

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of	DOCKET UE-190912
AVISTA CORPORATION, d/b/a AVISTA UTILITIES	ORDER 01
2020-2029 Ten-Year Achievable Electric Conservation Potential and 2020-2021 Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010	ACCEPTING 2020-2029 TEN-YEAR ACHIEVABLE CONSERVATION POTENTIAL AND 2020-2021 BIENNIAL CONSERVATION TARGET, SUBJECT TO CONDITIONS

BACKGROUND

- 1 Under the Energy Independence Act (EIA or Act), electric utilities with 25,000 or more customers are required to set and meet energy conservation targets every two years.¹ The Washington Utilities and Transportation Commission (Commission) promulgated rules implementing the EIA, which further require that each utility must file a report with the Commission identifying its 10-year achievable conservation potential and its biennial conservation target every two years.²
- 2 On November 1, 2019, Avista Corporation (Avista or Company) filed its 2020-2021 Biennial Conservation Plan (BCP or Plan) identifying a 2020-2029 ten-year achievable

¹RCW 19.285.040(a) requires each electric utility to identify its 10-year achievable cost-effective conservation potential using methodologies consistent with those used by the Pacific Northwest Electric Power and Conservation Planning Council in its most recently published regional power plan. At least every two years, a utility must also review and update its assessment for the subsequent 10-year period. RCW 19.285.040(b) requires each qualifying utility to establish and make publicly available a biennial acquisition target for cost-effective conservation consistent with its identification of achievable opportunities in RCW 19.285.040(a) 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 two-year period.

² WAC 480-109-120.

conservation potential of 361,700 megawatt-hours (MWh) and a 2016-2017 biennial conservation target of 72,844 MWh. The Commission authorized the Company's use of its 2017 Integrated Resource Plan (IRP) in its BCP.³ In its BCP, the Company also used updated data from its Conservation Potential Assessment (CPA) analysis provided in its 2019 IRP progress report, filed with the Commission October 25, 2019, in Docket UE-180738.

3 Table 1, below, summarizes the derivation of Avista's biennial target.

Table 1: 2020-2021 EIA Targets and Goals

Category	MWh
Pro Rata Share of 10-year Conservation Potential	72,340
Distribution and Street Light Efficiency	504
EIA Target	72,844
Decoupling Penalty Threshold	3,642
Total Utility Conservation Goal	76,486
Excluded Programs (NEEA)	(12,896)
Utility Specific Conservation Goal	63,590
EIA Penalty Threshold	59,948
Business Plan	
Planned Utility Specific Savings	84,282
Planned Total Savings (includes NEEA)	97,178

4 Table 2, below, summarizes Avista's conservation budget and the suite of measures that the Company will use to achieve its target.

³ *In re Avista Corp. Waiver of WAC 480-100-238(4) and Order Authorizing Use of 2017 Integrated Resource Plan for 2020-2021 Biennial Conservation Plan Targets*, Docket UE-180738, Order 01 Order Granting Petition Subject to Condition ¶¶ 21-23 (February 15, 2019).

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

Program	2018-2019 Projected Savings (MWh)⁴	2018-2019 Budget	2020-2021 Projected Savings (MWh)	2020-2021 Budget
<i>Residential</i>	40,420	\$3,214,000	11,257	\$4,814,000
<i>Low-income</i>	1,400	\$2,066,000	883	\$1,713,000 ⁵
Residential Total	41,820	\$5,280,000	12,140	\$6,527,000
Non-Residential	41,960	\$6,943,000	72,142	\$11,609,000
Distribution	749	-	504	-
NEEA	9,986	\$2,800,000	12,896	\$2,716,000
Administration/Other	-	\$7,480,000	-	\$11,131,000
Total	95,797	\$22,504,000	97,682	\$31,482,000⁶

5 The Commission’s order accepting the Company’s previous BCP was conditioned on the utilities forming a joint advisory group to attempt to resolve disagreement among the Washington electric and gas investor-owned utilities, their respective advisory groups, and Commission staff (Staff) about the treatment of NEEA savings in conservation targets.⁷ The utilities subsequently formed the Statewide Advisory Group (SWAG). All stakeholder concerns regarding the treatment of NEEA savings under the EIA were resolved by SWAG, which achieved consensus on the meanings of certain savings terms: EIA Target, EIA Penalty Threshold, Decoupling Penalty Threshold, and Total Utility Conservation Goal. The agreed definitions are provided in Table 3, below.

⁴ Calculated by subtracting fuel conversions from Avista’s 2018-19 BCP, Appendix A, Docket UE-171091.

⁵ Avista’s low-income budget here is a projection. The spending is split between electric and gas based on how community action partners ultimately use these funds.

⁶ An additional \$3,500,000 of Community Energy Efficiency Program (CEEP) matching funds will support the portfolio, for a total of \$35,481,918.

⁷ *In re Avista Corp. Report Identifying Its 2018-2019 Electric Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-120*, Docket UE-171091, Order 01 Accepting Avista Corp.’s Calculation of its 2018-2019 Biennial Conservation Target; Imposing Conditions; Authorizing and Requiring Compliance Filing 8, 10, ¶¶ 29, 43 (Jan. 12, 2018).

Table 3: Definitions of Savings Terms Used in 2020-2021 BCPs

EIA target	All cost-effective conservation potential as required by RCW 19.285. Includes the CPA Pro-Rata Share plus other programs/measures with confident savings omitted from CPA subject to the EIA.
EIA Penalty Threshold	As approved by the Commission, which may rely on standard practice to set IOU conservation targets. Generally, the EIA target minus NEEA savings from “program measures” and “codes and standards” not included in the CPA.
Decoupling Penalty Threshold	Five percent of the EIA target.
Total Utility Conservation Goal	EIA target plus decoupling threshold and any additional savings identified outside of the EIA target.

- 6 On December 5, 2019, Staff filed comments in this Docket detailing its evaluation of the Company’s filing. Overall, Staff is satisfied with Avista’s 2020-2021 BCP and believes it demonstrates the Company’s strong commitment to pursue all reliable, cost-effective conservation. Staff believes the Company’s CPA conforms to the Northwest Power and Conservation Council’s methodology and accurately captures the rapidly evolving energy efficiency industry.
- 7 Staff recommends the Commission adopt the definitions of savings terms agreed to by SWAG, which recognizes that the EIA Penalty Threshold may diverge from the EIA Target. Staff also recommends the Commission affirm in this Order its standard practice of removing forecasted savings from previously undertaken market transformation activities when calculating the EIA Penalty Threshold.
- 8 Staff observes that Avista designed its BCP to implement conservation programs that achieve additional savings beyond its calculated utility goal in anticipation of impacts from the recently enacted Clean Energy Transformation ACT (CETA). CETA requires that all customers benefit from the transition to clean energy. Compliance with CETA may require Avista to acquire increased energy efficiency resources. In order to facilitate a more updated analysis of CETA’s impacts, Staff believes the Commission should require the Company to file an update to its 2020-2021 BCP by April 15, 2020, to incorporate, to the extent possible, an explanation of how the social cost of greenhouse gas emissions was included in evaluating conservation targets and why the chosen methodology is appropriate.

9 Staff also believes the Commission should impose additional conditions on its acceptance of Avista's target calculations for the purpose of continued compliance with established and newly passed legislation.⁸ These conditions arose from Staff's analysis of prudence related to conservation, which included consideration of the following elements: the proper establishment of conservation potential; whether programs are cost effective, reliable, and feasible; whether all reasonable measures were pursued; if appropriate public and stakeholder involvement was included in the process (advisory group review); and verification that programs were administered efficiently.

10 Ultimately, Staff recommends the Commission issue an order accepting Avista's 10-year electric conservation potential of 361,700 MWh; EIA Target of 72,844 MWh; EIA Penalty Threshold of 59,948 MWh; and Decoupling Threshold of 3,642 MWh, subject to the conditions set out in detail in Attachment A to Staff's memo. Conditions were created with input from the Company and SWAG. In summary, the conditions require the Company to:

- File a petition to modify or retain the biennial EIA Target, Penalty Threshold, Decoupling Penalty Threshold, and 10-Year Potential by April 15, 2020, incorporating the effects of CETA to the degree possible.
- Include savings data as measured at the customer meter in all planning and reporting.
- Retain responsibility for complying with RCW 19.285 and WAC 480-109.
- Continue to use its advisory group and Integrated Resource Planning advisory group, including notifying and consulting with the Groups in a variety of circumstances.
- Provide its proposed budget and energy savings.
- Maintain its conservation tariffs, with program details, on file with the Commission.
- Follow approved strategies for selecting and evaluating energy conservation savings.
- Follow program design principles.
- Use the Total Resource Cost Test.
- Develop pilot programs and follow research requirements.
- Demonstrate progress towards equitable distribution of nonenergy benefits.
- Use funds collected through the Electric Conservation Service Rider on approved conservation programs and their administrative costs.

⁸ RCW 19.285.040; RCW 19.405; WAC 480-109-120.

- Continue to review the feasibility of pursuing cost-effective conservation in the form of reduction in electric power consumption resulting from increases in the efficiency of energy use at electric power production facilities it owns in whole or in part.
- Avoid double-counting of efficiency savings achieved at electric power production facilities owned in whole or in part.

11 On December 5, 2019, NW Energy Coalition (NVEC) filed comments in this docket, offering general support for the Company’s filing, the update including the social cost of GHGs, and Staff’s proposed conditions. NVEC emphasizes that robust customer-side programs are necessary to comply with CETA’s intent. In particular, NVEC believes that the region will not be able to meet efficiency acquisition needs if underserved markets remain. NVEC requests that Avista consider reporting program accomplishments with more granularity in order to facilitate the Company’s and stakeholders’ assessments. In addition, NVEC encourages Staff to facilitate collaboration on much of the work needed for energy efficiency programs to implement CETA.

DISCUSSION AND DECISION

12 We agree with Staff’s recommendation and accept Avista’s BCP subject to certain conditions. We accept Avista’s calculation of its 10-year electric conservation potential of 361,700 MWh; EIA Target of 72,844 MWh; EIA Penalty Threshold of 59,948 MWh; and Decoupling Threshold of 3,642 MWh, subject to the conditions attached to and incorporated into this Order as Appendix A for the reasons explained below.

13 The Company, in collaboration with Staff and advisory groups, developed a BCP using methodologies consistent with the Northwest Power and Conservation Council’s most recent final Power Plan,⁹ which proposed appropriate program changes. The Plan also complies with the statutory requirement to “pursue all available conservation that is cost-effective, reliable, and feasible.”¹⁰ However, we recognize that CETA’s implementation has introduced uncertainties into the biennial conservation process that create exceptional and unique circumstances.

14 Although statutory changes related to energy planning and acquisition have become effective, Commission rules related to these issues, which will provide necessary guidance to utilities,

⁹ RCW 19.285.040(1)(a).

¹⁰ RCW 19.285.040(1).

have not yet been adopted. Because we authorized the Company to use its 2017 IRP guidance as the basis for its 2020-2021 BCP, the current plan is based on outdated information supplemented by 2019 IRP progress reports. To comply with the EIA, the Company agreed with Staff to update its targets once its 2019 IRP progress report is finalized. We agree that this is an appropriate solution to address the gap between newly-implemented legislation and rulemakings that are in progress but not yet complete, and thus adopt Staff's recommendation to include it among numerous conditions for approving Avista's 2020-2021 BCP.

- 15 CETA also significantly expands the requirements related to highly impacted communities and vulnerable populations, mandating that “all customers are benefiting from the transition to clean energy.”¹¹ The CETA rulemakings will provide more specificity around a utility's obligations to this subset of customers, and how those obligations interface with the utility's current conservation programs. Nevertheless, CETA is now in effect, and we expect that the Company will implement CETA's requirements to the best of its abilities, even in the absence of the guidance and clarity that finalized rules will provide.
- 16 As described above, CETA places a new emphasis on nonenergy impacts that requires utilities to ensure an equitable distribution of benefits. Coinciding, the EIA requires the inclusion of quantifiable environmental costs and benefits when calculating cost-effective conservation.¹² While the Company plans to implement and continue a number of pilot programs in 2020, we agree with Staff that the public interest requires imposing additional conditions related to non-energy impacts, distribution savings, coordination between utilities, and public involvement as a condition of accepting the Company's 2020-2021 BCP. These conditions are outlined in detail in Appendix A.
- 17 In January 2018, the Commission's Order accepting the Company's previous BCP was conditioned on the utilities forming a joint advisory group to resolve its disagreement about the treatment of NEEA savings in conservation targets.¹³ As discussed above, the Washington electric and gas investor-owned utilities and their respective advisory groups formed SWAG, which resolved the question of whether to include or exclude these

¹¹ RCW 19.405.040(8).

¹² See RCW 19.285.040(1). Cost-effectiveness is defined in RCW 80.52.030(7), and includes system costs and quantifiable environmental costs and benefits.

¹³ *In re Avista Corp. Report Identifying Its 2018-2019 Electric Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-120*, Docket UE-171091, Order 01, 8 ¶ 32 (Jan. 12, 2018) (Avista BCP 2018-19 Order)

savings from conservation targets via stakeholder agreement on the definitions of certain savings terms, as identified in Table 3, above. Based on SWAG's recommendation, which included consideration of all stakeholder input, we agree with Staff that it is appropriate to remove forecasted savings from previously undertaken market transformation activities when calculating the EIA penalty threshold, and thus adopt the definitions set out in Table 3, above. We note that this includes the agreed-upon language that the EIA Penalty Threshold may diverge from the EIA Target.

18 Accordingly, we accept Avista's calculation of its 10-year electric conservation potential of 361,700 MWh; EIA Target of 72,844 MWh; EIA Penalty Threshold of 59,948 MWh; and Decoupling Threshold of 3,642 MWh, subject to the conditions incorporated into and attached to this Order as Appendix A.

FINDINGS AND CONCLUSIONS

- 19 (1) The 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) 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. *See* RCW 19.285.040(1)(e). The Commission has adopted WAC 480-109-010 to implement RCW 19.285.040(1).
- 21 (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.
- 22 (4) On November 1, 2019, Avista filed its 2020-2021 BCP identifying a 2020-2029 10-year achievable conservation potential, 2020-2021 EIA Target, EIA Penalty Threshold, and 2020-2021 Decoupling Threshold.
- 23 (5) This matter came before the Commission at a specially scheduled recessed meeting on December 17, 2019.

- 24 (6) Avista's calculation of its 2020-2029 10-year achievable conservation potential of 361,700 MWh is consistent with RCW 19.285.040(1) and WAC 480-109-120(1).
- 25 (7) Avista's calculation of its 2020-2021 biennial conservation target (EIA Target) of 72,844 MWh is consistent with RCW 19.285.040(1) and WAC 480-109-120(1).
- 26 (8) It is the Commission's standard practice to remove forecasted savings from previously undertaken market transformation activities when calculating the EIA Penalty Threshold.
- 27 (9) Pursuant to our January 12, 2018, Order in the previous biennium, the Washington investor-owned utilities, their advisory groups, and Staff formed SWAG to resolve how NEEA savings should be factored in conservation targets. All stakeholder concerns were resolved by the stakeholders' agreement to the definitions of certain savings terms: EIA Target, EIA Penalty Threshold, Decoupling Penalty Threshold, and Total Utility Conservation Goal.
- 28 (10) The SWAG's agreed definitions of EIA Target, EIA Penalty Threshold, Decoupling Penalty Threshold, and Total Utility Conservation Goal, are consistent with RCW 19.285.040(1), WAC 480-109-120(1), and Commission precedent.
- 29 (11) Avista's calculation of its 2020-2021 EIA Penalty Threshold of 59,948 MWh is consistent with RCW 19.285.040(1) and WAC 480-109-120(1).
- 30 (12) Avista's calculation of its 2020-2021 2020-2021 Decoupling Penalty Threshold of 3,642 MWh is consistent with Order 05 in Docket UE-170188.
- 31 (13) It is in the public interest to accept Avista's biennial conservation target, as authorized by RCW 19.285.040(1)(e) and WAC 480-109-120(5), subject to the conditions proposed by Staff, as set out in Appendix A to this Order.
- 32 (14) The Commission should accept Avista's calculation of its 10-year electric conservation potential of 361,700 MWh ; EIA Target of 72,844 MWh; EIA Penalty Threshold of 59,948 MWh; and Decoupling Penalty Threshold of 3,642 MWh; subject to the conditions attached to this Order as Appendix A.

ORDER

THE COMMISSION ORDERS:

- 33 (1) Avista Corporation d/b/a Avista Utilities' 2020-2029 Ten-Year Achievable Electric Conservation Potential of 361,700 MWh; 2020-2021 EIA Target of 72,844 MWh; 2020-2021 EIA Penalty Threshold of 59,948 MWh; and 2020-2021 Decoupling Penalty Threshold of 3,642 MWh, are accepted subject to the conditions attached to this Order in Appendix A.
- 34 (2) The Commission retains jurisdiction over this matter for purposes of effectuating this Order.

DATED at Lacey, Washington, and effective December 17, 2019.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner