

Appendix A

Proposed Conditions for 2016-2017 Avista Electric Conservation

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

- (a) Avista’s 2016-2025 ten-year achievable electric conservation potential of 383,063 megawatt-hours, and Avista’s 2016-2017 biennial conservation target of 72,626 megawatt-hours at the customer meter, identified in Avista’s 2016-2017 “Revised” Biennial Conservation Plan (BCP) filed on January 5, 2016, are approved 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. The Conditions in this Order shall apply to Avista’s 2016-2025 Ten-Year Achievable Conservation Potential and Avista’s 2016-2017 Biennial Conservation Target.
- (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 prior to the development of the conservation potential assessment.

- (c) Avista must consult with the Advisory Groups starting no later than July 1, 2017, to begin to identify achievable conservation potential for 2018-2027 and to begin to set annual and biennial targets for the 2018-2019 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% or less than 80% 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, 2017; draft program details, including budgets, by September 1, 2017; and draft program tariffs by October 1, 2017.

(4) Annual Budgets and Energy Savings.

- (a) 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 the 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. Avista must demonstrate the cost-effectiveness of its conservation programs to the Commission after the savings are achieved. *See* RCW 19.285.040(1)(e).

- (b) When Avista proposes a new program, it must present the program to the Advisory Group with program details fully defined. After consultation with the Advisory Group in accordance with WAC 480-109-110(1)(h), Avista must file a revision to its currently filed DSM Business Plan in this Docket.
- (c) Avista must spend a reasonable amount of its conservation budget on 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. Evaluation reports involving analysis of both program impacts and process impacts of the programs evaluated in the prior year must be part of the Annual Report on Conservation Acquisition described in WAC 480-109-120(3)(v).
- (d) An independent third-party review of portfolio-level electric energy savings reported by Avista for the 2016-2017 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 2016-2017 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 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.
- (d) Avista may ask the Commission to modify this spending limit following full Advisory Group consultation.

(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.

(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 initiative are not funded through the Electric 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 cost recovery tariff (Schedule 91) by June 1 each year, with requested effective date of August 1 of that same year.

(10) Conservation Potential Assessment

- (a) Avista must calculate its achievable conservation potential within the resource selection model of the integrated resource plan. Avista may utilize a third-party consultant for identification of the Company's technical potential, for gathering measure-specific details such as relevant ramp rates, measure price and availability, and for providing additional technical information necessary for Avista to perform the conservation potential assessment within the Company's integrated resource plan.