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April 12, 2021

Mark L. Johnson
Executive Director and Secretary
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

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State Of WASH.
UTIL. AND TRANSP.
COMMISSION

RE: Avista Corporation Affiliated Interest Filing pursuant to RCW 80.16.020

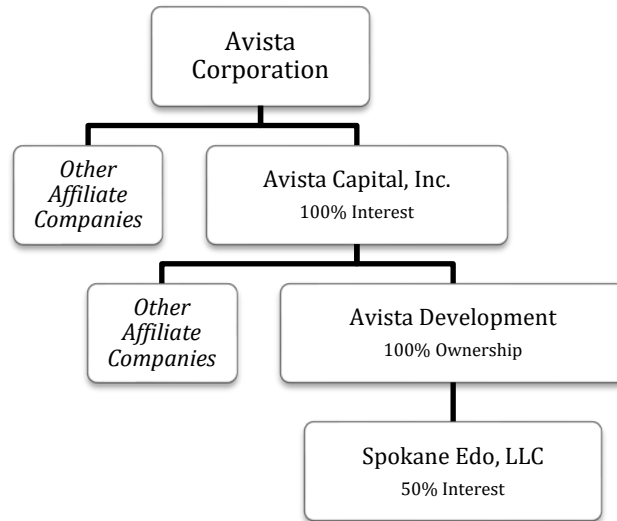
Dear Mr. Johnson:

Pursuant to RCW 80.16.020 and WAC 480-100-245, please find enclosed for electronic filing with the Commission a “Professional Service Agreement” (PSA or “Agreement”) between Avista Corporation (“Avista”) and Spokane Edo, LLC (“Edo”), an affiliate of Avista. Avista is providing notice to the Commission that it is Avista’s intent to enter into an Agreement with Edo to provide Avista with a monitoring-based commissioning program called “Active Energy Management” (AEM), designed to achieve energy efficiency savings through Avista’s Demand Side Management (DSM) program. With this filing, Avista hereby requests Commission approval of the Agreement (or otherwise take no action), attached hereto as Confidential Attachment A.

Background

As illustrated in the organizational chart below, Avista Development, Inc. (“Avista Development”), a subsidiary of Avista Capital Inc. and, by extension, Avista Corporation, holds a 50% ownership interest in Edo. Consequently, Edo is an affiliate. The Professional Service Agreement is attached hereto as Confidential Attachment A.

Organizational Chart



About Edo and AEM

Edo is a joint venture between Avista Development and McKinstry Co., LLC (“McKinstry”), combining more than 200 years of experience in the built environment and energy sector in order to scale solutions to address and combat climate issues. Edo operates under the understanding that distributed, renewable generation should be a priority to meet collective social and economic goals. As such, their focus is on establishing new pathways for energy efficiency that create visibility to energy demand so that supply and demand can be dynamically managed to produce reliable, cost-effective, low-carbon energy services for customers. The partnership model facilitated by Edo will offer Avista a unified system that leverages Advanced Meter Infrastructure (“AMI”), in-house methodologies, and support services to create new opportunities for energy efficiency within the built environment.

Edo offers a proprietary programmatic mix of Strategic Energy Management, Monitoring-Based Commissioning and Fault Detection Diagnostics, all of which contribute to addressing and overcoming the barriers that exist within the built environment. Avista considers Edo to be the sole provider of such offerings within its Washington service territory, and is unaware of any other potential vendors that offer a comparable level of expertise combined with their ties within the Avista-served community itself.

Avista and Edo plan to partner to implement an AEM Pilot and Training Program (“Pilot”) that will enable Avista to provide AEM to customers. AEM is an operational energy efficiency program that leverages advanced data collection and analytics to identify energy savings opportunities and provide root cause-based resolution. The Pilot leverages Fault Detection and Diagnostics (FDD) software, combined with engineering support services, and is designed to be supported by Edo but delivered to customers by Avista. Edo will support Avista representatives in the development of AEM skills and processes that combine data acquisition, analytics, and the implementation of energy efficiency recommendations.

The Pilot will also establish a jointly-staffed operations center than will create an opportunity for Avista staff to learn new techniques for energy management while seeing the impacts of targeted energy efficiency and demand management at scale. This will provide new insights for future resource planning, evaluation of non-wire alternatives and deepened customer relationships. The objective of this collaboration is to demonstrate a utility energy management system that aligns incentives toward common goals across the utility and its customers, which includes identifying energy efficiency savings as well as reducing carbon emissions at customer sites. While the detailed steps of the Pilot are outlined in the *Scope of Work* section of Exhibit A (SOW or “Statement of Work”) within Confidential Attachment A, below is a summary of some primary terms contained within the Pilot’s SOW. In accordance with these terms, Edo has agreed to:

- a) Provide support in establishing comprehensive data collection and management.
- b) Work with and train Avista to identify building-level opportunities and faults.
- c) Summarize all recommended actions and savings potential.
- d) Support both recruitment and customer service to drive implementation of energy management measures.

Additionally, in the first stage of this engagement, Edo will provide Avista with the following:

- Create a charter in collaboration with Avista to lay out the framework for the Pilot;
- Collaborate with Avista to create branding for the Pilot and marketing materials;
- Provide training for Avista personnel for implementation and use of the program and its tools;
- Assist in identifying potential Pilot customers within Avista’s service territory;
- Develop a framework and the support needed to conduct customer outreach;
- Create a plan for the roll out, site set up, and implementation to Avista for approval;
- Undertake initial AEM activities including collecting initial data, establishing data feeds, and determining a method to report on all Key Performance Indicators;

- Provide ongoing optimization support for energy management activities; and
- Provide an annual report summarizing the activities during the program year.

In support of its exploration into AEM, Avista's Energy Efficiency team held a meeting with its Energy Efficiency Advisory Group (EEAG) on June 19, 2020 to discuss AEM as part of its Eco-District Energy Efficiency Pilots overview. This meeting focused on AEM as a concept of data-driven approaches to energy efficiency rather than equipment-based approaches. It was explained that the AEM approach leveraged energy use data to identify opportunities and provides pathways for Demand Response capabilities. While this engagement with the EEAG was early in its development of the AEM Pilot, the EEAG was supportive of these endeavors and provided positive feedback. With this support, and the understanding that the Edo collaboration will support program activities that will benefit Avista's Energy Efficiency program, the \$1,150,000 budget for the nearly three-year Pilot will be funded by Avista's DSM Tariff Riders (Schedule 91 and Schedule 191).

Terms of the Agreement

A summary of the primary terms of Agreement, a copy of which has been included as Confidential Attachment A, are as follows:

- The Agreement will become effective upon approval by the Commission; if the Agreement is not approved by the Commission, the Agreement will be considered null and void, and all obligations of Avista waived.
- If approved by the Commission, the Agreement will remain in effect until January 30, 2024, unless terminated at an earlier date in accordance with the terms of the Agreement or extended by mutual written Agreement between Edo and Avista.
- In return for the satisfactory performance of the services as outlined in the Agreement's *Statement of Work*, Avista will pay Edo the lump sum amount of \$1,150,000 (plus tax).
- Edo shall comply with Avista's Data and System Privacy and Security Exhibit (incorporated into the Agreement as "Exhibit B") while performing any services under the Agreement.

The Agreement with Edo is in the Public Interest

Avista's Energy Efficiency program operates under the rules set forth in WAC 480-109-100 that requires the utility to pursue all available conservation that is cost-effective, reliable, and feasible. The Pilot developed by Edo allows an additional opportunity for Avista and its customers

to benefit from energy efficiency and to expand their knowledge regarding the possibilities with AEM. With an ever-evolving landscape like energy efficiency, Avista is constantly faced with the challenge of obtaining more conservation while in codes and standards continue to drive towards cleaner energy and higher efficiency requirements. AEM provides an innovative, data-driven approach towards energy efficiency that leverage technologies such as AMI to further provide value to customers by equipping them to better understand how they use energy. For the reasons discussed herein, Avista believes this Professional Services Agreement is in the public interest. Avista respectfully requests that the Commission complete its review of this Agreement and promptly notify the Company if it believes that the agreement is inconsistent with public interest.

In accordance with WAC 480-07-160, Avista Corporation requests confidential treatment of the Professional Service Agreement provided in Attachment A. This Attachment is marked “Confidential”.

Please direct any questions regarding this filing to Ryan Finesilver at (509) 495-4873 or Jaime Majure at (509) 495-7839.

Sincerely,

A handwritten signature in black ink that reads "Patrick D. Ehrbar". The signature is written in a cursive, flowing style.

Patrick D. Ehrbar
Director of Regulatory Affairs
Avista Utilities
509-495-8620
Pat.Ehrbar@avistacorp.com

Enclosure