

April 23, 2010

**SENT VIA E-MAIL AND FIRST CLASS MAIL**

David Danner  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Pk. Dr. S.W.  
PO Box 47250  
Olympia, WA 98504-7250

**Re: Avista's Revised Compliance Report Concerning Its Ten-Year Conservation Potential and Biennial Conservation Target, Docket No. UE-100176**

Dear Mr. Danner:

Public Counsel submits this letter in advance of the Commission's April 29, 2010, Open Meeting. These comments address Avista's *revised* compliance report concerning its ten-year conservation potential and biennial conservation target filed with the Commission on April 16, 2010 in compliance with RCW 19.285.040 and WAC 480-109-010 (hereafter "Revised Compliance Report").

The Commission considered Avista's initial compliance report, filed January 29, 2010, at the March 11, 2010, Open Meeting. The Commission determined that the review of the compliance report should be extended to allow for further examination and review of stakeholder comments. Public Counsel and other stakeholders have had the opportunity to further discuss our concerns with Avista and make additional recommendations for improvement. While certain positive changes were made in the revised filing, we are disappointed that the Company did not implement many of the revisions and clarifications requested by Public Counsel. Our most significant outstanding concern relates to the issue of "qualifying" conservation measures that may ultimately count toward achievement of the conservation targets. Based on our outstanding concerns we have developed a list of conditions which reflect our highest priority issues and recommendations.

**Public Counsel Recommendation**

Public Counsel recommends that the Commission approve Avista's proposed ten-year conservation potential and biennial target, subject to certain conditions. Public Counsel's proposed conditions are outlined below. We also recommend the Commission require two technical and presentation improvements for future I-937 compliance filings.

### **Public Counsel Recommended Conditions to Avista's Proposed Conservation Targets**

Public Counsel recommends that the Commission approve Avista's proposed biennial conservation target and ten-year conservation potential, subject to the conditions described below.

#### **1) Annual Budgets and Energy Savings**

- a) Annual budgets must be submitted to the energy efficiency advisory group, hereafter "Advisory Group" and Commission including reasonable program detail that shows planned expenses and the resulting projected energy savings.
- b) The Company should provide its proposed budget in a format similar to that provided by the revenue requirement witnesses in general rate cases, with a summary page indicating the proposed budget and savings levels for each electric and gas conservation program, and subsequent supporting spreadsheets providing further detail for each program and line item shown in the summary sheet.

#### **2) Approved Strategies for Selecting and Evaluating Energy Conservation Savings**

- a) When the Company identifies a conservation measure as a qualifying measure in its compliance report, the Commission is not obligated to accept the savings for purposes of compliance with RCW Ch. 19.285. The Company must demonstrate the prudence and cost-effectiveness of its conservation programs to the Commission, which for Avista is currently reviewed in general rate cases.
- b) The Northwest Power and Conservation Council's Regional Technical Forum's (RTF) "deemed" savings list for electricity measures.
- c) If the Company utilizes savings amounts for prescriptive programs that have not been established by the RTF, such estimates must be based on rigorous impact evaluation that has verified savings levels, and be presented to the Advisory Group for comment.
- d) The Company shall work closely with its Advisory Group to develop evaluation, measurement and verification (EM&V) protocols for its conservation programs. These protocols will outline the framework and guiding principals governing implementation of EM&V, and shall be filed with the Commission.
- e) A significant and reasonable proportion of the Company's EM&V budget shall be devoted to independent, third-party EM&V. The independent, third-party EM&V will be focused on major programs (in terms of savings and expenditures) and will be performed annually on a multi-year schedule of selected programs such that over the EM&V cycle all major programs are evaluated. The EM&V function includes impact, process, market and cost test analyses. The results will verify that 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 the process and impact of conservation programs shall be included with an annual report on conservation acquisition filed with the Commission.

### **Concern with Avista's Statements Regarding Qualifying Conservation Measures**

In Public Counsel's initial comments filed on March 5, 2010, we expressed concern that Avista did not provide adequate support for measures beyond traditional local efficiency measures which the Company represented were included as "qualifying conservation measures" toward their biennial and ten-year conservation targets. We continue to believe it is premature and inappropriate to pre-approve a specific list of conservation resources as "qualifying measures" for purposes of Avista's compliance with I-937.

Based on discussions with parties to this proceeding, Avista did make some revisions in their Revised Compliance Report with respect to this concern.<sup>1</sup> While we believe this new language helps to clarify that any new conservation measures must be properly vetted and quantifiable, it nevertheless fails to recognize and reflect the Commission's standard practices for reviewing DSM prudence and cost-effectiveness. As set forth in our recommended condition 2(a), we request that the Commission approve Avista's proposed conservation targets on the condition that the Commission is not obligated to accept the savings associated with any conservation measure that the Company identifies in its compliance report as a "qualifying measure" for purposes of compliance with RCW Ch. 19.285. In our view this is critically important and recognizes that the prudence and cost-effectiveness of conservation programs will continue to be examined and reviewed by the Commission according to its standard practices. For Avista, that review has occurred in general rate cases.

### **Technical Issues: Guidance for Future I-937 Compliance Filings**

Public Counsel's initial comments included discussion of certain technical issues related to Avista's proposed conservation targets. For example, we explained that we were unable to verify Avista's assertion that the Council's Option 1 target exceeded their Washington-only IRP target.<sup>2</sup> Avista states that their proposed biennial target is 11.6% higher than their IRP target.<sup>3</sup> However, it appears that Avista's IRP target for 2010-2011 (133,913 MWh for Washington and Idaho) is substantially *lower* than their actual performance for 2008-2009 (155,691 MWh for Washington and Idaho), according to information provided by Avista in their recently filed general rate case.<sup>4</sup>

To allow for greater understanding and clarity regarding Avista's proposed targets, we recommend the Commission provide the following guidance to Avista concerning future compliance filings:

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<sup>1</sup> See Avista Revised Compliance Report, Docket UE-100176, April 16, 2010, p.12.

<sup>2</sup> Docket UE-100176, Comments of Public Counsel, March 5, 2010, pp. 6-8.

<sup>3</sup> Avista Revised Compliance Report, p. 2.

<sup>4</sup> Docket Nos. UE-100467 & UG-100468, Folsom Exhibit BWF-2, Summary of Demand-Side Management Savings and Levelized Cost. These savings figures include savings from Avista's local conservation programs, but exclude savings associated with NEEA efforts.

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**A. Presentation of Avista's Biennial Target Compared to the IRP Target**

Avista should provide a clear explanation of its proposed biennial target. If Avista provides a comparison of the proposed target from a given source (e.g. the Council's 6<sup>th</sup> Power Plan Option 1) to an alternative target and source not chosen (e.g. Avista's most recent IRP), such comparison should include the following: the megawatt hours identified by both options, a discussion of the methodology used to develop the Washington-share of Avista's IRP target, an explanation of the specific components included in the IRP target as compared to the Council's target, as well as workpapers to support the filing.


**B. Presentation of Avista's Biennial Target as a Pro-rata Share of the Ten-Year Cumulative Potential**

WAC 480-109-010(2)(b) states the following, "the biennial conservation target must be no lower than a pro-rata share of the utility's cumulative achievable conservation potential. **Each utility must fully document how it pro-rated its ten-year cumulative conservation potential to determine the minimum level for its biennial conservation target.**" (Emphasis added). In the current Revised Compliance Report Avista does not include any explanation as to how the biennial target is developed from the ten-year projection of acquisition. In future reports Avista should fully document this.

**Staff Proposed Conditions for Approval**

Public Counsel understands that Commission Staff may propose a set of recommended conditions to Avista's proposed Revised Compliance Report. We have had the opportunity to review and provide feedback on draft versions of Staff's proposed conditions, and are generally supportive of these conditions. To this end, there may be overlap in the conditions proposed by Staff and Public Counsel. Public Counsel's recommended conditions serve to highlight our most important concerns.

Public Counsel appreciates the opportunity to comment on Avista's Revised Compliance Report and recommends it be approved subject to the conditions discussed above. We believe these conditions provide clarity surrounding the expectations of related activities, filings, and public involvement associated with Avista's ten-year conservation potential and biennial targets and will also help enable the Company to file quality and complete compliance reports in the future. Lea Daeschel and Mary Kimball plan to attend the April 29, 2010, Open Meeting for Public Counsel.

Sincerely,  
  
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