

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of)	DOCKET UE-152076
)	
)	ORDER 01
)	
AVISTA CORPORATION dba)	ORDER APPROVING AVISTA
Avista Utilities)	CORPORATION'S 2016-2025
)	ACHIEVABLE CONSERVATION
)	POTENTIAL AND ITS 2016-2017
Report Identifying Its 2016-2025 Ten-)	BIENNIAL CONSERVATION
Year Achievable Electric Conservation)	TARGET SUBJECT TO
Potential and Its 2016-2017 Electric)	CONDITIONS
Biennial Conservation Target Under)	
RCW 19.285.040 and WAC 480-109-010)	
.....)	

BACKGROUND

- 1 Electric utilities with 25,000 or more customers are required under the Energy Independence Act (EIA or Act) to set and meet energy conservation targets every two years.¹ The Washington Utilities and Transportation Commission (Commission) promulgated rules implementing the EIA. These rules further require that each utility must file a report with the Commission identifying its ten-year achievable conservation potential and its biennial conservation target every two years.²
- 2 On October 30, 2015, Avista Corporation (Avista or Company) filed its Biennial Conservation Plan (BCP) identifying a 2016-2025 ten-year achievable conservation

¹ RCW 19.285.040(a) requires each electric utility to identify its ten-year achievable cost-effective conservation potential using methodologies consistent with those used by the Pacific Northwest Electric Power and Conservation Planning Council in its most recently published regional power plan. At least every two years, a utility must also review and update its assessment for the subsequent ten-year period. RCW 19.285.040(b) requires each qualifying utility to establish and make publicly available a biennial acquisition target for cost-effective conservation consistent with its identification of achievable opportunities in RCW 19.285.040(a) and meet that target during the subsequent two-year period. At a minimum, each biennial target must be no lower than the qualifying utility's pro-rata share for that two-year period of its cost-effective conservation potential for the subsequent two-year period.

² WAC 480-109-010(3).

potential of 391,000 megawatt-hours (MWh) and a 2016-2017 biennial conservation target of 72,461 MWh.

3 On January 5, 2016, Avista filed a revised BCP addressing Commission Staff’s (Staff) and Public Counsel’s concerns with the level of Northwest Energy Efficiency Alliance (NEEA) and Opower’s Home Energy Reports savings included in the Company’s biennial target.

4 **Biennial Conservation Plan.** In its revised BCP, Avista identified a 2016-2025 achievable conservation potential of 383,063 MWh and a 2016-2017 two-year achievable conservation potential of 60,212 MWh. Pursuant to WAC 480-109-100(3)(b), Avista’s biennial conservation target must be no lower than a pro rata share of the utility’s ten-year conservation potential,³ or 76,613 MWh.⁴ Consequently, the two-year conservation potential of 60,212 MWh cannot be the basis for the Company’s biennial target. The target should be based on the biennial, pro rata share of 76,613 MWh. A breakdown of Avista’s proposed biennial target is as follows:

Table 1. Avista’s revised 2016-2017 Biennial Conservation Target

Savings Category	Savings (MWh)
Pro Rata Share of CPA	76,613
Less NEEA	(6,220)
End-Use Efficiency Measures Subtotal	70,123
Plus Distribution Efficiency	2,082
Plus Generation Efficiency	151
Avista Proposed Biennial Conservation Target (Subject to Penalties)	72,626
Plus NEEA Projection	6,220
Total EIA Commitment	78,846
Plus Decoupling Commitment (5%) ⁵	3,631
Total Conservation Commitment	82,477

³ WAC 480-109-060(19) defines “Pro rata” as the calculation dividing the utility’s projected ten-year conservation potential into five equal proportions to establish the minimum biennial conservation target.

⁴ 76,613 MWh is the ten-year potential of 383,063 MWh divided by five biennia.

⁵ Pursuant to Order 5 of Docket Nos. UE-140188 and UG-140189, Avista must achieve 105 percent of its biennial conservation target. As this is not a requirement identifiable to the Energy Independence Act (EIA), this “decoupling” commitment is not subject to penalties under the EIA. However, staff considers this commitment to be subject to penalties at a level consistent with that of the EIA.

- 5 Staff supports Avista’s proposed biennial conservation target of 72,626, subject to penalties. After including Avista’s share of NEEA’s regional savings projections, which are included in the ten-year potential, Avista commits to achieve 20.5 percent of its ten-year conservation potential. Thus, the Company proposes to exceed the required pro rata share of the ten-year conservation potential. Including the Company’s decoupling commitment, Avista commits to achieve 21.5 percent of its ten-year conservation potential. The total conservation commitment of 82,477 MWh represents approximately 0.7 percent of Avista’s projected sales volume over the next biennium.
- 6 Avista’s 2016 DSM Business Plan, attached as Appendix B to the BCP, provides budget details regarding Avista’s plan for achieving the savings identified in its biennial conservation target and total portfolio. The plan includes information regarding both electric and natural gas conservation programs. A summary of Avista’s savings and expenditure expectations is as follows:

Table 2. Comparison of Savings and Budgets from Avista’s Electric 2016-2017 and 2014-2015 BCPs.

Program	2016-2017 Projected Savings (MWh)	2016-2017 Budget	2014-2015 Projected Savings (MWh)	2014-2015 Budget
Residential prescriptive	22,336	\$2,000,000	16,389	\$2,522,000
Home Energy Reports	13,110	\$883,000	6,900	\$843,000
Low Income	1,037	\$1,883,000	1,599	\$1,618,000
Non-Residential	45,831	\$9,028,000	39,200	\$4,870,000
Cascade SEM	-	-	1,098	\$252,000
NEEA	6,219	\$2,800,000	11,130	\$2,911,000
Administration/Other	-	\$6,072,000	-	\$8,522,000
Total	88,533	\$22,666,000	73,350	\$21,537,000
Total claimable toward target	82,314		62,220	

Avista expects to exceed its biennial target while reducing its administrative costs by nearly 30 percent for this biennium. For the 2016-2017 biennium, Avista expects to achieve a Total Resource Cost (TRC) test benefit-to-cost ratio of 1.8. Staff commends Avista on improving the economic efficiency of its program offerings while continuing to maintain a cost-effective portfolio.

Table 3. Comparison of Savings and Budgets from Avista’s Natural Gas 2016-2017 and 2014-2015 BCPs.

Program	2016-2017 Projected Savings (therms)	2016-2017 Budget	2014-2015 Projected Savings (therms)	2014-2015 Budget
Residential prescriptive	539,000	\$1,606,000	505,000	\$1,371,000
Low Income	46,000	\$611,000	48,000	\$1,154,000
Non-Residential	551,000	\$1,703,000	602,000	\$1,220,000
NEEA	0	\$792,000	0	\$100,000
Administration/Other	-	\$2,639,000	-	\$2,415,000
Total	1,136,000	\$7,351,000	1,155,000	\$6,260,000

- 7 Avista’s 2016-2017 business plan for its natural gas programs is remarkably similar to the plan for the previous biennium. This makes sense given the continued operation under the utility cost test (UCT) cost-effectiveness metric, persistent low gas prices, and Avista’s lack of capacity acquisition needs for the foreseeable future. For the 2016-2017 biennium Avista expects to achieve a UCT benefit-to-cost ratio of 2.0 and a TRC test ratio of 0.9.
- 8 Commission Staff filed comments in this docket detailing its evaluation of Avista’s filing. Staff believes Avista’s proposed conservation potential, as amended in its January 5, 2016, filing, and supplemented on January 6, 2015, is appropriate, and recommends its approval, subject to the conditions in Appendix A attached to this Order.
- 9 Staff’s delay in recommending approval of Avista’s filing was due to two main factors: 1) Avista’s forward market price curve appeared disproportionately low as compared to its peer utilities, and 2) Avista’s complete reliance on a third-party consultant for derivation of its achievable conservation potential. Other regulated utilities rely on a third-party consultant to identify the technical potential (i.e., all conservation potential regardless of cost or uptake limitations), while the calculation of achievable potential is done through resource selection in the IRP model. If the achievable potential is not identified through the IRP model, conservation resource selection will not have been done in a manner consistent with the selection of other resources.

- 10 Although Staff is now satisfied that Avista’s forward price curve for electricity is reasonable, Staff believes that additional scrutiny through the Energy Efficiency Advisory Group is appropriate given the substantial influence of market price on conservation resource selection. Therefore, additional language has been added to condition 3(b) of Appendix A to enable additional input from the Advisory Group.
- 11 To ensure consistency between utilities and to ensure that conservation resources are competing directly with generation resources for meeting load in a least-cost/least-risk manner, Avista should identify its achievable conservation potential through its IRP model for future BCPs. To guide the Company on this matter, an additional condition has been added to Appendix A as 10(a).
- 12 Other than Staff, Public Counsel was the only party to file comments. Public Counsel raised concerns consistent with those raised by Staff. Specifically, Public Counsel identified issues with Avista’s treatment of NEEA and Opower, and noted the comparatively low conservation potential in the CPA. Additionally, Public Counsel noted that Avista has committed to updating its unit energy savings (UES) values annually. Although Staff does not believe it is necessary to update UES values annually, Staff supports Avista’s decision. Staff notes here that, in updating UES values annually, Avista voluntarily makes it more challenging to achieve its target.

DISCUSSION

- 13 Under RCW 19.285.040(1)(e), the Commission has authority to “rely on its standard practice for review and approval of investor-owned utility conservation targets.” WAC 480-109-010 guides investor-owned utilities’ compliance with RCW 19.285.040(1). Specifically, WAC 480-109-010(4) (c) provides that:
- Upon conclusion of the commission review, the commission will determine whether to approve, approve with conditions, or reject the utility’s ten-year achievable conservation potential and biennial conservation target.
- 14 The Commission agrees with Staff’s recommendation and approves Avista’s 2016-2025 achievable conservation potential of 383,063 MWh and its 2016-2017 biennial conservation target of 72,626 MWh subject to the conditions set forth in Appendix A.

FINDINGS AND CONCLUSIONS

- 15 (1) The Washington Utilities and Transportation Commission is an agency of the state of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.
- 16 (2) The Commission has authority to determine investor-owned utilities' compliance with RCW 19.285.040(1). The Commission has authority to review and decide whether to approve investor-owned utility conservation targets. The Commission may rely on its standard practice in exercising that authority. The Commission has adopted WAC 480-109-010 to implement RCW 19.285.040(1).
- 17 (3) Avista is an electric company and a public service company subject to Commission jurisdiction. Avista is a qualifying investor-owned electric utility under RCW 19.285.030(19).
- 18 (4) On October 30, 2015, Avista filed with the Commission its 2016-2017 Biennial Conservation Report identifying the Company's 2016-2025 ten-year achievable conservation potential and 2016-2017 biennial conservation target.
- 19 (5) Avista's 2016-2025 ten-year achievable conservation potential is consistent with RCW 19.285.040(1) and WAC 480-109-010(1). Avista's 2016-2017 biennial conservation target is consistent with RCW 19.285.040(1) and WAC 480-109-010(2).
- 20 (6) Avista's 2016-2025 ten-year achievable conservation potential of 383,063 megawatt-hours, and Avista's 2016-2017 biennial conservation target of 72,626 megawatt-hours are appropriate, subject to the conditions attached to this Order in Appendix A.
- 21 (7) It is in the public interest to approve Avista's ten-year achievable conservation potential and biennial conservation target, subject to the conditions in Appendix A, as authorized by RCW 19.285.040(1)(e) and WAC 480-109-010(4).

ORDER

THE COMMISSION ORDERS:

- 22 (1) Avista Corporation dba Avista Utilities' 2016-2025 ten-year achievable conservation potential of 383,063 megawatt-hours and its 2016-2017 biennial conservation target of 72,626 megawatt-hours are approved, subject to the conditions set forth in Appendix A attached to this Order.
- 23 (2) The Commission retains jurisdiction over this matter for purposes of effectuating this order.

DATED at Olympia, Washington, and effective January 28, 2016.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner