

**CONDITIONS FOR APPROVAL OF AVISTA'S 10-YEAR ACHIEVABLE  
CONSERVATION POTENTIAL AND  
BIENNIAL CONSERVATION TARGET  
DOCKET UE-100176,  
STAFF MEMO ATTACHMENT 2**

- 1) Preamble
  - a) This document clarifies the expectations that will be applied to Avista's 10-year Achievable Conservation Potential and Biennial Conservation Target.
  - b) Nothing within this document relieves the Company of the sole responsibility for achieving the results required under 19.285 RCW, which requires the Company to use methodologies consistent with those used by the Northwest Power and Conservation Council ("Council"). Specifically, the need for a high degree of transparency, communication and consultation with external stakeholders diminishes neither the Company's operational authority nor its ultimate responsibility for meeting the goals approved by the Commission.
  - c) "'Conservation' means any reduction in electric power consumption resulting from increases in the efficiency of energy use, production, or distribution." RCW 19.285.030(4); WAC 480-109-007(3); *see* 16 U.S.C. § 839a(3). Demand response programs that reduce consumption during peak demand periods are considered conservation.
  
- 2) Advisory Group Members, Roles, and Responsibilities
  - a) Company will maintain and use an external conservation advisory group of stakeholders to advise the company on the topics described in subsections (i) through (ix) below. To meet this condition, the Company may continue to use its existing External Energy Efficiency Board and its Integrated Resource Planning Technical Advisory Committee.
    - i) Modification of evaluation, measurement and verification protocol for energy savings.
    - ii) Conservation potential assessments.
    - iii) Guidance to company regarding methodology inputs and calculations for updating cost-effectiveness.
    - iv) Data sources and values used to update supply curves.
    - v) Need for tariff modifications or mid-course program corrections.
    - vi) Appropriate level of and planning for:
      - (1) Marketing conservation programs.
      - (2) Incentives to customers for measures and services.
    - vii) Issues related to limited-income conservation programs.
    - viii) Program achievement results compared to annual and biennial targets.
    - ix) Conservation program budgets and actual expenditures compared to budgets.
  - b) Meetings should occur quarterly at a minimum. Any member may request an additional meeting of the advisory group with reasonable notice.
  
- 3) Annual Budgets and Energy Savings
  - a) Annual budgets must be submitted to the Advisory Group and Commission including reasonable program detail that shows planned expenses and the resulting projected

energy savings on November 1 of each year as part of either the Biennial Conservation Plan (in the odd years) or the intervening Business Plan (in the even years). (See Required Reports and Filings Section.)

- b) The company should provide its proposed budget in a format similar to that provided by 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.
- 4) Program Details
    - a) Company will maintain its conservation tariffs with program descriptions on file with the Commission. Program details about specific measures, incentives and eligibility requirements will be filed as tariff attachments. The company may propose other methods for managing its program details in its Biennial Conservation Plan. (See Required Public Involvement Section.)
- 5) 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 19.285 RCW. The company must demonstrate the prudence and cost-effectiveness of its conservation programs to the Commission.
    - b) Council Regional Technical Forum's (RTF's) "deemed" savings lists 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 a rigorous impact evaluation that has verified savings levels, and be presented to the Advisory Group for comment.
    - d) The company will provide opportunities for the Advisory Group to review and assist with the development of evaluation, measurement and verification protocols for conservation programs.
    - e) Company will spend between three (3) and six (6) percent of its conservation budget on evaluation, measurement, and verification (EM&V), including a reasonable proportion on independent, third-party EM&V. EM&V will be performed 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 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 program and process impacts will be part of the Annual Report on Conservation Acquisition. (See Required Reports and Filings Section.)
- 6) Program Design Principles
    - a) All Sectors Included - Company shall 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 programs will be filed with the Commission.
    - b) Outreach on Programs - The company shall establish a strategy and proposed implementation budget for informing participants about program opportunities in the

relevant and strategic market channels for each of its energy efficiency programs. The company shall 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 - Company shall 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, designers, installers, wholesalers, etc., as appropriate for measures that save energy. Incentive levels and other methods of encouraging energy conservation need to be periodically examined to assure that they do not have the effect of unnecessarily restricting or limiting the acquisition of all achievable energy conservation. As programs continue and higher levels of market penetration are achieved, there is a diminishing return on investment which needs to be considered for program continuance. Company shall consult with the Advisory Group to identify, pursue, and evaluate all achievable cost-effective conservation measures and programs.
  - d) Conservation Efforts without Approved EM&V Protocol - Company 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 Northwest Power and Conservation Council. These programs may include educational, behavior change, and pilot projects. Modifications to this spending limit may be made with Commission approval following full advisory group consultation.
- 7) Required Reports and Filings
- a) File Six-Month Report on Conservation Acquisition, comparing budgeted to actual kWh's and expenditures, by August 15, 2010.
  - b) File 2011 Business Plan, containing any changes to program details and an annual budget by November 1, 2010.
  - c) File 2010 Annual Report on Conservation Acquisition, including an evaluation of cost effectiveness and comparing budgets to actual, by March 31, 2011.
  - d) File revisions to cost recovery tariff by May 1, 2011, with requested effective date of July 1, 2011.
  - e) File Six-Month Report on Conservation Acquisition, comparing budget to actual kWh's and dollar activity, by August 15, 2011.
  - f) File Biennial Conservation Plan including revised program details and program tariffs by November 1, 2011, requesting effective date of January 1, 2012. (This filing meets the WAC 480-109-010 requirement to file 10-year Achievable Conservation Potential and Biennial Acquisition Target on or before January 31).
  - g) File 2011 Annual Report on Conservation Acquisition, including an evaluation of cost-effectiveness, by March 31, 2012.
  - h) File two-year report on conservation program achievement by June 1, 2012. *See* WAC 480-109-040(1).
- 8) Required Public Involvement in preparation for 2012-2013 biennium.
- a) By July 1, 2011, consult with the Advisory Group to facilitate completion of a 10-year conservation potential analysis by January 1, 2012. *See* RCW 19.285.040(1)(a); WAC 480-109-010(1). This must be based on a current conservation potential assessment study of the company service area within Washington State. This may be conducted

within the context of the utility's integrated resource plan. If the Company chooses to use the supply curves that make up the Council Regional Power Plan's conservation potential, the supply curves must be updated for new assumptions and measures.

- b) Consult with the Advisory Group between July and November 2011 to set annual and biennial targets for the 2012-2013 biennium, including necessary revisions to program details. *See RCW 19.285.040(1)(b); WAC 480-109-010(2) and (3).*
- 9) Cost Effectiveness Test is the Total Resource Cost Test
- a) The primary cost effectiveness test shall be the Total Resource Cost (TRC) test as modified by the Council. The Council-modified calculation of TRC includes quantifiable non-energy benefits 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.
  - b) In addition to the Council-modified TRC, the Company will 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."
  - c) Overall conservation cost-effectiveness will be evaluated at the portfolio level. Costs included in the portfolio level analysis include conservation-related administrative costs. Company should continue to evaluate measure and program level cost tests.
- 10) Recovery Through an Electric Tariff Rider
- a) Annual Filing – Company will file an annual tariff rider in May of the current year to recover the future year's budgeted expenses and any significant variances between budgeted and actual income and expenditures during the previous year.
  - b) Scope of Expenditures – Funds collected through the rider shall be used on approved conservation programs and their administrative costs.
  - c) Recovery for Each Customer Class – rate design will match company's underlying base rates.