

**Revised Conditions for Approval of Avista's 10-year Achievable Conservation Potential
and Biennial Conservation Target
May 13, 2010, Staff Memo Attachment
Docket UE-100176**

- (1) **Preamble.** This document clarifies the expectations that will be applied to Avista's 10-year Achievable Conservation Potential and Biennial Conservation target.

- (2) **Company Retains Responsibility.** Nothing within this Order relieves Avista of the sole responsibility for complying with RCW 19.285, which requires Avista to use methodologies consistent with those used by the Pacific Northwest Electric Power and Conservation Planning Council ("Council"). 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) Avista must maintain and use an external conservation Advisory Group of stakeholders to advise the Company on the topics described in subparagraphs (i) through (x) below. To meet this condition, Avista may continue to use its External Energy Efficiency Board created under Docket UE-981126, and its Integrated Resource Planning Technical Advisory Committee created under WAC 480-100-238. The Advisory Group shall advise on the following:
 - (i) Development and modification of protocols to evaluate, measure, and verify energy savings in Avista's programs.
 - (ii) Development of conservation potential assessments under RCW 19.285.040(1)(a) and WAC 480-109-010(1).
 - (iii) Guidance to Avista regarding methodology inputs and calculations for updating cost-effectiveness.
 - (iv) Review of data sources and values used to update supply curves.
 - (v) Consideration of the need for tariff modifications or mid-course program corrections.
 - (vi) Review appropriate level of and planning for:
 - (1) Marketing conservation programs.
 - (2) Incentives to customers for measures and services.
 - (vii) Consideration of issues related to conservation programs for customers with limited income.
 - (viii) Comparing program achievement results with annual and biennial targets.

- (ix) Review of conservation program budgets and actual expenditures compared to budgets.
 - (b) The Advisory Group should meet quarterly at a minimum. Avista must permit any member to request an additional meeting of the Advisory Group with reasonable notice.
- (4) **Annual Budgets and Energy Savings.**
 - (a) Avista must submit annual budgets to the Advisory Group and to the Commission no later than November 1 of each year. The submissions must include reasonable program detail that shows planned expenses and the resulting projecting energy savings. In odd-numbered years, the annual budget may be submitted as part of the Biennial Conservation Plan required under Paragraph 8(f) below. In even-numbered years, the annual budget may be submitted as part of the Business Plan required under Paragraph 8(b) below.
 - (b) 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, with program descriptions, on file with the Commission. Program details about specific measures, incentives, and eligibility requirements must be filed as tariff attachments or as revisions to the Company's Business Plan. Avista may propose other methods for managing its program details in the Biennial Conservation Plan required under Paragraph 8(f) below, after consultation with the Advisory Group as provided in Paragraph 9(b) below.
- (6) **Approved Strategies for Selecting and Evaluating Energy Conservation Savings.**
 - (a) Avista has identified a number of potential conservation measures as qualifying measures in its Revised Report filed on April 16, 2010, in this Docket. The Commission is not obligated to accept savings identified in the Revised Report for purposes of compliance with RCW 19.285. Avista must demonstrate the prudence and cost-effectiveness of its conservation programs to the Commission after the savings are achieved. *See RCW 19.285.040(1)(d).*
 - (b) Avista must use the Council's Regional Technical Forum's ("RTF's") "deemed" savings for electricity measures. As of the date of this Order, the RTF maintains a Web site at <http://www.nwcouncil.org/energy/rtf/>.
 - (c) If Avista 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) When Avista proposes a new program, it must present it to the Advisory Group for comment with program details fully defined. After consultation with the Advisory Group in accordance with Paragraph 3 above, Avista must file a revision to its Business Plan in this Docket. The revision may be acknowledged by placement on the Commission's No Action Open Meeting agenda.
- (e) Avista must provide opportunities for the Advisory Group to review and assist with the development of evaluation, measurement and verification protocols for conservation programs. See Paragraph 3(a)(i) above.
- (f) Avista must 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. Avista must perform EM&V 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 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. An annual independent, third-party EM&V report involving analysis of both program impacts and process impacts must be part of the Annual Report on Conservation Acquisition described in Paragraph 8(g) below. Avista may ask the Commission to modify this spending band following full Advisory Group consultation.

(7) **Program Design Principles**

- (a) All Sectors Included — Avista must 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 the programs must be filed with the Commission as revisions to tariffs or as revisions to Avista's Business Plan, as appropriate.
- (b) Outreach on Programs — Avista must 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. Avista must 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 — Avista must 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 are neither too high, nor too low. Incentive levels and implementation methods should not unnecessarily limit the acquisition of all achievable energy conservation.

- (d) 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 educational, behavior change, and pilot projects. Modifications to this spending limit must be made with Commission approval following full Advisory Group consultation. As of the date of this Order, an outline of the major elements of the Council's methodology for determining achievable conservation potential, including the Total Resource Cost test, is available on the Council's Web site at http://www.nwcouncil.org/energy/powerplan/6/supplycurves/I937/CouncilMethodology_outline%20_2_.pdf.

(8) Required Reports and Filings

Avista must file the following:

- (a) Six-Month Report on Conservation Acquisition, comparing budgeted to actual kWh's and expenditures, by August 15, 2010.
- (b) 2011 Business Plan, containing any changes to program details and an annual budget by November 1, 2010.
- (c) 2010 Annual Report on Conservation Acquisition, including an evaluation of cost effectiveness and comparing budgets to actual, by March 31, 2011.
- (d) Revisions to cost recovery tariff by May 1, 2011, with requested effective date of July 1, 2011.
- (e) Six-Month Report on Conservation Acquisition, comparing budget to actual kWh's and dollar activity, by August 15, 2011.
- (f) Biennial Conservation Plan including revised program details and program tariffs, together with identification of 2012-2021 achievable conservation potential, by November 1, 2011, requesting effective date of January 1, 2012. This filing will satisfy the requirement in WAC 480-109-010 to file 10-year Achievable

Conservation Potential and Biennial Conservation Target on or before January 31.¹

- (g) 2011 Annual Report on Conservation Acquisition, including an evaluation of cost-effectiveness, by March 31, 2012.
 - (h) Two-year report on conservation program achievement by June 1, 2012. This filing is the one required in WAC 480-109-040(1) and RCW 19.285.070, which require that the report also be filed with the Washington Department of Commerce.
- (9) **Required Public Involvement in Preparation for the 2012-2013 Biennium**
- (a) By July 1, 2011, Avista must consult with the Advisory Group to facilitate completion of a 10-year conservation potential analysis by November 1, 2011. *See* RCW 19.285.040(1)(a); WAC 480-109-010(1). This must be based on a current conservation potential assessment study of Avista's service area within Washington State. This may be conducted within the context of Avista's integrated resource plan. If Avista chooses to use the supply curves that make up the conservation potential in the Council's Northwest Power Plan, the supply curves must be updated for new assumptions and measures.
 - (b) Avista must consult with the Advisory Group between July 1, 2011, and October 31, 2011, to identify achievable conservation potential for 2012-2021 and 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).
 - (c) During the consultation described in subparagraph 9(b) above, Avista must review with the Advisory Group whether standard-efficiency fuel conversion savings should be included in the 2012-2013 Biennial Conservation Target.
- (10) **Cost Effectiveness Test is the Total Resource Cost Test**
- (a) The primary cost effectiveness test IS 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. As of the date of this Order, an outline of the major elements of the Council's methodology for determining achievable conservation potential, including the Total Resource Cost test, is available on the Council's Web site at

¹ The Commission recognizes that this deadline is not the same as the rule. This is acceptable because Avista has agreed to the earlier deadline. A change to Chapter 480-109 WAC may be considered after we complete our evaluation of the conservation filings by Pacific Power & Light Company and Puget Sound Energy.

http://www.nwcouncil.org/energy/powerplan/6/supplycurves/I937/CouncilMethodology_outline%20_2_.pdf.

- (b) In addition to the Council-modified TRC, Avista must 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." As of the date of this Order, the study is available on the Web site of the United States Environmental Protection Agency at <http://www.epa.gov/cleanenergy/documents/cost-effectiveness.pdf>.
 - (c) Overall conservation cost-effectiveness must be evaluated at the portfolio level. Costs included in the portfolio level analysis include conservation-related administrative costs. Avista must continue to evaluate measure and program level cost tests.
- (11) **Recovery Through an Electric Tariff Rider**
- (a) Annual Filing — Avista must 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 must be used on approved conservation programs and their administrative costs.
 - (c) Recovery for Each Customer Class — Rate spread and rate design must match Avista's underlying base volumetric rates.