

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the matter of AVISTA CORPORATION Report Identifying Its 2014-2023 Ten-Year Achievable Electric Conservation Potential and Its 2014-2015 Electric Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010 DOCKET UE-132045 ORDER 01 ORDER APPROVING AVISTA CORPORATION'S 2014-2023 ACHIEVABLE CONSERVATION POTENTIAL AND 2014-2015 BIENNIAL CONSERVATION TARGET, SUBJECT TO CONDITIONS

BACKGROUND

1 Electric utilities with 25,000 or more customers are required, under the Energy Independence Act (EIA or Act), to set and meet energy conservation targets.1 In furtherance of its pursuit of all available, cost-effective, reliable, and feasible conservation, each electric utility must:

- (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,

1 RCW 19.285.040.

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.<sup>2</sup>

- 2 The Washington Utilities and Transportation Commission (Commission) promulgated rules implementing the EIA. These rules further require 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."<sup>3</sup> Upon conclusion of its review of the report, "the Commission will determine whether to approve, approve with conditions, or reject the utility's ten-year achievable conservation potential and biennial conservation target."<sup>4</sup>
- 3 On February 10, 2012, in Docket UE-111882, the Commission entered Order 01 approving Avista Corporation's (Avista or Company) 2012-2021 ten-year achievable conservation potential and 2012-2013 biennial conservation target, subject to conditions. One of these conditions required:

(8) Avista must file the following:

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- (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 an effective date of January 1, 2014. . . .<sup>5</sup>

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<sup>2</sup> RCW 19.285.040(1)(a) and (b).

<sup>3</sup> WAC 480-109-010(3).

<sup>4</sup> WAC 480-109-010(4)(c).

<sup>5</sup> *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 (February 10, 2012).* The quoted material is from condition (8)(e).

- 4 On November 1, 2013, Avista filed its Biennial Conservation Plan (BCP) identifying a 2014-2023 ten-year achievable conservation potential of 394,200 megawatt-hours (MWh) and a 2014-2015 biennial conservation target of 58,231 MWh.<sup>6</sup> The Company later corrected its ten-year conservation potential to account for an error in its calculation of the 2023 cumulative pumping savings.<sup>7</sup> The corrected ten-year potential is 404,736 MWh.
- 5 Table 1 below illustrates Avista's calculation of its biennial conservation target.

**Table 1. Avista's Proposed 2014-2015 Biennial Conservation Target**

<b>Savings Category</b>	<b>Savings (MWh)</b>
End-Use Efficiency Measures (CPA)	67,137
Less NEEA	(11,130)
End-Use Efficiency Measures Subtotal	56,007
Plus Distribution Efficiency	2,061
Plus Generation Efficiency	163
<b>2014-2015 Proposed Biennial Conservation Target</b>	<b>58,231</b>

As Table 1 shows, Avista has identified 67,137 MWh of 2014-2015 achievable conservation in its Conservation Potential Assessment (CPA). The Company adjusted this total by subtracting the 11,130 MWh of savings it expects to achieve through the Northwest Energy Efficiency Alliance (NEEA).<sup>8</sup> In addition, Avista adds the savings it expects to achieve from its generation and distribution efficiency opportunities. These modifications to the CPA total resulted in a proposed biennial conservation target of 58,231 MWh.

<sup>6</sup> As required by WAC 480-109-010(3)(b), Avista used its 2013 Integrated Resource Plan as the basis for its calculations.

<sup>7</sup> This error was acknowledged in the Company's response to informal Staff Data Request 01.

<sup>8</sup> The adjustment is consistent with the proposal agreed to in Docket UE-100176 by Avista, Puget Sound Energy, and PacifiCorp, d/b/a Pacific Power & Light Company. This is the projected NEEA savings identifiable to the CPA. See Staff Open Meeting Memorandum, December 18, 2013.

- 6 Avista has provided budget details for achieving the savings it identified in its biennial conservation target.<sup>9</sup> For the 2014-2015 biennium, Avista has budgeted \$21,537,000, which the Company projects will conserve approximately 61,887 MWh eligible to be applied toward the target.<sup>10</sup>
- 7 On November 6, 2013, the Commission issued a notice inviting stakeholders to comment on Avista's BCP, with the matter being heard at the Commission's December 18, 2013, recessed Open Meeting. During the comment period, the Commission received written comments from the Commission's regulatory staff (Staff) and the Public Counsel Section of the Washington State Attorney General's Office (Public Counsel).

#### COMMENTS

- 8 Staff filed comments addressing Avista's 2014-2015 BCP on December 3, 2013. Its main concern is that Avista's projected 2014-2015 biennial conservation target is too low because the first two years of Avista's CPA does not include any savings potential attributable to its Opower Home Energy Reports (HER) program.<sup>11</sup> The Company excluded these savings because it found the initial program design did not pass the cost-effectiveness screen.<sup>12</sup>
- 9 Staff believes that the lack of economic potential in the biennium is due to a difficulty in modeling behavioral programs within the CPA and recommends that the Commission include the projected HER savings of 6,900 MWh within Avista's biennial conservation target. In addition, at the December 18, 2013, recessed Open Meeting, Staff updated the biennial conservation target it is recommending. Specifically, Staff

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<sup>9</sup> Response to informal information request (December 9, 2013).

<sup>10</sup> The 61,887 MWh eligible to be applied toward the target includes 59,838 MWh of end-use efficiency and 2,049 MWh of distribution and generation efficiency.

<sup>11</sup> Opower Inc. is an Arlington, Virginia, software company offering energy efficiency programs to utility providers.

<sup>12</sup> The HER program is a residential behavioral program consisting of a detailed billing statement that shows how the customer's usage is trending over time and how it compares to other customers in the surrounding area. The goal of this program is to provide a social incentive for high-usage customers to become more efficient. Avista launched this program in June of 2013.

lowered Avista's target by 175 MWh due to the recent discovery of a discrepancy within the Company's biennial target. Staff stated that Avista had inadvertently included an Idaho feeder upgrade in its Washington target. With removal of the Idaho feeder upgrade, Staff recommended that the Commission approve the Company's revised biennial conservation target, including the additional 6,900 MWh of savings from the HER program, of 64,956 MWh as shown in Table 2, below. Avista agreed to this revision at the Open Meeting.

**Table 2. Development of Avista's 2014-2015 Biennial Conservation Target**

<b>Savings Category</b>	<b>Savings (MWh)</b>
End-Use Efficiency Measures (CPA)	67,137
Less NEEA	(11,130)
End-Use Efficiency Measures Subtotal	56,007
Plus Distribution Efficiency	2,061
Plus Generation Efficiency	163
<b>2014-2015 Proposed Biennial Conservation Target</b>	<b>58,231</b>
Plus HER Savings	6,900
Less Idaho Feeder Distribution Efficiency	(175)
<b>2014-2015 Biennial Conservation Target</b>	<b>64,956</b>

- 10 With Avista's business plan only projecting 61,887 MWh of eligible conservation savings, Staff initially proposed that the Commission require the Company to re-file its 2014 DSM Business Plan, demonstrating how the Company will meet or exceed the biennial target of 64,956 MWh, by January 31, 2014. Avista presented an alternative schedule at the Open Meeting that would allow the Company to submit its revised business plan to its Advisory Group by January 31, 2014, and re-file the plan with the Commission by April 30, 2013. Staff consented to this alternative schedule.

- 11 Staff also proposes a list of conditions that are similar to those the Commission imposed when it approved Avista's last BCP in Docket UE-111882.<sup>13</sup> These conditions reflect input received from both Public Counsel and Avista.
- 12 Public Counsel also filed comments with the Commission on December 3, 2013. Public Counsel identified two concerns with Avista's BCP. The first relates to Avista's request that unit energy savings (UES) values, which are used to measure and report conservation acquisitions, be fixed for the duration of the biennium. Public Counsel prefers utilities "make annual adjustments to savings estimates and report conservation achievement using those updated savings values."<sup>14</sup> As a compromise, however, Public Counsel "do[es] not object to the concept of fixed UES values for the 2014-2015 biennium, with the understanding that Avista will be providing updated information on this issue."<sup>15</sup> Avista originally filed a list of measures and UES values, in Appendix C to its BCP, which the Company suggests as fixed for the biennium.
- 13 Public Counsel, like Staff, notes the inconsistency with which Avista addresses the savings derived from its Opower HER program within the Company's 2014-2015 CPA. On the one hand, Avista does not include within its target any conservation values estimated from the HER residential behavioral measures since it asserts the behavioral measures were not cost effective.<sup>16</sup> On the other hand, Avista proposes to claim the savings associated with its residential behavioral measures to satisfy its target. In an effort to resolve this mismatch, Public Counsel proposes that Avista either: 1) continue to claim the Opower HER energy savings against its biennial target but also increase the target to reflect the program or 2) remove the HER program savings already claimed against its target and leave its biennial target as-is.

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<sup>13</sup> See Staff Memorandum to the Commission, Docket UE-132045, Item D02, Attachment A (December 18, 2013).

<sup>14</sup> Public Counsel's comments, ¶ 12 (December 3, 2013).

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*, ¶ 21 (citing to Avista Response to Staff Data Request No. 2 at 1 (December 1, 2013)).

- 14 Public Counsel also praised the effectiveness of the conditions adopted by the Commission in its approval of Avista's last biennial conservation target, stating that these conditions have "provided ... [a] comprehensive framework regarding operation of the utility's conservation programs and assessment of EIA compliance."<sup>17</sup>

### DISCUSSION AND DECISION

- 15 Under RCW 19.285.040(1)(e), the Commission has authority to "rely on its standard practice for review and approval of investor-owned utility conservation targets." WAC 480-109-010 guides investor-owned utilities' compliance with RCW 19.285.040(1). Specifically, WAC 480-109-010(4) (c) provides that:

Upon conclusion of the commission 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.

- 16 The Commission agrees with the stakeholders that the conditions set forth in Appendix A to this Order are appropriate and provide Avista with clear guidance on its responsibilities under the Act. The conditions proposed by Staff are similar to those imposed by the Commission in approving Avista's last conservation potential and target. Both Public Counsel and Staff praise the effectiveness of the prior conditions and stated that they have provided a valuable framework to evaluate the Company's compliance with the EIA.

- 17 Avista's ten-year conservation potential and biennial conservation target, including the 6,900 megawatt-hours derived from its Opower HER savings and removal of the Idaho feeder upgrade from the biennial target, are in the public interest, subject to these conditions. With the approved biennial conservation target, Avista will need to submit its revised 2014 DSM Business Plan to its Advisory Group by January 31, 2014, and file it with the Commission by April 30, 2014, demonstrating how the Company will meet or exceed the biennial target of 64,956 MWh.

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<sup>17</sup> *Id.*, ¶ 25.

18 The Commission approves Avista's 2014-2023 ten-year achievable conservation potential of 404,736 MWh and its revised 2014-2015 biennial conservation target of 64,956 MWh, subject to the conditions set forth in Appendix A to this Order and subject to the submission of its revised 2014 DSM Business Plan to its Advisory Group by January 31, 2014, and file it with the Commission by April 30, 2014, demonstrating that it has been developed to meet or exceed the biennial target of 64,956 MWh.

### FINDINGS AND CONCLUSIONS

- 19 (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.
- 20 (2) The Commission has authority to determine investor-owned utilities' compliance with RCW 19.285.040(1). 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. The Commission has adopted WAC 480-109-010 to implement RCW 19.285.040(1).
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- 21 (3) Avista Corporation 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(19).
- 22 (4) On November 1, 2013, Avista filed with the Commission its report, entitled 2014-2015 Biennial Conservation Plan, identifying its 2014-2023 ten-year achievable conservation potential and 2014-2015 biennial conservation target.
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- 23 (5) The Commission concludes that Avista has satisfied the Staff and public participation requirements of WAC 480-109-010(3) and Order 01 in Docket UE-111882 in developing its 2014-2023 ten-year conservation potential and 2014-2015 biennial conservation target.
- 24 (6) Avista's 2014-2023 ten-year achievable conservation potential is consistent with RCW 19.285.040(1) and WAC 480-109-010(1). Avista's 2014-2015 biennial conservation target, as revised to capture Opower Home Energy Report



conservation savings, is consistent with RCW 19.285.040(1) and WAC 480-109-010(2).

- 25 (7) Avista's 2014-2023 ten-year achievable conservation potential of 404,736 megawatt-hours, and Avista's revised 2014-2015 biennial conservation target of 64,956 megawatt-hours are appropriate, subject to the conditions attached to this Order in Appendix A.
- 26 (8) After reviewing Avista's Biennial Conservation Plan, 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 revised biennial conservation target, as authorized by RCW 19.285.040(1)(e) and WAC 480-109-010(4).
- 27 (9) Avista should be required to submit its 2014 DSM Business Plan to its Advisory Group by January 31, 2014, and file its revised business plan with the Commission by April 30, 2014, demonstrating how Avista plans to meet or exceed the revised biennial target of 64,956 MWh.

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**ORDER**

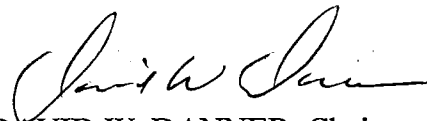
THE COMMISSION ORDERS:

- 28 (1) Avista Corporation's 2014-2023 ten-year achievable conservation potential of 404,736 megawatt-hours and its 2014-2015 biennial conservation target of 64,956 megawatt-hours are approved, subject to the conditions contained within Appendix A attached to this Order.
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- 29 (2) Avista shall submit its 2014 DSM Business Plan to its Advisory Group by January 31, 2014, and file its revised business plan with the Commission by April 30, 2014, demonstrating how Avista plans to meet or exceed the biennial target of 64,956 MWh .

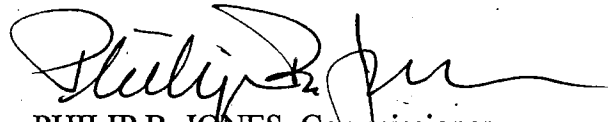
- 30 (3) The Commission retains jurisdiction over this matter for purposes of effectuating this order.

DATED at Olympia, Washington, and effective December 19, 2013.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



DAVID W. DANNER, Chairman



PHILIP B. JONES, Commissioner



JEFFREY D. GOLTZ, Commissioner

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