sup>th</sup> Power Plan figures and will increase the target subject to penalty by 5% as part of a previous settlement. Over a ten-year horizon, 2016 through 2025, the Company is anticipating the acquisition of 391,000 MWh.

**Table No. 1: Avista’s BCP Target Summary**

Category	Target (MWh)
Pro Rata Share of 10 year conservation potential	78,200
NEEA 2-year Forecasted Savings Acquisition	(6,220)
Savings Potential Adjustments (See Appendix F)	(270)
End-Use Electric Efficiency Target	71,710
Distribution and Street Light efficiency	2,082
Generation efficiency	151
Portion of BCP Target Subject to penalty	73,943
Decoupling Commitment	3,697
Total Local Biennium Target	77,640
NEEA 2-year Forecasted Savings Acquisition	6,220
Total BCP Target with Regional Savings	83,860

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Key Supporting Documents by Reference:  
Avista 2015 Electric Integrated Resource Plan and Conservation Potential Assessment  
Avista EM&V Framework  
Avista Technical Reference Manual

**II. BACKGROUND**

RCW 19.285, Energy Independence Act, also known as Initiative Measure No. 937 or I-937, mandates, among other requirements, that utility companies obtain fifteen percent of their electricity from new renewable resources such as solar, wind, and qualifying biomass by 2020 and to undertake all cost-effective energy conservation. In 2007 the Commission adopted WAC 480- 109, Acquisition of Minimum Quantities of Conservation and Renewable Energy to effectuate RCW 19.285. (References to I-937 and WAC 480-109 are used interchangeably in this plan).

This process, and the 2016-2017 BCP are consistent with prior Commission Orders, specifically the Commission's approval with conditions of Avista's previous BCP in Docket Nos. UE-100176, UE-111882 and UE-132045.

For the 2010-2011 Biennium, the Company chose to use the Northwest Power and Conservation Council's (Council) Option #1 of the 6<sup>th</sup> Power Plan to establish its acquisition target. Avista based its targets for the 2012-2013 and 2014-2015 periods on its Integrated Resource Plan (IRP), informed by a CPA performed by a consultant, Global Energy Partners, who then became EnerNOC and is now Applied Energy Group (AEG). Avista retained AEG to conduct a CPA study for its current IRP, filed August 30, 2015.

### **III. THE END-USE EFFICIENCY PLAN**

#### **1. Overview of 2016-2017 Biennial Conservation Plan**

This filing describes the efforts of Avista, in consultation with interested external stakeholders, to estimate a ten-year achievable conservation potential, identify a biennial acquisition target, identifying measures qualifying to be counted towards the acquisition target, determining how claimed acquisition will be measured, and establish an understanding in regards to related procedural issues.

Avista has chosen to use its 2015 Electric IRP centered on its recently completed CPA, as the basis for its 2016-2017 biennial acquisition target<sup>2</sup>. Avista intends to acquire 78,200 MWh of qualifying energy efficiency, which is the pro rata share of the ten-year conservation

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<sup>2</sup> WAC 480-109-100(2)(b) This projection must be derived from the utility's most recent IRP, including any information learned in its subsequent resource acquisition process, or the utility must document the reasons for any differences. When developing this projection, utilities must use methodologies that are consistent with those used in the Northwest Conservation and Electric Power Plan.

potential<sup>3</sup>, during the 2016-2017 biennium in order to fulfill the I-937 requirements. Over a ten-year horizon (2016 through 2025), the Company's CPA is anticipating the acquisition of 391,000 MWh. While the pro rata share of the ten year achievable potential is defined as 20%, the result is a savings target of approximately 56% greater than the conservation defined as achievable in both the CPA and the Company's IRP (78.2 GWh vs. 50 GWh) for the 2016-2017 biennium. The primary reasons for the difference between the two-year IRP/CPA potential and the pro rata share of the 10 year potential is:

- The relatively large increase in avoided costs starting in 2020 when Avista requires additional capacity; and
- An assumed large increase in the efficacy of non-residential LEDs built into the CPA starting in 2020.

A summary of the estimated acquisition, as well as budgets, are located in Appendix A. In addition, descriptions of eligible measures and evaluation requirements are described within the Company's 2016 DSM Business Plan, Appendix B and an outline of adjustments to reflect updated information from residential behavior program, the RTF and draft 7<sup>th</sup> Power Plan which can be found in Appendix F.

The Company's energy efficiency expectations over this time period are founded upon the pursuit of achieving all cost-effective energy efficiency and operating within the prevailing market and economic conditions. Though advancements in energy efficient technologies continue to occur, and the ability of utilities to apply innovative approaches to program implementation have accelerated, the influence of lower avoided costs and marketability of efficiency technologies have impacted our projections.

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<sup>3</sup> WAC 480-109-100(3)(b) The biennial conservation target must be no lower than a pro rata share of the utility's ten-year conservation potential.

The Northwest Power and Conservation Council's 6<sup>th</sup> Power Plan Utility Calculator, last updated in 2012, anticipated approximately 203,864 MWh of acquisition within Avista's Washington service territory during 2016-2017 and approximately 1,054,840 MWh over the ten year (2016-2025 inclusive) timeframe.<sup>4</sup>

The primary drivers between the difference of the recently completed CPA and the 6th Power Plan are a higher baseline built into the CPA, natural gas space and water heat penetration, and the difference in avoided costs.

## 2. Conservation Potential and Conservation Targets

As stated above, for the 2016-2017 biennium, Avista has chosen to use its 2015 electric IRP which was based on the Company's recently completed electric CPA prepared by AEG. The CPA is a 20-year potential study for energy efficiency and an estimate of potential by end-use, specific to Avista's circumstances and service territory, used to inform the Company's 2015 IRP in accordance with Washington I-9375. While a CPA, by definition, only includes end use energy efficiency, I-937 and the Council's 6th Power Plan includes distribution and thermal efficiencies. Although no acquirable potential relative to thermal efficiency was identified within Avista's IRP, the Company will continue to pursue cost-effective opportunities in this area and will claim any acquisition towards its target. Sections III and IV describe Avista's distribution and generation efficiencies activity.

The CPA and IRP both include electric to natural gas conversions as an efficient technology and while the Company intends to continue to pursue this technology as an efficient use of resources, estimated savings attributable to electric to natural gas conversions

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<sup>4</sup> These acquisition levels have been adjusted and distribution efficiency has been removed in order to compare with Avista's CPA which includes energy efficiency only.

<sup>5</sup> While demand response was included in the potential study for use in the Company's IRP, it is outside of the scope of I-937 and will be excluded from targets and acquisition.

have been excluded from the Company's target in order to provide consistency with the Council's methodology.

Both the CPA and the IRP were prepared consistent with the Council's methodology. The energy efficiency potential resulting from the CPA considers a baseline forecast without the impacts of naturally occurring conservation, impacts of known codes and standards as of 2014, technology developments and innovations, as well as likely changes to the economy and energy prices.

Within the CPA, energy efficiency measures applicable to and within Avista's service territory were identified and analyzed both for lost opportunity and retrofit. Since it includes all energy efficiency regardless of how it is delivered, it inherently includes regional savings that will be acquired through NEEA<sup>6</sup>.

Subsequent to the last biennium, the Washington Utilities and Transportation Commission (UTC) required Avista, in collaboration with PacifiCorp and Puget Sound Energy, to develop a consistent approach to claiming conservation savings associated with NEEA and to provide a joint proposal of a consistent approach to the Commission<sup>7</sup>. The proposed methodology was to remove NEEA's estimated portion from the CPA-identified target<sup>8</sup>. While some of NEEA's acquisition is outside of what is identified through a traditional CPA, the NEEA savings identified through the CPA reduced Avista's local DSM target. Based on this analysis, Avista's original target of 78,200 MWh would be reduced by the

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<sup>6</sup> NEEA's net market effects include natural adoption (if NEEA and Avista have a program operating in the market) that occurs within Avista's service territory and will be counted towards the Company's target. NEEA will report code changes, savings estimates and attribution linkages which Avista will use to report savings.

<sup>7</sup> Joint proposal for a consistent approach to NEEA claimed conservation savings for the 2014-2015 Biennial Conservation Plan Compliance with Order No. 03 in UTC Docket No. UE-100176.

<sup>8</sup> This supports utilities being held responsible for what they can control and eliminates planning risk for the utilities in a consistent methodology between Washington IOUs.

NEEA 2016-2017 acquisition of approximately 6,220 MWh and 270 MWh to account for updated residential behavior program, RTF and 7<sup>th</sup> Power Plan figures, leaving approximately 71,710 MWh as the local DSM target subject to penalty.

In an effort to maintain consistency with the Council's 6<sup>th</sup> Power Plan, savings estimates referencing an adjusted market baseline or equivalent were used to develop targets and will be used to claim savings resulting from program operations during this biennium.

Avista will look first to the Regional Technical Forum (RTF) for unit energy savings (UES) for claimed savings and then to the Company's Technical Reference Manual (TRM) or other sources. It should be noted, that while the Council's 6<sup>th</sup> Power Plan includes UES values at the busbar, the UES list, shown in Appendix D, are at the site<sup>9</sup>.

There is no restriction on measure or equipment eligibility or re-adoption based upon measure life. Programs delivering quantifiable savings based upon energy saving behaviors are eligible<sup>10</sup>. The UES list is "locked" until the annual update of Avista's TRM for existing measures and program acquisition. The UES list is provided in Appendix D.

Site specific program acquisition will be based on verified savings estimates resulting from an independent third-party evaluation. In situations where a new measure or equipment is implemented, UES may be obtained from the RTF, the CPA, or from other sources based on the best science available until impact evaluation can be done to provide better estimates.

Energy efficiency measures and equipment analyzed within the CPA were evaluated using the Council's cost-effectiveness methodology, which employs the California Standard

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<sup>9</sup> The Council uses a transmission and distribution (T&D) factor of approximately 10%. Avista's UES are savings estimates at the site. This accounts for some of the difference between the Company's targets developed through the CPA and the Council's calculator targets.

<sup>10</sup> The Company will leverage existing protocols when evaluating and/or implementing a behavioral program and will incorporate such protocols within future targets to provide for symmetry between target setting and acquisition claims.

Practice Manual with some exceptions, such as the inclusion of non-energy benefits and the use of gross acquisition. The avoided costs used to evaluate measures and equipment includes components for energy, carbon, capacity, risk, transmission and distribution losses, as well as the Council's 10% preference adder.

Table No. 2, below, illustrates the electric efficiency target and a comparison with its target from the Council's 6<sup>th</sup> Power Plan Calculator for Washington.

**Table No. 2: Washington Biennium Target (MWh)**

	2016	2017	Biennium Total	2016-2025
6 <sup>th</sup> Power Plan Calculator Target <sup>11</sup>	98,843	105,020	203,863	1,054,840
Busbar to Site Adjustment <sup>12</sup>	88,959	94,518	183,477	949,356
Less: Distribution Efficiency <sup>13</sup>	(9,312)	(9,729)	(19,041)	(94,437)
6 <sup>th</sup> Power Plan Target (EE only)	79,647	84,789	164,436	854,919
CPA Achievable Potential consistent with 6 <sup>th</sup> Power Plan Methodology	23,000	27,000	50,000	391,000
Prorata Share of 10 Year Potential	39,100	39,100	78,200	391,000
CPA % of 6 <sup>th</sup> Power Plan target	28.9%	31.8%	30.4%	45.7%
Prorata % of 6 <sup>th</sup> Power Plan target	49.1%	46.1%	47.5%	45.7%

### 3. Energy Efficiency Portfolio - Program Summary Table

The Company offers a wide range of electric and natural gas efficiency programs to our customers as well as supporting outreach, infrastructure and educational programs. These programs are comprehensively reviewed on an annual basis as part of the business planning process. The business planning process establishes an operational plan for achieving all cost-effective conservation through available or contemplated tools. Generally, optimization is

<sup>11</sup> Refer to the 6<sup>th</sup> Power Plan Target Calculator download at the following link  
<http://www.nwcouncil.org/energy/power.plan/6/assessmentmethodology/>

<sup>12</sup> Net of transmission and distribution losses in order to provide consistency between numbers presented.

<sup>13</sup> In order to provide consistency, distribution efficiency needs to be removed from the 6<sup>th</sup> Power Plan target to be consistent with targets identified within the CPA.

possible within this detailed planning process, which projects higher acquisition relative to the more general analysis performed within the IRP and the CPA.

The business planning process establishes measurable metrics for the continuous management of the DSM portfolio to include budgets, labor and physical equipment requirements and general infrastructure needs. Short and long-term threats and opportunities are assessed, and these analyses lead to updated strategic plans, all of which are incorporated into the business plan.

Avista's 2016 DSM Business Plan contains the results of these efforts and are incorporated into this filing by reference and attached in Appendix B. The DSM Business Plan provides a bottom -up approach of how program implementation intends to drive participation and acquire savings to be counted toward the Company's target through existing programs, ramping of existing programs and the development of new programs. As requested by the DSM Advisory Group, Avista is also providing a 2-Year Planning Summary in Appendix A of this BCP.

#### 4. Stakeholder Engagement

Avista has had an ongoing active stakeholder involvement focus since 1992. Extensive stakeholder involvement opportunities have been provided for the development of this BCP and associated issues through multiple processes, including Avista's IRP Technical Advisory Committee and Avista's DSM Advisory Group.

Avista's DSM Advisory Group consists of interested regulatory, consumer and energy industry parties<sup>14</sup>. In 2014 and through October 2015, the Advisory Group has met (either in-

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<sup>14</sup> The Advisory Group is Avista's non-binding oversight and advisory group for energy efficiency. The Advisory group is currently composed of the UTC staff, the IPUC Staff, OPUC Staff, the Washington Office of Public Counsel, Northwest Energy Coalition, SNAP, The Energy Project, Northwest Energy Efficiency Alliance,

person or by webinar) ten times. Avista has seen a decline in the engagement and attendance of the Advisory Group in the past biennium and the Company did hold a brainstorm session at the September 2015 Advisory Group meeting about recruitment of new members and ways to increase engagement. Avista has also reached out to our fellow Washington IOUs and has seen increased attendance from them, and in turn, participated in their Advisory Group meetings.

Avista commits to hosting at least four Advisory Group meetings (either in-person or by webinar) in each of 2016 and 2017. During these meetings, or through other communications, the Advisory Group will be updated on, and have opportunity to review:

- (a) Conservation programs and measures.
- (b) Updates to the utility's evaluation, measurement, and verification framework.
- (c) Modification of existing, or development of new evaluation, measurement, and verification methods.
- (d) Independent third-party evaluation of portfolio-level biennial conservation achievement.
- (e) Development of conservation potential assessments, as required by RCW 19.285.040 (1)(a) and WAC 480-109-100(2).
- (f) The methodology, inputs, and calculations for cost-effectiveness.
- (g) The data sources and values used to develop and update supply curves.
- (h) The need for tariff modifications or mid-biennium program corrections.
- (i) The appropriate level of and planning for:
  - (i) Marketing conservation programs;
  - (ii) Incentives to customers for measures and services; and
  - (iii) Impact, market, and process evaluations.
- (j) Programs for low-income residential customers.
- (k) Establishment of the biennial conservation target and program achievement results compared to the target.
- (l) Conservation program budgets and actual expenditures compared to budgets.
- (m) Development and implementation of new and pilot programs.

In addition to meetings, the status of target achievement and associated updates will be provided to interested parties in several ways over the compliance period. The Advisory Group has input into the Company's development of the DSM Business Plan. This process guides the business operations for the following year and is distributed to the Advisory Group at least thirty

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Northwest Power and Conservation Council, Northwest Energy Efficiency Council, Idaho Conservation League, Putnam Price and the Opportunity Council.

days prior to filing, for input regarding programs, outreach, measurement and evaluation, labor, and other necessary administration to achieve the conservation target.

The Company provides periodic newsletters with planning, programmatic, and statistical updates, tariff rider balances, updates on acquisition and an annual DSM report on final results for the year.

#### 5. Program Descriptions

Avista has offered electric-efficiency programs continuously since 1978. The Company's current portfolio of efficiency programs is broadly applicable across all customer segments. The overall portfolio contains individual market segments for nonresidential, general residential and low-income residential customers. Each portfolio applies a segment and project-specific strategy to deliver opportunities for cost-effective energy efficiency to that customer population. Efficiency programs are offered either through standard offer (also termed "prescriptive") as well as through a site-specific program for non-residential measures not otherwise available in a prescriptive program.

Detailed descriptions of the individual local programs are contained within the 2016 DSM Business Plan. These programs are categorized into nonresidential prescriptive, nonresidential site-specific, residential prescriptive, residential lighting (includes mail geographic saturation and manufacturer buy-downs), partner programs, and low-income. These programs, and the Company's strategy for success within each market segment, are discussed in greater detail within the 2016 DSM Business Plan.

The Company proposes to retain the option to develop and revise programs as necessary over the course of the 2016-2017 biennium. This on-going portfolio management may include

the launching or termination of program offerings or eligible measures without the adjustment of the biennial acquisition target. In addition to the predominately incentive-based efficiency measures offered through Avista programs, the Company is also a funder and an active participant in the achievement of energy efficiency through regional market transformation. This activity occurs through the Northwest Energy Efficiency Alliance portfolio of market transformation ventures, achieving resource acquisition from throughout the region. Avista and other utility partners are in the continuous process of developing sound methodologies for the attribution of the energy savings from these programs to individual utilities and jurisdictions in a manner that is additive to local utility programs.

Avista will report NEEA savings; however will not include the projected savings as part of the penalizable target. This recognizes the import of NEEA savings, but holds Avista accountable for local programs or those under control of the local utility.

The Company has not included efficiency achieved through fuel switching (electric to natural gas space and water conversions) within the scope of this BCP target since such acquisition is explicitly outside of the scope of the statute. Avista does nevertheless intend to continue to pursue cost-effective fuel switching efficiency, although the expected savings acquisition from these programs is not included in the BCP target, nor will the actual acquisitions from these programs be considered eligible for contributing to the achievement of the BCP target.

#### 6. Reporting and Tracking Systems

During the last biennium, Avista provided a quarterly report to the Commission which covered targets, energy savings, budgets, actual expenses, revenue, and tariff rider balances. A

similar report was produced monthly for Avista's Advisory Group. The same report will continue to be produced monthly in the 2016-2017 biennium for Avista's Advisory Group. Various internal reports are produced for Avista's program managers and other staff. The reports differ in content depending on the needs of those requiring the information. The reports cover energy savings acquisition, costs, details of rebates, location, customer, and other information as needed. These reporting and tracking systems are evolving to meet the needs of those involved in managing the programs, measures, and energy efficiency activities as well as those involved in advisory groups and external regulatory groups.

Avista currently has two main tracking systems for energy efficiency projects. Oracle's Customer Care and Billing (CC&B) software was selected and was rolled out in early 2015 replacing Avista's legacy customer information system. Most residential prescriptive programs are tracked in CC&B. SalesLogix is used for tracking nonresidential (commercial, industrial, nonprofit, multi-family developments and government) projects and contains project, rebate, and customer information. The reason for a separate nonresidential tracking system is due to the complexity of the projects and the significant details and project information that are necessary to track the nonresidential projects from start to finish. In addition, a corporate financial system is used for tracking finances and expenditures across all areas of Avista.

Avista will provide the following reports:

- 2016 DSM Business Plan, containing program details and an annual budget, will be filed on or before November 1, 2015.
- A 2016 Annual Report on Conservation Acquisition on evaluated results, including an evaluation of cost effectiveness and comparing budgets to actual, will be filed on or before June 1, 2017.
- Any revisions to the cost recovery tariff will be filed on or before June 1, 2016, with a requested effective date of October 1, 2016.
- A Biennial Conservation Plan including revised program details and program tariffs,

together with identification of 2016-2025 achievable conservation potential will be filed on or before November 1, 2015, requesting an effective date of January 1, 2016.

- A 2016-2017 Two- Year Report on Conservation Acquisition Achievement on evaluated results will be filed by June 1, 2018.

7. Adaptive Management and Implementation Strategies

Despite the best efforts of all of those involved in planning for the achievement of the Company's acquisition and cost-effectiveness targets, there will be the frequent need for revisions and mid-course corrections during the biennium.

The Company's 2016 DSM Business Plan outlines a strategy for the upcoming calendar year. Additionally, the Company has committed to notifying the Commission of unplanned changes in incentives or program eligibility that occur during the year. The same business planning process will be carried out to plan for 2017 activities, to be filed on or before November 15, 2016.

The Company will continue to evaluate potential efficiency measures throughout the biennium. Measures that have the potential for delivering cost-effective savings will be considered for incorporation into the DSM portfolio. The quantifiable acquisition from all eligible measures, whether they are included in the current portfolio or not, will count towards the achievement of the portion of the BCP target subject to penalty.

If the Company's tracking and management of efficiency acquisition indicates that it is likely that the portfolio will fail to achieve an acquisition equal to the BCP target stated in this filing, the Company will immediately notify the Commission. This notification will include an estimate of the shortfall, the causes of the deficiency and the steps taken or being contemplated by Avista to address the issue.

It is fully recognized that the Company bears the responsibility for achieving the acquisition targets established within this BCP, and that the Company will need to make revisions, from time to time, to the portfolio within the boundaries of the current or future tariff language to meet these obligations.

#### **IV. UTILITY EVALUATION, MEASUREMENT AND VERIFICATION**

Evaluation, Measurement and Verification (EM&V) is intended to represent the comprehensive analyses and assessments necessary to supply salient information to stakeholders that adequately determines the energy efficiency acquisition of Avista's DSM programs as well as provide real-time information for program management. EM&V, as described below and taken as a whole, are analogous with other industry standard terms such as Portfolio Evaluation or Program Evaluation.

Avista is committed to using independent third-party EM&V consultants and evaluators for the various analyses required to substantiate the I-937 portfolio over the biennium. The role of EM&V for validation of the conservation acquisition is critical to the reporting phase of the BCP, and the processes and protocols for conservation evaluation will continue to be refined. The existing EM&V documents, including the EM&V Framework, annual EM&V plans and individual program EM&V guidelines, will be reviewed and updated as necessary to improve their benefit to the DSM programs and Avista's customers. Furthermore, Avista's TRM has been evaluated by an independent, third-party evaluator and savings estimates are updated annually based on on-going impact evaluation findings and other appropriate sources.

The RTF, as an advisory committee to the Northwest Power and Conservation Council, is a valued source of information relating to the measurement of energy savings, but is not the

only source of information. The RTF provides UES references suitable for consideration in Avista's acquisition planning relative to each biennium. In cases where Avista uses RTF UES values and delivers programs in a manner consistent with the RTF's defined delivery mechanism, the evaluation efforts are limited to verification of participation which would be applied to the associated UES. RTF assumptions may be updated with Avista specific assumptions (e.g. actual purchases versus forecasted purchases) to come up with an RTF-consistent UES more appropriate for Avista. Furthermore, since the RTF evaluation process incorporates a market adjusted baseline, applications of RTF UES values are not subject to net-to-gross adjustment. Avista may elect to evaluate, refer to, and use RTF or other sources of energy efficiency metrics with equal merit. Information from the RTF, the Sixth Power Plan, NEEA, and other data sources are used in Avista's TRM to compile, catalog, and track electrical energy efficiency measures. Key criteria available from the RTF include measure costs, savings, non-energy impacts, estimated useful lifetimes, and measure sunset thresholds. Program-specific savings amounts, whether established by the RTF or other means, are subject to rigorous and frequent impact evaluation that serves to verify or adjust appropriate energy savings levels.

Baselines for cost-effectiveness and the measurement of energy savings will be modified during the biennium to be consistent with code or standard revisions that become effective during the biennium. In the unlikely event that unanticipated revisions to codes and standards occur between the applicable BCP and IRP, Avista will claim energy saving credit relative to the baselines consistent with the effective date anticipated within the establishment of the 1-937 targets for any documented projects.

For performance contract projects that extend across annual or biannual periods, acquisition, cost-effectiveness and incentive expenditures will be based on the date of the final incentive payment associated with the project. The payment date will establish the effective date of the acquisition for all purposes of the BCP, including the prudence of the incentive.

The Company will apply, as the primary cost effectiveness test, the 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. The Council does not include a net-to-gross adjustment. In addition to the Council modified TRC, Avista will provide calculations of the Program Administrator Cost test (also called the Utility Cost test), Ratepayer Impact Measure test, and Participant Cost test. Overall conservation cost-effectiveness will be evaluated at the portfolio level, electric and natural gas combined. Costs included in the portfolio level analysis include conservation-related administrative costs. Avista will continue to evaluate measure and program level cost tests. Avista will seek the best information available for accurate and applicable savings for electricity measures and will look first to the Council's Regional Technical Forum (RTF). If Avista utilizes savings amounts for prescriptive programs that have not been established by the RTF, such estimates will be based on a rigorous impact evaluation that has verified savings levels or be performed by a third-party evaluator, and be presented to the Advisory Group for comment.

Avista will provide opportunities for its DSM Advisory Group to review the evaluation, measurement and verification protocols.

For the 2016-2017 biennium, Avista will spend a sufficient amount of its conservation budget on evaluation, measurement, and verification, including a reasonable proportion on independent, third -party EM&V.

## **V. COMPLIANCE AND OTHER KEY ISSUES**

In this document, Avista has stated its targets and described how these targets have been developed consistent with RCW 19.285 and WAC 480-109. Avista has described in Appendix B the programs that are designed to achieve these targets and how these savings will be defined and presented. The acquisition target is an aggregate target that can be met through any eligible measure as described in Section 5. Reporting standards and stakeholder involvement have been shown.

Avista has the full responsibility to manage the DSM portfolio so as to meet the targets included herein. Avista will inform the Commission in a timely manner if there is an expectation that the I-937 target will not be achieved.

As stated above, cost-effectiveness and other prudence-related issues related to cost recovery would be based on the June 1, 2018 verified savings report. Avista will file supporting evidence to demonstrate the prudence of its electric DSM expenditures for 2016 and 2017.

## **VI. DISTRIBUTION EFFICIENCY**

Grid Modernization technology has been designed to improve the power grid's reliability and performance by optimizing the push and pull from supply and demand. Ultimately, these projects will move the region and nation closer to establishing a more efficient and effective electricity infrastructure that's expected to help contain costs, reduce emissions, incorporate more wind power and other types of renewable energy, increase power grid reliability, and provide greater flexibility for consumers.

Targets for distribution energy efficiency capture first year energy savings consistent with the end-use energy efficiency protocols. Based on first year energy savings, the Company is expecting approximately 175 MWh from the 2016-2017 biennium.

Avista manages street light fixtures for many local and state governments. As an element of its 2013 Street Light Asset Management Plan, Avista's Asset Management group is replacing approximately 21,640 high pressure sodium fixtures of which 15,148 are in Washington with comparable LED fixtures, commencing in 2015 and expected to complete in 2019.

In addition to the expected maintenance and operations savings, this lighting conversion project will result in approximately 4,772 MWh savings (at 75W per fixture) of end-use energy efficiency in Washington. These fixtures are classified under rate schedules that were not included in the scope of the CPA. Energy efficiency obtained from this upgrade effort is incorporated into the target as part of the Company's distribution efficiency. The 2016-2017 first year savings potential is estimated at 1,909 MWh.

The projects related to the 2014-2015 biennium have been mostly completed. Avista will capture the first year energy savings entirely in the year when the assets were placed in service.

The Company's 2015 Electric Integrated Resource Plan, Chapter 5, identifies additional distribution savings to occur in Washington and Idaho in the 2016-2017 period. Table 4 below shows many distribution efficiency projects have already completed in previous bienniums, however, the Company is expecting one Washington Feeder Upgrade in 2016-2017.

**Table No. 4: Planned and Historic Feeder Upgrade**

<b>Feeder</b>	<b>Area</b>	<b>Year Complete</b>	<b>Annual Energy Savings (MWh)</b>
9CE12F4	Spokane, WA (9 <sup>th</sup> & Central)	2009	601
BEA12F1	Spokane, WA (Beacon)	2012	972
F&C12F2	Spokane, WA (Francis & Cedar)	2012	570
BEA12F5	Spokane, WA (Beacon)	2013	885
WIL12F2	Wilbur,	2013	1,403
CDA121	Coeur d'Alene, ID	2013	438
OTH502	Othello, WA	2014	21
RAT231	Rathdrum, ID	2014	0
M23621	Moscow,	2015	413
WIL12F2	Wilbur,	2015	1,403
WAK12F2	Spokane, WA (Waikiki)	2016	175
RAT233	Rathdrum, ID	2019	471
SPI12F1	Northport, WA (Spirit)	2019	127
<b>Total</b>			<b>7,479</b>

## VII. GENERATION EFFICIENCIES

Avista periodically audits its facilities for energy efficiency improvements. This includes its approximately fifteen generating facilities. Unlike its Main Office Building, which is completing a major LEEDS-certified renovation, most generating facilities draw power from its adjacent power plant and are not metered as a typical "Avista customer." This is known as a "parasitic load." For the 2016-2017 biennium, Avista expects to install lighting improvements at its Little Falls, Long Lake and Nine Mile hydroelectric facilities located in Washington with targeted savings of 151 MWh of estimated electric savings that will be counted towards the target.

As a non-metered service (not contributing to Schedule 91), Avista intends to capture the costs associated with these projects through its normal rate-making process.

## VIII. CONCLUSION

The following Table No 5 summarizes the expected target acquisition from the electric-efficiency portion of the Company's DSM portfolio, distribution efficiency measures, and efficiency measures reducing power plant load within generating facilities.

The Company's proposed energy efficiency acquisition for the 2016-2017 biennium is based upon a CPA completed by a third-party consultant applying a methodology consistent with the Council's 6th Power Plan.

Expectations regarding distribution efficiency are based upon estimates of the annual acquisition from projects anticipated to be completed within the biennium. The potential for the acquisition of electric-efficiency within generating stations is based on measures similar to Avista's site-specific or custom programs.

**Table No. 5: BCP Target Summary**

Category	Target (MWh)
Pro Rata Share of 10 year conservation potential	78,200
NEEA 2-year Forecasted Savings Acquisition	(6,220)
Savings Potential Adjustments (See Appendix F)	(270)
End-Use Electric Efficiency Target	71,710
Distribution and Street Light efficiency	2,082
Generation efficiency	151
Portion of BCP Target Subject to penalty	73,943
Decoupling Commitment	3,697
Total Local Biennium Target	77,640
NEEA 2-year Forecasted Savings Acquisition	6,220
Total BCP Target with Regional Savings	83,860

Avista's energy efficiency programs are funded through Schedules 91 (electric) and 191 (natural gas), or "tariff riders." For the 2016-2017 compliance period, proposed "true-up" changes to Schedule 91 will be filed on June 1, 2016 with a requested effective of August 1, 2016.

RESPECTFULLY SUBMITTED this 5<sup>th</sup> day of January 2016.

AVISTA CORPORATION



By: \_\_\_\_\_

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For ease of references, the acronyms used in this report are as follows:

**aMW** (Average Megawatt)

**BCP** (Biennial Conservation Plan)

**CPA** (Conservation Potential Assessment)

**CC&B** (Customer Care and Billing System)

**DSM** (Demand Side Management)

**EM&V** (Evaluation Measurement & Verification)

**I-937** (Initiative Measure No. 937)

**IRP** (Integrated Resource Plan)

**kW** (Kilowatt)

**kWh** (Kilowatt-Hour)

**MW** (Megawatt)

**MWh** (Megawatt-hour)

**NEEA** (The Northwest Energy Efficiency Alliance)

**NWPCC** (Northwest Power and Conservation Council or the Council)

**O&M** (Operations and Maintenance)

**RTF** (Regional Technical Forum)

**TAC** (Technical Advisory Committee)

**T&D** (Transmission and Distribution)

**TRC** (Total Resource Cost Test)

**TRM** (Technical Resource Manual)

**UCT** (Utility Cost Test)

**UES** (Unit Energy Savings)

**UTC** (Washington Utilities and Transportation Commission)

**VAR** (Volt-Ampere Reactive)