Agenda Date: July 24, 2014
Item Numbers: D3 and D4

Dockets: UE-111882 and UG-141215
Company: Avista Corporation

Staff: Brad Cebulko, Regulatory Analyst
Chris McGuire, Regulatory Analyst

Recommendation

Issue an Order in Docket UE-111882 finding:

1. Avista Corporation complied with the June 1, 2014, reporting requirements pursuant to WAC 480-109-040;
2. Avista Corporation complied with Order 01 in Docket UE-111882;
3. Avista Corporation has achieved 171,570 megawatt-hours of conservation during the 2012-13 biennium. Within thirty days of the effective date of this order, Avista must file a revised report with the Washington Utilities and Transportation Commission and with the Department of Commerce to reflect this conservation achievement; and
4. Avista Corporation complied with Order 05 in Dockets UE-110876 and UG-110877.

Issue an Order in Docket UG-121026 finding:

1. Avista Corporation complied with Order 05 in Dockets UE-110876 and UG-110877.

Discussion

On May 30, 2014, as required by Order 01 of Docket UE-111882,[1] RCW 19.285.070(1), and WAC 480-109-040(1)(a), Avista Corporation (Avista or company) filed its "2012-2013 Biennial Electric Conservation Achievement" report with the Washington Utilities and Transportation Commission (commission). Avista reported that it had achieved 192,749 megawatt-hours of electric conservation during the 2012-2013 biennium, and had exceeded its biennial target of 108,589 megawatt-hours. Avista also reported that it had met all of the requirements of Order 01 over the course of the biennium. The company achieved 1,218,496 therms of natural gas conservation savings during the biennium, 46 percent of its Integrated Resource Plan target.

Staff recommends that Avista's conservation savings be reduced by 21,179 megawatt-hours, to a total biennial achievement of 171,570 megawatt-hours, because they may not count the savings from the 2011 CFL contingency plan.[2] Avista did not use a methodology consistent with those

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[1] *Avista Corp.*, Docket UE-111882, Order 01 (February 10, 2012) at ¶30(f).
[2] *Id.* at ¶24-25. Avista's CFL contingency plan consisted of a bulk mailing of a box of 8 compact fluorescent light bulbs to each of its customers. The mailing occurred between April and November, 2011. The commission initially accepted a proposal to count the savings over multiple years based on impact verification. The company discontinued the impact verification study before it was complete. Therefore, the company must use the RTF methodology to determine the savings.

used by the Northwest Power and Conservation Council, nor did it make sufficient use of its advisory group to develop the protocols for evaluating, measuring and verifying the savings from this program.

Due to the unusual circumstances of the CFL contingency plan, particularly the difference between the RTF methodology and the company's initial plan to count first-year savings in a later year, the company should have had direct and robust discussions with its advisory group on the issue in 2012 and 2013. Staff also disagrees with the company's interpretation of the appropriate RTF methodology. The 2011 RTF methodology reduced savings based on the assumption that some bulbs are not immediately installed and no adjustments were made for those bulbs possibly being installed in the future. If the company wanted to deviate from the RTF, the commission's order would require the company to provide additional analysis and documentation, which is not possible since the company discontinued the impact evaluation. Furthermore, the company should have included the planned savings in its 2012-2013 Biennial Conservation Plan and the 2012 Business Plan because it planned to claim the savings in those years.

Public Counsel was the only other party to file comments on Avista's report. Public Counsel's comments largely supported the conservation savings reported by Avista, but shared Staff's concerns with including the savings from the 2011 CFL contingency plan and with intra-company communication problems.

Public Counsel also noted that the company's distribution efficiency achievement is a highlight of the biennium. Using both the RTF and its own regression model, the company discovered that the two methods produced nearly identical results while the company's model was somewhat less burdensome to implement.[3] The company plans to submit its method to the RTF for further review as it may be an improvement on the current method. Public Counsel cited this as an excellent example of promising evaluation results that may have significant benefit for the company and the region, and Staff agrees.

Prudence of conservation programs and expenditures – Dockets UE-111882 and UG-141215

Pursuant to Order 05 of joint Dockets UE-110876 and UG-110877, every two years Avista is required to file with the Commission testimony and supporting evidence to demonstrate the prudency of its electric demand-side management (DSM) expenditures during the preceding biennium.

Order 05 in Dockets UE-110876 and UG-110877 states that,

[3] *Id. at* 77.

> The request provides for an alternative process in which the commission will review and rule on the prudency of Avista's electric and natural gas DSM expenditures. However, the request does not alter the Commission's examination of Avista's implementation of its natural gas decoupling program or any request to recover lost margins resulting from Avista's DSM programs in this proceeding. Avista is the only qualifying utility whose DSM expenditures are currently reviewed for prudency in a general rate case. Granting of the joint motion (Order) will align the prudency review process of Avista's DSM expenditures with the process of other qualifying utilities.[4]

In its first review under this order:

> The Commission agree[d] with Staff and Avista, however, that the ongoing review of Avista's electric DSM programs and expenditures that occurs under the process described in Part I.A above, and in Order 01, Docket UE-111882, is an important part of a prudence review, though it is not by itself necessarily determinative of prudence.[5]

The commission went on to suggest that revisions to the ongoing review could be addressed in the EIA docket.[6] Based on the discussion from these commission orders, staff believes it should continue to review the prudency of Avista's conservation programs consistent with the other qualifying utilities.

As part of the review process, staff uncovered, and highlighted in its comments, issues with the intra-company communication on the company's DSM team and the way the DSM team handled its process evaluations. The company is implementing a plan to remediate these known issues, including a reorganization of the DSM team and developing a new review process for site-specific projects. The company states that in a short time it will meet with staff, Public Counsel and the advisory group to discuss changes to the team and to plan its future actions. Staff is unconvinced that the company's 'Top Sheets' for reviewing site-specific projects is the right solution to the repeated internal process errors, and expects this to be an issue addressed by the advisory group in the next couple of months.

The issues raised do not necessarily mean that the company ran imprudent programs or made imprudent expenditures. Staff has not uncovered evidence that the company made imprudent expenditures. Rather, this process demonstrates that when issues arise they can be addressed and remediated before they become substantial problems. In this case, if Avista had authorized

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[4] *Wash. Utilities and Transp. Comm'n v. Avista Corp., Dockets UE-110876 & UG-110877, Order 05 (August 18, 2011)* at ¶ 7.
[5] *Wash. Utilities and Transp. Comm'n v. Avista Corp., Dockets UE-100176, Order 03 (September 27, 2102)* at ¶ 31.
[6] Avista's electric and natural gas conservation portfolios are scrutinized through the development of conservation potential assessments, acknowledgement of the company's integrated resource plan, review of the DSM business plan, continued advisory group involvement, commission review of DSM tariff riders, and third party evaluation of the conservation achievement.

imprudent expenditures, they would be addressed in Staff's review of the company's annual DSM funding tariff filings, filed May 31, 2014, in Dockets UE-141207 and UG-141209, also on this open meeting as Item F01 and F03.

Conclusion

Staff recommends that the commission issue an order in Docket UE-111882 and Docket UG-141215 as described in the recommendation section above.