

Attachment A – Docket UE-171091

Proposed Conditions for 2018-2019 Avista Electric Conservation

(1) Ten-Year Potential/Biennial Conservation Target – Approval and Conditions.

- (a) The following conservation targets are approved for the Avista Corporation (Avista or Company), with conditions pursuant to RCW 19.285.040(1)(e) and WAC 480-109-120(1). This approval is subject to the Conditions described in Paragraphs (2) through (10) below.
 - i. *Biennial conservation target:* 89,771 megawatt-hours (as measured at the customer meter).
 - ii. *Decoupling commitment:* 4,489 megawatt-hours, Pursuant to Order 5 of Docket Nos. UE-140188 and UG-140189.
- (b) As part of Avista’s biennial conservation acquisition efforts, Avista will continue to pursue regional electric market transformation, in collaboration with funding from other parties and with other strategic market partners in this biennium that complements Avista’s energy efficiency programs, services, and measures.

(2) Avista Retains Responsibility. Nothing in these conditions relieves Avista of the sole responsibility for complying with RCW 19.285 and WAC 480-109. Specifically, the conditions regarding the need for a high degree of transparency, and communication and consultation with external stakeholders, diminish neither Avista’s operational authority nor its ultimate responsibility for meeting the biennial conservation target approved herein.

(3) Advisory Group.

- (a) To meet the requirements of WAC 480-109-110, Avista shall continue to use its Advisory Group, initially created under Docket Nos. UE-941377 and UG-941378 and its Integrated Resource Planning Advisory Group created under WAC 480-100-238.
- (b) Avista will notify Advisory Group members of public meetings scheduled to address Avista’s integrated resource plan. Avista will also provide Advisory Group members with an opportunity to meet with the entity conducting the conservation potential assessment regarding the scope and design of the study, as well as the assumptions and relevant information utilized in the development of Avista’s integrated resource plan as they apply to development and/or

modification of the ten-year conservation potential as requested through the integrated resource plan public process. Avista will further provide Advisory Group members with an opportunity to review the Company's natural gas and energy price forecasts and generation resource cost assumptions utilized in the development of the company's integrated resource plan, as these assumptions will inform the ten-year conservation potential.

- (c) Avista must consult with the Advisory Groups starting no later than July 1, 2019, to begin to identify achievable conservation potential for 2020-2029 and to begin to set annual and biennial targets for the 2020-2021 biennium, including necessary revisions to program details. *See* RCW 19.285.040(1)(b); WAC 480-109-120.
 - (d) Avista shall inform the Advisory Group members when its projected expenditures indicate that Avista will spend more than 120 percent or less than 80 percent of its annual conservation budget.
 - (e) Prior to filing the Biennial Conservation Plan, Avista shall provide the following information to the Advisory Group: draft ten-year conservation potential and two-year target by August 1, 2019; draft program details, including budgets, by September 3, 2019; and draft program tariffs by October 1, 2019.
- (4) **Annual Budgets and Energy Savings.** Avista must provide its proposed budget in a detailed format with a summary page indicating the proposed budget and savings levels for each electric conservation program, and subsequent supporting spreadsheets providing further detail for each program and line item shown in the summary sheet.
- (5) **Program Details.** Avista must maintain its conservation tariffs on file with the Commission. Program details about specific measures, incentives, and eligibility requirements must be filed and updated in its Annual Conservation Plan in this Docket.
- (6) **Approved Strategies for Selecting and Evaluating Energy Conservation Savings.**
- (a) Avista has identified a number of potential conservation measures described in the BCP. The Commission is not obligated to accept savings identified in the BCP for purposes of compliance with RCW 19.285.
 - (b) When Avista proposes a new or significant change to a program, pilot or tariff schedule, it must present the program to the Advisory Group with program details fully defined, to the extent practicable. After consultation with the Advisory

Group in accordance with WAC 480-109-110(1)(h), Avista must file a revision to its currently filed Conservation Plan in this Docket.

- (c) Avista must spend a reasonable amount of its conservation budget on evaluation, measurement and verification (EM&V), including a reasonable proportion on independent, third-party EM&V. Avista must perform EM&V annually on a four-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 must verify the level at which claimed energy savings have occurred, evaluate the existing internal review processes, and suggest improvements to the program and ongoing EM&V processes.
- (d) An independent third-party review of portfolio-level electric energy savings reported by Avista for the 2018-2019 biennial period, from existing conservation programs operated during that period, shall be conducted, per WAC 480-109-120(4)(b)(v). The independent third-party reviewer shall be selected through an RFP process and is intended to:
 - (i) Verify the calculation of total portfolio MWh savings; and
 - (ii) Provide a review of EM&V activities and application for best practices and reasonable findings, which includes the following:
 - (1) Validate the adequacy of Avista's savings verification process, controls and procedures;
 - (2) Validate savings tracking and reporting processes and practices;
 - (3) Review program process and impact evaluations completed during the biennium for appropriateness of evaluation approach/methodologies (program specific) and program cost-effectiveness calculations.
- (e) A final report for the entire 2018-2019 biennium may be implemented in phases and delivered as a final product at an earlier date, as needed by Avista.

(7) Program Design Principles

- (a) Modifications to the programs must be filed with the Commission as revisions to tariffs or as revisions to Avista's current Conservation Plan, as appropriate.

- (b) Incentives and Conservation Program Implementation — Programs, program services, and incentives may be directed to consumers, retailers, manufacturers, trade allies or other relevant market actors as appropriate for measures or activities that lead to electric energy savings. Avista shall work with the Advisory Group to establish appropriate penetration levels consistent with the Northwest Power and Conservation Council (Council) methodology and the Energy Independence Act.
 - (c) Conservation Efforts without Approved EM&V Protocol — Avista 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 Council. These programs may include information-only, behavior change, and pilot projects. Avista may ask the Commission to modify this spending limit, following Advisory Group consultation.
 - (i) Information-only services refers to those information services that are not associated with an active incentive program or that include no on-site technical assistance or on-site delivery of school education programs. Information-only services and behavior change services shall be assigned no quantifiable energy savings value without full support of the Advisory Group.
 - (ii) If quantifiable energy savings have been identified and Commission-approved for any aspect of such programs, the budget associated with that aspect of the program will no longer be subject to this ten percent spending restriction.
- (8) Cost-Effectiveness Test is the Total Resource Cost (TRC) Test**
- (a) The Commission uses the Total Resource Cost Test (TRC), as modified by the Council, as its primary cost-effectiveness test. The Council-modified TRC test includes quantifiable non-energy benefits, a risk adder, and a 10 percent conservation benefit adder. Avista’s portfolio must pass the TRC test. All cost-effectiveness calculations will assume a Net-to-Gross ratio of 1.0, consistent with the Council’s methodology.
 - (b) Avista must also provide calculations of the Program Administrator Cost Test (also called the Utility Cost Test) as described in the National Action Plan for

Energy Efficiency's study "Understanding Cost-Effectiveness of Energy Efficiency Programs."

- (c) Conservation-related administrative costs must be included in portfolio level analysis.
- (d) Avista will participate in any efforts to evaluate new cost-effectiveness test methodologies, as requested by the Commission.

(9) Recovery Through an Electric Conservation Service Rider

- (a) Scope of Expenditures — Funds collected through the Electric Conservation Service Rider must be used on approved conservation programs and their administrative costs. Additionally, Rider funds may be used as approved by the Commission; for example, for net metering administration costs, small-scale renewable programs, and demand response pilots.
- (b) Recovery for Each Customer Class —Rate spread and rate design must match Avista's underlying base volumetric rates.
- (c) Recovery of costs associated with distribution and production efficiency initiatives are not funded through the Electric Conservation Tariff Rider because these programs are not customer conservation initiatives. These are company conservation programs. As such, these costs are recovered in the general rate making process over time and may be requested through a general rate case, a deferred accounting petition or other allowed mechanism.
- (d) Avista must file revisions to its cost recovery tariff (Schedule 91) by June 1 each year, with requested effective date of August 1 of that same year. If Avista files its cost recovery tariff early, a Draft Annual Report with completed savings evaluations shall accompany the filing.

(10) Additional Commitments

- (a) Avista will 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. Avista's Annual Report will include updates regarding production efficiency activities in power production facilities operated

by Avista and, to the extent practicable, facilities wholly or partially owned by Avista that are not operated by the Company.

- (b) To avoid double-counting of efficiency savings achieved at electric power production facilities owned in whole or in part by Avista, the Company will develop a protocol for how savings will be claimed, with advice and review provided by the Advisory Group. If a protocol is established, Avista will consult with the Advisory Group prior to modifying it.