

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

AVISTA CORPORATION'S

Report Identifying Its 2018-2019 Electric  
Biennial Conservation Target Under  
RCW 19.285.040 and WAC 480-109-120

DOCKET UE-171091

ORDER 01

ACCEPTING AVISTA  
CORPORATION'S  
CALCULATION OF ITS 2018-2019  
BIENNIAL CONSERVATION  
TARGET; IMPOSING  
CONDITIONS; AUTHORIZING  
AND REQUIRING COMPLIANCE  
FILING

**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.<sup>1</sup> The Washington Utilities and Transportation Commission (Commission) promulgated rules implementing the EIA, which further require that each utility must file a report with the Commission identifying its 10-year achievable conservation potential and its biennial conservation target every two years.<sup>2</sup>
- 2 On November 1, 2017, Avista Corporation (Avista or Company) filed its Biennial Conservation Plan (BCP). The Company filed replacement pages on December 7, 2017.

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<sup>1</sup> RCW 19.285.040(a) requires each electric utility to identify its 10-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 10-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.

<sup>2</sup> WAC 480-109-120.

The BCP identifies a 2018-2027 10-year achievable conservation potential of 368,000 megawatt-hours (MWh), and a 2018-2019 biennial conservation target of 79,785 MWh.

3 Table 1 summarizes the derivation of Avista's biennial target.

**Table 1. Development of Avista's 2018-2019 Biennial Conservation Target**

<b>Savings Category</b>	<b>Savings (MWh)</b>
Pro Rata Share of 10-year Conservation Potential <i>(includes NEEA savings, as identified within the CPA)</i>	73,636
Less NEEA	(9,986)
Behavioral Program Savings	15,386
Distribution and Street Light Efficiency	749
<b>2018-2019 Biennial Conservation Target</b>	<b>79,785</b>

4 The BCP provides budget details regarding Avista's plan for achieving the savings identified in its biennial conservation target and total portfolio. Excluding electric-to-gas fuel conversion programs, which are not counted towards Avista's BCP target, the Company's 2018-2019 budget is \$22.5 million, which is approximately the same as its budget for the 2016-2017 biennium. Avista's BCP also includes a proposed conservation budget, which allocates \$9,037,000 to electric to gas fuel conversion programs.<sup>3</sup> A summary of this information is provided below in Table 2.

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<sup>3</sup> On January 5, 2017, the Commission issued a Notice of Intent to Address Fuel Conversion Program in Pending General Rate Case Proceeding. The Notice informed parties that the Commission prefers to address Avista's fuel conversion program in the Company's general rate case proceeding in Dockets UE-170485 and UG-170486, which will allow for a more fully developed record, including opportunities for cross-examination and briefing on this issue. The Commission invited parties who wish to present additional testimony on the programs to do so orally at the evidentiary hearing scheduled in those dockets. In addition, the Commission admitted comments filed by The Energy Project, the Public Counsel Unit of the Attorney General's Office, Commission Staff, Mr. John Powell, and the NW Energy Coalition into the record will consider them in the course of the general rate case proceeding.

5 **Table 2. Savings and Budgets from Avista’s 2016-2017 and 2018-2019 BCPs**

<b>Program</b>	<b>2016-2017 BCP Target Savings (MWh)</b>	<b>2016-2017 Budget</b>	<b>2018-2019 BCP Target Savings (MWh)</b>	<b>2018-2019 Budget</b>
Residential	35,446	\$2,883,000	40,420	\$3,214,000
Low-income	1,037	\$1,883,000	1,400	\$2,066,000
Non-Residential	45,831	\$9,028,000	41,960	\$6,943,000
NEEA	6,220	\$2,800,000	9,980	\$2,800,000
Administration/Other	-	\$6,072,000	-	\$7,480,000
<b>Total</b> *excludes fuel conversions	<b>88,533</b>	<b>\$22,666,000</b>	<b>93,760</b>	<b>\$22,500,000</b>
<b>Electric-to-Gas Fuel Conversion Programs</b>	<i>not considered EIA savings</i>	\$4,102,000	<i>not considered EIA savings</i>	\$9,037,000
<b>Total</b>	<b>-</b>	<b>\$26,769,000</b>	<b>-</b>	<b>\$31,537,000</b>

Avista expects its portfolio to achieve a Total Resource Cost (TRC) ratio of 1.8 and a Utility Cost Test (UCT) ratio of 2.7, indicating that the portfolio is still cost-effective.

6 Commission staff (Staff) filed comments in this docket detailing its evaluation of the Company’s filing. Overall, Staff is satisfied with Avista’s 2018-2019 BCP, which demonstrates the Company’s strong commitment to pursue all reliable, cost-effective conservation. The Company’s Conservation Potential Assessment appears to have followed the Northwest Power and Conservation Council’s methodology, accurately captured the rapidly evolving energy efficiency industry, and supports the Company in setting a target for the upcoming biennium.

7 Staff is concerned, however, with the Company’s approach to calculating its target. Staff recommends that the Commission require Avista and the other electric utilities to discontinue excluding savings generated by the Northwest Energy Efficiency Alliance (NEEA) from their biennial conservation targets. As Staff notes in its comments, all three companies fund and actively collaborate with NEEA, a nonprofit regional market transformation group comprised of over 140 Northwest utilities and energy efficiency organizations. The companies fund certain NEEA programs and, in turn, achieve conservation savings in proportion to their level of funding. Beginning in the 2014-2015 biennium, the Commission granted the companies’ request to exclude NEEA savings from their conservation targets because NEEA’s savings were not wholly within the companies’ control.

8 In comments filed in all three of the utilities' BCP dockets, Staff articulated several concerns about continuing the practice of excluding NEEA savings from the EIA target.

9 First, Staff argues that the risk of missing a target because NEEA is not within the companies' control has been all but eliminated. Since the 2014-2015 biennium, NEEA has over delivered on its projected savings.

10 Second, Staff also argues that excluding NEEA savings is inconsistent with the state's treatment of consumer-owned public utilities, which must include NEEA savings in their target calculations. Third, Staff contends that excluding NEEA savings prevents those savings from being claimed as excess, thereby preventing ratepayers from realizing actual value generated by ratepayer-funded conservation programs.

11 Finally, Staff believes that including NEEA savings will contribute to utility support for NEEA, which Staff perceives to be inconsistent at times.

12 Staff recommends the Commission approve a biennial conservation target of 89,771 MWh – which represents the Company's proposed target of 79,785 MWh, plus 9,986 MWh in NEEA savings – with a corresponding decoupling commitment of 4,489 MWh, which represents 5 percent of the total savings target. Additionally, Staff recommends the Commission impose a number of commitments, agreed to by Staff and the Company, as set out in detail in Attachment A to Staff's memo. In summary, Avista will commit to:

- Continue pursuing regional electric market transformation
- Continue to use its advisory group and Integrated Resource Planning advisory group, including notifying and consulting with the Groups in a variety of circumstances
- Provide its proposed budget and maintain conservation tariffs with program descriptions on file with the Commission
- Spend a reasonable amount of its conservation budget on evaluation, measurement, and verification, and commit to a number of related requirements
- Conduct an independent third-party review of portfolio-level electric energy savings
- Spend no more than 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 Northwest Power and Conservation Council
- Ensure the Company's portfolio passes the TRC test
- Provide calculations of the Program Administrator Cost Test
- Use funds collected through the Electric Conservation Service Rider only on approved conservation programs and their administrative costs

- Continue to review the feasibility of pursuing cost-effective conservation by reducing electric power consumption at electric power production facilities the Company owns in whole or in part
- Follow a protocol to prevent double-counting of efficiency savings achieved at electric power production facilities the Company owns in whole or in part, and consult with the Advisory Group prior to modifying this protocol

- 13 The Commission received comments from several parties related to various issues identified in the Company's BCP, which are summarized below.
- 14 Mr. John Powell filed comments on November 29, 2017, suggesting Avista adopt, in its target-setting process, a reasonable estimate of the acquisition potential that could be derived from a historic review of the performance of the site-specific program. Mr. Powell also identified three additional issues related to the design and implementation of the Company's conservation programs, and recommends that Avista: 1) complete a Request for Proposals for additional resources, 2) address potential compromise issues related to the independence of Avista's third party evaluator, and 3) periodically review the membership of the advisory group and complete a general solicitation for new members.
- 15 NW Energy Coalition (NWECC) filed comments on December 1, 2017. NWECC points out that Avista's electricity fuel mix should become cleaner and less emissions-intensive over time as Avista works toward meeting its renewable targets under the EIA, and as coal plants retire.
- 16 Utility Conservation Services, LLC (UCONS) filed comments on December 1, 2017, raising concerns related to Avista's efforts with hard-to-reach markets. UCONS reminds Avista that it must pursue all cost-effective conservation, including within the manufactured home sector. UCONS further suggests the Commission consider conducting workshops on this issue, including initiating a rule-making to enhance conservation efforts and spur innovation.
- 17 The Public Counsel Unit of the Washington State Attorney General's Office (Public Counsel) also filed comments on December 1, 2017. Public Counsel expressed concerns about Avista's proposed behavior program savings pilot. In particular, Public Counsel questions how Avista's proposed 15,386 MWh will be achieved by ending the Opower/Oracle Home Energy Reports. Public Counsel believes the Company should disperse the 15,386 MWh savings allocated to behavioral savings to other residential and nonresidential programs instead of relying on possible savings from the pilot program.

- 18 On December 18, 2017, Avista, Puget Sound Energy, and Pacific Power (collectively, the Companies) responded to Staff's comments. The Companies disagree with Staff's recommendation that NEEA savings be included in the EIA target for the 2018-2019 biennium. The Companies argue that: 1) their support of NEEA has been unwavering; 2) including NEEA savings in the Companies' enforceable targets would inappropriately shift the risk of NEEA achieving its goals to the Companies; 3) electric savings reported to Department of Commerce is consistent with reports of public utilities; 4) any change in goal setting should be vetted with each of the Companies' advisory groups; and 5) Companies should not unduly benefit if NEEA exceeds its targets.
- 19 On December 19, 2017, Public Counsel also filed a response to Staff's comments. Public Counsel disagrees with Staff's recommendation and analysis. In its response, Public Counsel argues that: 1) Staff's recommendation regarding NEEA savings should have been discussed with the advisory group pursuant to WAC 480-109-110(1); 2) excess conservation savings are not guaranteed; 3) inclusion of NEEA in the target will result in less conservation; 4) Staff's concern about consistency with public utilities has already been addressed through revised reports to Commerce; 5) including NEEA savings in the target is contradictory to state policies on conservation; and 6) there is no evidence of wavering support for NEEA.
- 20 Accordingly, Public Counsel recommends that the Commission allow the advisory groups and all interested parties to discuss the Companies' BCPs before the Commission renders a decision. In the alternative, Public Counsel recommends the Commission accept the Companies' exclusion of the NEEA savings but require the advisory groups to discuss these issue in the next BCP cycle.
- 21 On December 27, 2017, Staff filed a response to stakeholder comments regarding NEEA savings in the 2018-2019 BCPs. In its response, Staff clarifies that only NEEA program measure savings are included in Staff's recommended target. In addition, Staff clarifies that the Companies are expected to support NEEA's efforts towards market transformation, as long as those efforts deliver cost-effective conservation. Staff argues that including NEEA in the target appropriately places risk on the Companies, and agrees that reporting to Commerce has become consistent. Finally, Staff argues that the treatment of NEEA savings was previously raised with the Companies, and that there is no consensus within any of the Companies' advisory groups about whether to include or exclude NEEA savings.
- 22 The Commission heard additional comments from stakeholders at its recessed open meeting on January 10, 2018. Staff argued that consumer-owned utilities are required by

the Department of Commerce to include NEEA savings in their conservation target calculations, and raised the issue that the EIA may require the inclusion of all savings in target calculations.

- 23 Avista noted that the Company does not want to assume the risks associated with adopting a target based on a third-party's savings projection. The Company ultimately believes that this issue should be further addressed within its advisory group.
- 24 NWEC argued that the Companies should be fully committed to NEEA, which is invested in long-term regional market transformation. NWEC expressed concerns, however, that utility influence could have the unintended consequence of steering NEEA towards setting short-term goals if the Companies are required to include NEEA savings in their targets.
- 25 Public Counsel recommended the Companies take the NEEA savings issue back to their advisory groups and include all stakeholders in the discussion.
- 26 In response, Staff argued that the Companies are unlikely to reach a consensus within their advisory groups, and suggested the Commission require the formation of a joint advisory group to address the inclusion of NEEA savings in conservation targets.

## **DISCUSSION**

### **Conservation Target**

- 27 We accept Avista's calculation of its conservation target, but require the Companies to form a joint advisory group with all stakeholders, including the Department of Commerce, to engage in further discussions about whether NEEA savings should be included in conservation target calculations going forward.
- 28 At this juncture, a number of unresolved issues hinder us from making a fully informed decision regarding the inclusion of NEEA savings. On one hand, we sympathize with the Company's position that relying on an outside entity to achieve a portion of its EIA target creates a risk that can otherwise be avoided if the Company undertakes its own conservation efforts. Conversely, we recognize that the Company retains full authority to direct its funding to specific projects, and therefore exercises some degree of control over NEEA's programs. Moreover, NEEA savings comprise a relatively small portion of the Companies' overall conservation targets. We also recognize that NEEA engages in cost-effective, reliable, and feasible market transformation programs consistent with the standards set out in RCW 19.285.040.

29 We nevertheless conclude that a special joint advisory group is the most appropriate forum to address these issues in a comprehensive and collaborative manner. Based on the parties' representations, advisory group discussions related to NEEA savings have waned. Whether the conversation has stalled due to disagreement or miscommunication, it is evident that a broader, more in-depth discussion that includes all stakeholders is warranted. By way of guidance for the parties, those discussions should address whether to include the various subsets of NEEA savings, whether the EIA requires that NEEA savings are included in target calculations, consistency with target setting requirements for consumer-owned utilities, and the degree of control the Companies have over NEEA's execution of its programs. We expect those conversations to occur in calendar year 2018.

30 Accordingly, we accept the Company's calculation, which excludes NEEA savings, for the purpose of setting a conservation target for the 2018-2019 biennium. We reserve judgment related to the issue of whether NEEA savings should be included in conservation targets in subsequent biennia pending the joint advisory group's submission of its findings and recommendations.

### **Decoupling Target**

31 Pursuant to a partial settlement approved by the Commission in Avista's 2014 general rate case, Avista agreed to include a decoupling commitment in its BCP equal to 5 percent of its biennial conservation target, modelled on a Commission-approved settlement involving PSE.<sup>4</sup> At the time the settlement was approved, the Commission allowed the exclusion of NEEA savings.

32 During the recessed open meeting, we learned that the Companies are using different assumptions to calculate decoupling conservation targets based on whether NEEA savings were included in biennial conservation targets at the time their respective decoupling programs were approved. This variation warrants further attention and clarification. The Companies agreed at the recessed open meeting to calculate their decoupling conservation targets based on total conservation achievement, including NEEA savings, for the 2018-2019 biennium, pending further direction from the Commission. Our decision regarding whether NEEA savings should be included in setting EIA targets will necessarily clarify how decoupling targets should be calculated going forward.

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<sup>4</sup> *WUTC v. Avista Corporation d/b/a Avista Utilities*, Dockets UE-140188 and UG-140189, Order 05 ¶26 (November 25, 2014); see also *WUTC v. Puget Sound Energy*, Docket UE-121697 et al, Order 07 (June 25, 2013).



33 Accordingly, the Commission accepts Avista's calculation of its 2018-2019 biennial conservation target of 79,785 MWh with a corresponding decoupling conservation target of 4,489. We also impose the agreed conditions set out in Attachment A to Staff's memo, as amended by this Order, which is attached as Attachment A to, and incorporated into, this Order.

### FINDINGS AND CONCLUSIONS

- 34 (1) The 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.
- 35 (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).
- 36 (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).
- 37 (4) On November 1, 2017, Avista filed with the Commission its 2018-2019 Biennial Conservation Report identifying the Company's 2018-2027 10-year achievable conservation potential and 2018-2019 biennial conservation target.
- 38 (5) Avista's calculation of its 2018-2019 biennial conservation target of 79,785 megawatt-hours is consistent with RCW 19.285.040(1) and WAC 480-109-120(1).
- 39 (6) It is in the public interest to accept Avista's biennial conservation target, as authorized by RCW 19.285.040(1)(e) and WAC 480-109-120(5).
- 40 (7) It is in the public interest to impose the conditions agreed to by the Company and Staff as set out in Attachment A to this Order.
- 41 (8) Avista should be required to file a revised BCP reflecting a decoupling conservation target of 4,489 megawatt-hours.

**ORDER**

**THE COMMISSION ORDERS:**

- 42 (1) Avista Corporation d/b/a Avista Utilities' 2018-2019 biennial conservation target of  
79,785 megawatt-hours is accepted.
- 43 (2) The Commission imposes the agreed conditions set out in Attachment A to this  
Order.
- 44 (3) Avista Corporation d/b/a Avista Utilities is authorized and required to submit a  
compliance filing updating its Biennial Conservation Plan to reflect a decoupling  
conservation target of 4,489 megawatt-hours.
- 45 (4) The Commission waives the requirement for 30 days' notice to the advisory group  
required by WAC 480-109-110(3) for purposes of this filing.
- 46 (5) The Commission retains jurisdiction over this matter for purposes of effectuating  
this order.

DATED at Olympia, Washington, and effective January 12, 2018.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner

ATTACHMENT A

**Proposed Conditions for 2018-2019 Avista Electric Conservation**

- (1) **Ten-Year Potential/Biennial Conservation Target – Approval and Conditions.**
  - a. The following conservation targets are approved for the Avista Corporation (Avista or Company), 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.
    - i. *Biennial conservation target:* 79,785 megawatt-hours (as measured at the customer meter).
    - ii. *Decoupling commitment:* 4,489 megawatt-hours, Pursuant to Order 5 of Docket Nos. UE-140188 and UG-140189.
  - 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 10-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 utilized in the development of the company's integrated resource plan, as these assumptions will inform the 10-year conservation potential.

- (c) Avista must consult with the Advisory Groups starting no later than July 1, 2019, to begin to identify achievable conservation potential for 2020-2029 and to begin to set annual and biennial targets for the 2020-2021 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 percent or less than 80 percent of its annual conservation budget.
  - (e) Prior to filing the Biennial Conservation Plan, Avista shall provide the following information to the Advisory Group: draft 10-year conservation potential and two-year target by August 1, 2019; draft program details, including budgets, by September 3, 2019; and draft program tariffs by October 1, 2019.
- (4) **Annual Budgets and Energy Savings.** 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 its 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.
- (b) When Avista proposes a new or significant change to a program, pilot or tariff schedule, it must present the program to the Advisory Group with program details fully defined, to the extent practicable. After consultation with the Advisory Group in accordance with WAC 480-109-110(1)(h), Avista must file a revision to its currently filed Conservation Plan in this Docket.
- (c) Avista must spend a reasonable amount 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 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.
- (d) An independent third-party review of portfolio-level electric energy savings reported by Avista for the 2018-2019 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 2018-2019 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 the Northwest Power and Conservation Council (Council) methodology and the Energy Independence Act.
  - (c) Conservation Efforts without Approved EM&V Protocol — Avista may spend up to 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. Avista may ask the Commission to modify this spending limit, following Advisory Group consultation.
    - (i) Information-only services refers to those information services that are not associated with an active incentive program or that include no on-site technical assistance or on-site delivery of school education programs. Information-only services and behavior change services shall be assigned no quantifiable energy savings value without full support of the Advisory Group.
    - (ii) If quantifiable energy savings have been identified and Commission-approved for any aspect of such programs, the budget associated

with that aspect of the program will no longer be subject to this 10 percent spending restriction.

**(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.
- (d) Avista will participate in any efforts to evaluate new cost-effectiveness test methodologies, as requested by the Commission.

**(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 initiatives are not funded through the Electric Conservation 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 its cost recovery tariff (Schedule 91) by June 1 each year, with requested effective date of August 1 of that same year. If Avista files its cost recovery tariff early, a Draft Annual Report with completed savings evaluations shall accompany the filing.

**(10) Additional Commitments**

- (a) Avista will continue to review the feasibility of pursuing cost-effective conservation in the form of reduction in electric power consumption resulting from increases in the efficiency of energy use at electric power production facilities it owns in whole or in part. Avista's Annual Report will include updates regarding production efficiency activities in power production facilities operated by Avista and, to the extent practicable, facilities wholly or partially owned by Avista that are not operated by the Company.
- (b) To avoid double-counting of efficiency savings achieved at electric power production facilities owned in whole or in part by Avista, the Company will develop a protocol for how savings will be claimed, with advice and review provided by the Advisory Group. If a protocol is established, Avista will consult with the Advisory Group prior to modifying it.