

Agenda Date: December 21, 2012
Item Number: D7

Docket: UE-111882

Company: Avista Corporation

Staff: Eric Russell, Regulatory Analyst

Recommendation

Take no action, acknowledging timely receipt of the 2013 Demand-Side Management business plan on November 1, 2012, in Docket UE-111882.

Background

Avista is currently operating its energy efficiency programs under conditions approved by the Washington Utilities and Transportation Commission (commission) pursuant to RCW 19.285 and WAC 480-109.¹ The company's biennial 2012-2013 electric conservation target is a range of 108,589 to 197,557 MWh.² Of this range, 76,202 to 137,410 MWh is targeted from end use efficiency.

Avista's 2012 natural gas conservation target is 1,739,311 therms. The company does not currently have a 2013 target, as it is requesting temporary discontinuance of its natural gas conservation programs.³ Both the electric and natural gas conservation targets are based on an assessment of the conservation potential in Avista's service area.

On November 1, 2012, the company timely filed its annual 2013 Electric Demand-Side Management (DSM) Business Plan (Business Plan) and 2013 Energy Efficiency Evaluation, Measurement and Verification Annual Plan (EM&V Plan) in Docket UE-111882. Avista did not file a natural gas DSM Business Plan, due to the proposed discontinuation of its natural gas conservation programs in Docket UG-121119.

The electric conservation rider adjustment filed in May, 2012, Docket UE-120788, decreased charges and rates by \$8.2 million, and went into effect October 11, 2012. The natural gas rider adjustment filed at the same time in Docket UG-120790 proposes a decrease in charges and rates

¹ *In the Matter of Avista Corporation's Ten-Year Achievable Conservation Potential And Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010*, Docket UE-100176, Order 01, (May 13, 2010). Avista agreed to apply the conditions from Docket UE-100176 to its natural gas energy efficiency programs during the filing of its natural gas rider in Docket UG-100254.

² *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*, UE-111882, Order 01, (February 10, 2012), ¶ 9. ("Order 01")

³ Avista Presentation on Natural Gas Integrated Resource Plan, Docket UG-111588 & UG-121119, Proposed Temporary Discontinuance of Natural Gas DSM Programs.

by approximately \$1.9 million. On August 1, 2012, it was suspended, but allowed to go into effect on a temporary basis. It will be resolved following resolution of Docket UG-121119.

The company has developed the Business Plan and a course of action for its conservation programs in consultation with its advisory group. Avista's Business Plan includes minor changes to program details, and an annual budget with reasonable program detail that shows planned expenses and the resulting projected energy savings. The budget is presented in a detailed format with a summary page indicating the proposed budget and savings levels for each conservation program, with subsequent supporting spreadsheets providing further detail for each program and line item shown in the summary sheet (Order 01, ¶ 26).

Avista serves approximately 237,000 Washington electric customers in Adams, Asotin, Ferry, Franklin, Grant, Lincoln, Spokane, Stevens, and Whitman counties, and approximately 149,000 Washington natural gas customers in Adams, Asotin, Ferry, Franklin, Grant, Klickitat, Lincoln, Skamania, Spokane, Stevens, and Whitman counties.

Electric Conservation Program Changes

Avista is proposing a 19 percent increase in its one-year electric conservation budget, increasing from \$12.4 million to \$14.7 million (Business Plan, pp. 54). The table below summarizes the 2012 and 2013 budgets by program.

Electric Program Budgets	2012 Budget⁴	2013 Budget	2013 Change
Residential	\$2,831,122	\$4,100,218	45%
Nonresidential	\$4,226,993	\$4,066,980	-4%
Regional Efficiency Programs	\$1,515,509	\$1,512,000	0%
Support	\$474,700	\$695,200	46%
EM&V	\$1,012,542	\$741,000	-27%
Other	\$974,436	\$961,252	-1%
Labor	\$1,363,762	\$2,636,068	93%
Total	\$12,399,064	\$14,712,717	19%

The company states that the large increase in labor expenditures is primarily attributable to the need for higher cost skilled labor (e.g., engineering, evaluation, analytical) mainly driven by regulatory requirements.

The sector-specific energy savings expectations have increased about 16 percent for nonresidential programs, but decreased about 31 percent for residential programs. Overall, the company's local programs are expected to deliver 53,441 MWh (including 5,114 MWh of fuel-efficiency) in 2013, a decrease of 11 percent compared to the 2012 Business Plan. An additional

⁴ UE-100176, 2012 DSM Business Plan.

12,264 MWh will come from market transformation programs through the Northwest Energy Efficiency Alliance (NEEA).

The company's analysis of its proposed electric portfolio cost-effectiveness results in a total resource cost test ratio of 1.33.⁵ All of the programs are funded through the company's electric conservation rider Schedule 91. The company will make a filing in May, 2013, that will incorporate the increased budget submitted with this filing into the company's tariff.

Natural Gas Conservation Program

Avista is proposing to discontinue its natural gas DSM programs, due to a lack of cost effectiveness, based on portfolio analysis performed by the company. This issue will be discussed in a separate memo and review under Docket UG-121119.

Discussion

The company timely filed its Business Plan. Staff requested and the company provided budget details (Order 01, ¶ 27) and program-by-program incentive details (Order 01, ¶ 29). Staff believes the company has complied with the conditions of the order.

2012 Year-to-Date Achievements

Avista is on target to exceed its 2012 savings, per the 2012-2013 Biennial Conservation Plan targets. The table below summarizes the company's annual target and achievement through November 2012.

	2012 YTD Target	2012 YTD Achieved	Achieved	2012 Target
Biennial Conservation Progress	31,204,250 KWh	44,020,288 KWh	141%	34,041,000 KWh

Public Involvement

The company worked closely with its advisory group throughout 2012, with a technical committee subgroup assisting Avista with the development of EM&V protocols and related conservation program analysis considerations. The company made a thorough presentation of its program plans at the September advisory group meeting, and expects to engage in significant public involvement during 2013 (Order 01, ¶ 29).

⁵ The Total Resource Cost test result must be greater than 1 to demonstrate cost-effectiveness.

Evaluation, Measurement and Verification (EM&V) Plan

The company's Annual Plan filing includes an EM&V Plan as envisioned by the EM&V Framework.⁶ The company is planning to spend \$741,000 of its 2013 conservation budget on EM&V, including independent, third-party EM&V. The three-year schedule of selected programs addresses all major programs.⁷ The EM&V function is proposed to include impact, process, market and cost test analyses. Additional work on the three-year schedule and on individual research plans will be presented to the Advisory Group over the next year (Order 01, ¶ 25).

Program Outreach

The company's "Every Little Bit" program (Business Plan, pp. 26) is characterized as program outreach (Order 01, ¶ 29(b)). Because its savings haven't been measured, staff believes it also falls into the category of informational programs. The company has budgeted \$525,000 for Every Little Bit in 2013, which is well within the ten percent guideline (Order 01, ¶ 29(d)). The two-year budget expected with the 2014-2015 Biennial Conservation Plan should have a section for these programs.

Regional Market Transformation

Avista expects to count approximately 12,264 MWh in market transformation savings from NEEA in 2013, including savings from codes and standards. Avista's tariff Schedule 90 addresses market transformation very lightly. Staff has asked the company to begin preparing significantly revised and more detailed energy efficiency tariffs to be filed with the 2014-2015 Biennial Conservation Plan (Order 01, ¶ 61).

Proposed Revisions to Schedule 90

One of the key issues the company faced with the development of the 2013 Business Plan is the uneconomic penetration of heat pumps within the natural gas service territory. Much of this increase in penetration may be explained by the unintended spill-over of regional (NEEA) market transformation efforts into the natural gas service territory and by the 2009 and 2010 federal tax credits for the installation of heat pumps. Avista is working to develop actionable steps to mitigate this tendency as well as to increase the acquisition of other cost-effective measures. Those actions may involve revisions to the current 50 percent cap on incentives as a percentage of the customer incremental cost.

Program Changes for 2013

The company is planning to add a three-year peer comparison report program (behavioral program) to its residential portfolio. The program will begin in 2013 and will continue through the end of 2015. The primary purpose of the program is to supply electric and natural gas savings through behavioral changes the customer makes to reduce his or her energy bill. A second new

⁶ See September 1, 2010, Avista compliance filing in response to *WUTC v. Avista Corporation, d/b/a Avista Utilities*, Dockets UE-090134 and UG-090135, and UG-060518 (consolidated), Order 10, December 22, 2009, ¶ 305.

⁷ UE-111882, 2013 Energy Efficiency Evaluation, Measurement, and Verification Annual Plan, November 1, 2012.

program, begun in the last three months of 2012, is the manufactured home duct sealing program, which will continue for 6 months in 2013. All work will be completed by a third party contractor, UCONS. The in-home energy audit program, started by the company in April of 2010, ended on September 30, 2012.

Conclusion

Take no action, acknowledging timely receipt of the 2013 DSM business plan on November 1, 2012.