**Attachment A**

**Proposed 2014-2015 BCP Conditions for Avista Corporation**

(1) Ten-Year Potential/Biennial Conservation Target – Approval and Conditions.Avista Corporation’s 2014-2023 Ten-Year Achievable Electric Conservation Potential of 404,736 megawatt-hours and 2014-2015 Biennial Conservation Target of 64,956 megawatt-hours are approved with conditions pursuant to RCW 19.285.040(1)(e) and WAC 480-109-120(1)(b)(iii-v). This approval is subject to the Conditions described in Paragraphs (2) through (11) below.

(2) **Company Retains Responsibility.** Nothing in this Order relieves Avista Corporation of its sole responsibility to comply with RCW 19.285, which requires Avista Corporation 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 Corporation’s operational authority nor its ultimate responsibility for meeting the biennial conservation target approved herein.

(3) **Advisory Group**.

(a) Avista Corporation must maintain and use an external conservation Advisory Group of stakeholders to advise Avista Corporation on the topics described in subparagraphs (i) through (ix) below. Avista’s Advisory Group shall advise on the following:

 (i) (1) Updates to the evaluation, measurement, and verification (EM&V) framework as implemented by Avista Corporation which guides its approach to evaluation, measurement, and verification of energy savings. This framework must be reflected in the Biennial Conservation Plan for each subsequent biennium; and

 (2) Modification of existing or development of new EM&V conservation plans based on Avista’s current evaluation, measurement and verification framework.

 (ii) Development of conservation potential assessments under RCW 19.285.040(1)(a) and WAC 480-109-100(2) consistent with condition (3)(d) below.

 (iii) Guidance to Avista Corporation regarding methodology inputs and calculations for updating cost-effectiveness.

 (iv) Data sources and values used to update supply curves.

 (v) Need for tariff modifications or mid-course program corrections.

 (vi) 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 low income.

(viii) Comparing program achievement results with annual and biennial targets.

 (ix) Conservation program budgets and actual expenditures compared to budgets. Avista Corporation shall inform the Advisory Group members when its expenditures indicate that Avista Corporation will spend more than 120 percent or less than 80 percent of annual conservation budget. Avista may provide this information in its quarterly newsletter, as total year-to-date expenditures and as total year-to-date expenditures as a percent of the annual conservation budget.

(b) The Advisory Group shall meet four times per year at a minimum, including at least two face-to-face meetings. Avista Corporation must permit any member to request an additional meeting of the Advisory Group with reasonable notice.

(d) Avista Corporation will notify the Advisory Group of public meetings scheduled to address energy efficiency components of Avista Corporation’s integrated resource plan and provide an opportunity for Advisory Group participation in such meetings. Avista Corporation will also provide the Advisory Group 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 Corporation’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.

(e) Avista Corporation shall provide the Advisory Group an electronic copy of all evaluation reports once completed for Washington DSM programs.

(4) **Annual Budgets and Energy Savings**.

(a) Avista Corporation 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 projected energy savings. In odd-numbered years, the annual budget may be submitted as part of the Biennial Conservation Plan required under Paragraph 8(e) below. In even-numbered years, the annual budget may be submitted as part of the DSM Business Plan required under Paragraph 8(b) below.

(b) Avista Corporation 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. These budget documents shall be provided in electronic format with formulae intact.

(5) **Program Details**. Avista Corporation 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 Avista Corporation’s DSM Business Plan. Avista Corporation may propose other methods for managing its program details in the Biennial Conservation Plan (BCP) required under Paragraph 8(e) 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 Corporation 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 Corporation 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) Except as provided in subparagraph (6)(c), Avista Corporation must use the Council’s Regional Technical Forum’s (RTF’s) ”unit energy savings” (“UES”) and approved methods and protocols for electricity measures and distribution efficiency when available. As of the date of this Order, the RTF maintains a Web site at <http://www.nwcouncil.org/energy/rtf/>.

(c) When no RTF UES or method exists, and if Avista Corporation uses savings estimates, methods or protocols that differ from those established by the RTF, such estimates, methods or protocols must be based on generally accepted impact evaluation data and/or other reliable and relevant source data that has verified savings levels, and be presented to the Advisory Group for review.

(d) When Avista Corporation proposes a new program, it must present it to the Advisory Group for comment with program details fully defined. In addition, Avista Corporation must present to the Advisory Group its proposed evaluation plan for the new program. After consultation with the Advisory Group in accordance with Paragraph 3 above, Avista Corporation must file a revision to its DSM Business Plan in this Docket. The revision may be acknowledged by placement on the Commission’s No Action Open Meeting agenda.

(e) Avista Corporation must provide opportunities for the Advisory Group to review and advise on the development of evaluation, measurement and verification plans for conservation programs. See Paragraph 3(a)(i) above.

(f) Avista Corporation 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 Corporation 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. 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 Paragraph 8(b) below.

(g) An independent third-party review of portfolio-level electric energy savings reported by Avista Corporation for the 2014-2015 biennial period, from existing conservation programs operated during that period shall be conducted. The independent third-party evaluator shall be selected through an RFP process. A final report for the 2014-2015 biennium shall be submitted as part of Avista’s two-year report on conservation program achievement, required by condition 8(e) below. The report shall be finalized and filed in this docket no later than June 1, 2016, and may be implemented in phases and delivered as a final product at an earlier date, as needed by Avista Corporation.

(h) As part of Avista Corporation’s biennial conservation acquisition efforts, Avista Corporation commits to continuing to pursue regional electric market transformation in this biennium.

(7) **Program Design Principles**

(a) All Sectors Included — Avista Corporation 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 Corporation’s DSM Business Plan, as appropriate.

(b) Outreach on Programs — Avista Corporation must establish a strategy and proposed implementation budget for informing participants about program opportunities in the relevant market channels for each of its energy efficiency programs. Avista Corporation 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 Corporation must offer a cost-effective portfolio of programs as defined in part (10)(a) in order to achieve all available conservation that is cost-effective, reliable, and feasible. Programs and incentives may be directed to consumers, retailers, or trade allies, as appropriate for measures that save energy. Incentive levels and other methods of encouraging energy conservation need to be periodically examined to ensure 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 EM&V plans or measurable acquisition – Avista Corporation 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 Council’s cost-effectiveness test. These programs may include educational, behavior change, and pilot projects. Avista Corporation may ask the Commission to modify this spending limit following full Advisory Group consultation.

(8) **Required Reports and Filings**

Avista Corporation must file the following:

(a) By November 1 of each even-numbered year, the following year’s DSM Business Plan, containing any changes to program details and an annual budget.

(b) An Annual Conservation Report (ACR)for the previous year, including an evaluation of cost effectiveness and comparing budgets to actual, by June 1 of the following year.

(c) A cost recovery tariff by June 1 of each year, with requested effective date of August 1 of that same year.

(d) A report identifying its ten-year achievable potential and its biennial conservation target (Biennial Conservation Plan, or BCP), including revised program details and program tariffs by November 1 of every odd year, requesting effective date of January 1 of the following even year.

(e) Two-year report on conservation program achievement (Biennial Conservation Report, or BCR) by June 1 of every even year. This filing is the one required in WAC 480-109-120(3) and RCW 19.285.070, which require that the report also be filed with the Washington Department of Commerce.

(g) Annual Conservation Plans apply to the odd year of a biennium. Biennial Conservation Plans address an even and odd year combination.

(9) **Required Public Involvement in Preparation for the 2016-2017 Biennium**

(a) Consistent with condition 3(d), Avista Corporation must provide the Advisory Group with an opportunity to discuss and inform the scope and design of a 10-year conservation potential analysis, which shall be completed by November 1, 2015. *See* RCW 19.285.040(1)(a); WAC 480-109-100(2). This must be based on a current conservation potential assessment study of Avista Corporation’s service area within Washington State. This may be conducted within the context of Avista Corporation’s integrated resource plan. If Avista Corporation 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) Consistent with condition 3(d), Avista Corporation must engage the Advisory Group beginning no later than July 1, 2015, to begin to identify achievable conservation potential for 2016-2025 and to begin to set annual and biennial targets for the 2016-2017 biennium, including necessary revisions to program details. *See* RCW 19.285.040(1)(b); WAC 480-109-100(3); and WAC 480-109-120(1).

(10) **Cost Effectiveness Test is the Total Resource Cost Test**

(a) The Commission uses the Total Resource Cost (TRC) test as its primary cost-effectiveness test. When the Council’s current practice baseline or similar baseline adjustment is not feasible, consistency with the Council methodology for determining cost-effectiveness can be achieved by excluding the costs and benefits associated with participants who would have adopted the measure in the absence of the program intervention.  Consistency with the Council methodology for determining cost-effectiveness also requires the inclusion of quantifiable non-energy costs and benefits, a risk adder, and a 10 percent conservation benefit adder.  Avista Corporation’s portfolio must pass the previously defined cost-effectiveness test.

(b) Avista Corporation 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) Avista Corporation must calculate cost-effectiveness at the portfolio and program levels. Conservation-related administrative costs must be included in portfolio-level analyses.

(11) **Recovery through an Electric Tariff Rider**

(a) Annual Filing — Avista’s annual tariff rider filing, required under Paragraphs (8)(c) above, will recover the future year’s budgeted expenses and any significant variances between budgeted and actual income and expenditures during the previous period.

(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.