BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of Avista's 2014-2023 Ten-Year Achievable Conservation Potential and Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010	)))))))	DOCKET NO. UE- 2014-2023 TEN-YEAR ACHIEVABLE CONSERVATION POTENTIAL AND 2014-2015 BIENNIAL CONSERVATION TARGET

In compliance with WAC 480-109-010, Avista Corporation (hereinafter Avista or Company), respectfully submits this Ten-Year Achievable Conservation Potential and 2014-2015 Biennial Conservation Target (Biennial Conservation Plan or BCP) in the above-captioned matter. The term "conservation" will be used interchangeably with energy efficiency and Demand-Side Management (DSM) throughout this plan.

EXECUTIVE SUMMARY

This 2014-2015 Biennial Conservation Plan—Avista's third under I-937—is responsive to the energy efficiency requirements of WAC 480-109. In this BCP, Avista states its targets and describes how these were developed consistent with RCW 19.285 and WAC 480-109. This BCP explains in the Company's 2014 DSM Business Plan, provided as Appendix A to this plan, the programs designed to achieve these targets and how these savings will be defined and presented. Reporting standards and stakeholder involvement are also described.

Avista has chosen to use its 2013 Electric Integrated Resource Plan (IRP) centered on its recently completed Conservation Potential Assessment (CPA), as the basis for its 2014-2015 biennial acquisition target.[1] Avista intends to acquire 67,137 MWh of qualifying energy

[1]For the Company's 2013 Electric IRP and accompanying appendices, refer to the following link. www.avistautilities.com/inside/resources/irp/electric/Pages/default.aspx

efficiency during the 2014-2015 biennium. Over a ten-year horizon, 2014 through 2023, the Company is anticipating the acquisition of 394,200 MWh.

Table of Contents

I. BACKGROUND 2
II. THE END-USE EFFICIENCY PLAN 3
1. Overview of 2014-2015 Biennial Conservation Plan 3
2. Conservation Potential and Conservation Targets 5
3. Energy Efficiency Portfolio - Program Summary Table 8
4. Stakeholder Engagement 9
5. Program Descriptions 11
6. Reporting and Tracking Systems 14
7. Adaptive Management and Implementation Strategies 15
8. Utility Evaluation, Measurement and Verification Activities 16
9. Cost Recovery Mechanism 20
10. Plan Compliance Information and Other Key Issues 20
11. Tables for Portfolio Plan Template 21
III. DISTRIBUTION EFFICIENCY 22
IV. GENERATION EFFICIENCIES 23

Appendix A: 2014 DSM Business Plan, including the 2014 EM&V Plan
Appendix B: Advisory Group Meetings
Appendix C: Locked UES (Unit Energy Savings) Values

Key Supporting Documents by Reference:
Avista 2013 Electric Integrated Resource Plan and Conservation Potential Assessment
Avista EM&V Framework
Avista Technical Reference Manual

I. BACKGROUND

RCW 19.285, Energy Independence Act, also known as Initiative Measure No. 937 or I-937, mandates, among other requirements, that utility companies obtain fifteen percent of their electricity from new renewable resources such as solar, wind, and qualifying biomass by 2020 and to undertake all cost-effective energy conservation. The Commission adopted WAC 480-109, *Acquisition of Minimum Quantities of Conservation and Renewable Energy* to effectuate RCW 19.285. (References to I-937 and WAC 480-109 are used interchangeably in this plan.)

This process, and the 2014-2015 BCP are consistent with prior Commission Orders, specifically the Commission's approval with conditions of Avista's previous BCP in Docket No's. UE-100176 and UE-111882.

For the 2010-2011 Biennium, the Company chose to use the Northwest Power and Conservation Council's (Council) Option #1 of the Sixth Power Plan to establish its acquisition target.[2] Avista based its targets for the 2012-2013 period on its Integrated Resource Plan (IRP), informed by a CPA performed by a consultant, Global Energy Partners, now EnerNOC. Avista retained EnerNOC to conduct a CPA study for its current IRP, filed August 30th, 2013. While Avista used a target range for its previous biennium, the Company is proposing a single point target for the 2014-2015 biennium.

II. THE END-USE EFFICIENCY PLAN

1. Overview of 2014-2015 Biennial Conservation Plan

This filing describes the efforts of Avista, in consultation with interested external stakeholders, to estimate a ten-year achievable conservation potential, identify a biennial acquisition target, identifying measures qualifying to be counted towards the acquisition target, determining how claimed acquisition will be measured and establish an understanding in regards to related procedural issues.

WAC 480-109 permits utilities to establish electric energy efficiency targets based on either the most recent Northwest Power and Conservation Council Power Plan or its most recent

[2] Option #1 is the regional portion attributable to Avista's Washington service territory at a total company level.

IRP, provided that the methodology used in that IRP is consistent with the Council's Power Plan methodology.[3]

Avista has chosen to use its 2013 Electric IRP[4] centered on its recently completed CPA, as the basis for its 2014-2015 biennial acquisition target. For the 2012-2013 periods, the Company elected to commit to a range of acquisition rather than a point estimate in recognition of the uncertainties inherent in the estimation process. Given three years of experience under RCW 19.285, Avista is employing a single point estimate and intends to acquire 67,137 MWh of qualifying energy efficiency during the 2014-2015 biennium. Over a ten-year horizon (2014 through 2023) the Company is anticipating the acquisition of 394,200 MWh. Descriptions of eligible measures and evaluation requirements are described within the Company's 2014 DSM Business Plan, Appendix A.

The Company's energy efficiency expectations over this time period are founded upon the pursuit of cost-effective energy efficiency by the utility and operating within the prevailing market and economic conditions. Though advancements in energy efficient technologies continue to occur and the ability of utilities to apply innovative approaches to program implementation have accelerated, the influence of lower avoided costs and marketability of efficiency technologies have adversely influenced our projections.

Comparatively, the Northwest Power and Conservation Council's Sixth Power Plan, last updated in 2012,[5] anticipated approximately 168,842 MWh of acquisition[6] within Avista's Washington service territory during 2014-2015 and approximately 1,005,649 MWh over the ten

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[3] Pursuant to I-937, utilities are to follow the targets, as identified through the Power Council's calculator, over a 10-year period or provide a basis for deviating from those targets.

[4] For the Company's 2013 Electric IRP and accompanying appendices, refer to the following link. www.avistautilities.com/inside/resources/irp/electric/Pages/default.aspx

[5] The Sixth Power Plan completed and filed in 2010, was later updated on February 9, 2012. It is important to note that supporting analyses occurred in 2009 and is dated.

[6] These acquisition levels have been adjusted and distribution efficiency has been removed in order to compare with Avista's CPA which includes energy efficiency only

year (2014 to 2023, inclusive) timeframe. A number of factors contribute to the differences between these values with those of the last biennium, including updated macroeconomic conditions[7], the impact of tax credits advancing some efficiency opportunities into prior years, lower avoided costs, and improvements in technology options and implementation strategies.

2. Conservation Potential and Conservation Targets

As stated above, for the 2014-2015 biennium, Avista has chosen to use its 2013 electric IRP which was based on the Company's recently completed electric CPA prepared by EnerNOC. The CPA is a 20-year potential study for energy efficiency and an estimate of potential by end-use, specific to Avista's circumstances and service territory, used to inform the Company's 2013 IRP in accordance with Washington I-937.[8] While a CPA, by definition, only includes end-use energy efficiency, I-937 and the Council's Sixth Power Plan includes distribution and thermal efficiencies. Although no acquirable potential relative to thermal efficiency was identified within Avista's IRP, the Company will continue to pursue cost-effective opportunities in this area and will claim any acquisition towards its target. Sections III and IV describe Avista's distribution and generation efficiencies activity.

The CPA and IRP both include electric to natural gas conversions as an efficient technology and while the Company intends to continue to pursue this technology as an efficient use of resources, estimated savings attributable to electric to natural gas conversions have been excluded from the Company's target in order to provide consistency with the Council's methodology.

[7] The Sixth Power Plan did not include the effects of the recession that the Country has been faced with over the last couple of years.

[8] While demand response was included in the potential study for use in the Company's IRP, it is outside of the scope of I-937 and will be excluded from targets and acquisition.

Both the CPA and the IRP were prepared consistent with the Council's methodology. The energy efficiency potentials resulting from the CPA considers a baseline forecast without the impacts of naturally occurring conservation, impacts of known codes and standards as of 2012, technology developments and innovations, as well as likely changes to the economy and energy prices.[9]

Within the CPA, energy efficiency measures applicable to and within Avista's service territory were identified and analyzed both for lost opportunity and non-lost opportunity. Since it includes all energy efficiency regardless of how it is delivered, it inherently includes regional savings that will be acquired through the Northwest Energy Efficiency Alliance (NEEA).[10] Subsequent to the last biennium, the Washington Utilities and Transportation Commission (UTC) ordered a joint methodology for addressing NEEA acquisition within the Investor Owned Utilities' (IOU) BCPs. The proposed methodology was to remove NEEA's estimated portion from the CPA-identified target.[11] While some of NEEA's acquisition is outside of what is identified through a traditional CPA, the NEEA savings identified through the CPA were removed from Avista's target. Based on this analysis, Avista's original target of 67,137 MWh would be reduced by the NEEA acquisition identified within the CPA of approximately 11,000 MWh, leaving approximately 56,000 MWh as the penalizable target.

In an effort to maintain consistency with the Council's Sixth Power Plan, savings estimates referencing an adjusted market baseline or equivalent were used to develop targets and will be used to claim savings resulting from program operations during this biennium. Avista

[9] The target will be based upon expected codes and standards as of the completion of the CPA. Energy savings associated with early adoption of those codes and standards count toward I-937, as does any enhancement in code compliance whether partially or entirely attributable to utility intervention.

[10] NEEA's net market effects include natural adoption (if NEEA and Avista have a program operating in the market) that occurs within Avista's service territory and will be counted towards the Company's target. NEEA will report code changes, savings estimates and attribution linkages which Avista will use to report savings.

[11] This supports utilities being held responsible for what they can control and eliminates planning risk for the utilities in a consistent methodology between Washington IOUs.

will look first to the Regional Technical Forum (RTF) for unit energy savings (UES) for claimed savings and then to the Company's Technical Reference Manual (TRM) or other sources. It should be noted, that while the Council's Sixth Power Plan includes UES values at the busbar, the UES list, shown in Appendix C to this BCP, are at the site.[12] There is no restriction on measure or equipment eligibility or re-adoption based upon measure life. Programs delivering quantifiable savings based upon energy saving behaviors are eligible.[13] Appendix C's UES list is "locked" until the annual update of Avista's TRM for existing measures and program acquisition.[14] Possible new measures identified during the biennium where "locked" UES values are not available will be subject to independent, third-party measurement and evaluation in compliance with filed evaluation, measurement and verification (EM&V) protocols. Site specific program acquisition will be based on verified savings estimates resulting from independent third-party evaluation. In situations where a new measure or equipment is implemented, UES may be obtained from the RTF, the CPA, or from other sources based on the best science available until impact evaluation can be done to provide better estimates.

Energy efficiency measures and equipment analyzed within the CPA were evaluated using the Council's cost-effectiveness methodology which employs the California Standard Practice Manual with some exceptions such as the inclusion of non-energy benefits and the use of gross acquisition. The avoided costs used to evaluate measures and equipment includes components for energy, carbon, capacity, risk, transmission and distribution losses as well as the

[12] The Council uses a transmission and distribution (T&D) factor of approximately 10%. Avista's UES are savings estimates at the site. This accounts for some of the difference between the Company's targets developed through the CPA and the Council's calculator targets.

[13] The Company will leverage existing protocols when evaluating and/or implementing a behavioral program and will incorporate such protocols within future targets to provide for symmetry between target setting and acquisition claims. When known, these programs will be noted within the Company's annual DSM Business Plan The Company will continue to evaluate and may implement a behavioral program that may arise between business planning cycles.

[14] The Company will report savings acquisition using the original UES and the updated UES in an effort to illustrate the difference. The Company will not be penalized for changes in UES out of the control of the utility.

Council's 10% preference adder. For I-937 purposes, the Company's nominal, 20-year levelized avoided cost of $57.71 per MWh would be adjusted to an avoided cost of $67.92 per MWh for evaluation of potential conservation programs. Included within the $57.71 per MWh is energy, carbon adder, a capacity value and a risk adder. The $67.92 per MWh includes a component for transmission and distribution losses, distribution capacity savings factor, as well as the Council's 10% preference adder for conservation resources.

Table 1, below, illustrates the electric efficiency target and a comparison with its target from the Council's Sixth Power Plan Calculator for Washington.

Table 1: Washington Biennium Target (MWh)

	2014	2015	Biennium Total	2014-2023
Sixth Power Plan Calculator Target[15]	82,940	85,902	168,842	1,005,649
Busbar to Site Adjustment[16]	74,646	77,312	151,958	905,084
Less: Distribution Efficiency[17]	(6,063)	(8,442)	(14,505)	(93,225)
Sixth Power Plan Target (EE only)	68,583	68,870	137,453	811,859
CPA Achievable Potential consistent with Sixth Power Plan Methodology	33,272	33,865	67,137	394,200
Percent of Sixth Power Plan target	48.5%	49.2%	48.8%	48.6%

3. Energy Efficiency Portfolio - Program Summary Table

The Company offers a wide range of electric and natural gas efficiency programs to our customers as well as supporting outreach, infrastructure and educational programs. These programs are comprehensively reviewed on an annual basis as part of a business planning

[15] Refer to the Sixth Power Plan Target Calculator download at the following link. http://www.nwcouncil.org/energy/powerplan/6/assessmentmethodology/

[16] Net of transmission and distribution losses in order to provide consistency between numbers presented.

[17] In order to provide consistency, distribution efficiency needs to be removed from the Sixth Power Plan target to be consistent with targets identified within the CPA.

process. The business planning process establishes an operational plan for achieving all cost-effective conservation through available or contemplated tools. Generally, optimization is possible within this detailed planning process, which projects higher acquisition relative to the more general analysis performed within the IRP and the CPA.

The business planning process establishes measurable metrics for the continuous management of the DSM portfolio to include budgets, labor and physical equipment requirements and general infrastructure needs. Short- and long-term threats and opportunities are assessed, and these analyses lead to updated strategic plans, all of which are incorporated into the business plan.

Avista's 2014 DSM Business Plan contains the results of these efforts and are incorporated into this filing by reference and attached in Appendix A. The DSM Business Plan provides a bottom-up approach of how program implementation intends to drive participation and acquire savings to be counted toward the Company's target through existing programs, ramping of existing programs and the development of new programs.

4. Stakeholder Engagement

Avista has had an ongoing active stakeholder involvement focus since 1992. Extensive stakeholder involvement opportunities have been provided for the development of this BCP and associated issues through multiple processes, including Avista's IRP Technical Advisory Committee and Avista's energy efficiency Advisory Group.

Avista's Advisory Group consists of fifteen interested parties.[18] In 2012 and through October 2013, the Advisory Group has met (either in-person or by webinar) five times and the Advisory Group's Technical Committee five times.[19] The development of this BCP has benefited by input from Avista's Advisory Group. Avista's Advisory Group meetings have been well-attended, with nine parties having attended most or all of these meetings.[20]

Avista's energy efficiency targets have historically been determined through its IRP process, pursuant to WAC 480-100-238. The CPA was developed as part of the IRP process and presented to the Technical Advisory Committee (TAC) on November 7th, 2012 and March 20th, 2013. The TAC oversees and provides input to the IRP process as well as the development of the future CPAs and supply curves.

Avista commits to hosting at least four Advisory Group meetings (either in-person or by webinar) in each of 2014 and 2015. During these meetings or through other communications, the Advisory Group will be updated on and have opportunity to review:

a. protocols to evaluate, measure, and verify energy savings of Avista's programs,
b. methodology inputs and calculations for updating cost-effectiveness,
c. consideration of the need for tariff modifications or program corrections,
d. marketing conservation programs,
e. incentives to customers for measures and services,
f. consideration of issues related to conservation programs for customers with low income,
g. program achievement results with annual and biennial targets, and
h. conservation program budgets and actual expenditures compared to budgets.

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[18] The Advisory Group is Avista's non-binding oversight and advisory group for energy efficiency. The Advisory Group is currently composed of the UTC Staff, the IPUC Staff, the Washington Office of Public Counsel, Industrial Customers of Northwest Utilities, Northwest Industrial Gas Users, Northwest Energy Coalition, SNAP, The Energy Project, Northwest Energy Efficiency Alliance, Northwest Power Planning and Conservation Council, Northwest Energy Efficiency Council, Idaho Conservation League, Integrated Design Lab—Inland Northwest, Integrated Design Lab—Idaho, and Spokane County.

[19] In addition to the Advisory Group, a sub-group (the Technical Committee) has been convened to examine details underlying cost-effectiveness tests and EM&V, as well as emerging technical issues. All Advisory Group members are invited to the Technical Committee meetings/webinars and several have attended. Further, the Company seeks customer input, from all revenue classes, on its programs through periodic events such as customer meetings. Customer surveys of program participants and non-participants inform program design and process modification.

[20] Attendees included UTC Staff, IPUC Staff, Public Counsel, NWEC, ICNU, The Energy Project, NEEA, Council Staff, and NEEC.

In addition to meetings, the status of target achievement and associated updates will be provided to interested parties in several ways over the compliance period. Avista provides an annual DSM Business Plan, provided herein as Appendix A. This process guides the business operations for the following year, is distributed to the Advisory Group, and includes information regarding programs, outreach, measurement and evaluation, labor, and other necessary administration to achieve the conservation target. The Company will provide periodic newsletters with planning, programmatic, and statistical updates, tariff rider balances, updates on acquisition and an annual DSM report on final results for the year.

5. Program Descriptions

Avista has offered electric-efficiency programs continuously since 1978. The Company's current portfolio of efficiency programs is broadly applicable across all customer segments. The overall portfolio contains individual market segments for nonresidential, general residential and low-income residential customers. Each portfolio applies a segment and project-specific strategy to deliver opportunities for cost-effective energy efficiency to that customer population. Efficiency programs are offered either through standard offer (also termed "prescriptive") as well as through a site-specific program for non-residential measures not otherwise available in a prescriptive program.

Detailed descriptions of the individual local programs are contained within the 2014 DSM Business Plan. These programs are categorized into nonresidential prescriptive, nonresidential site-specific, residential home improvement, residential new construction, residential appliances, residential lighting (includes mail geographic saturation and manufacturer buy-downs), partner programs (includes loans from local financial institutions), refrigerator

recycling, and low-income. These programs and the Company's strategy for success within each market segment are discussed in greater detail within the 2014 DSM Business Plan.

The Company proposes to retain the option to develop and revise programs as necessary over the course of the 2014-2015 Biennium. This on-going portfolio management may include the launching or termination of program offerings or eligible measures without the adjustment of the biennial acquisition target.

In addition to the predominately incentive-based efficiency measures offered through Avista programs, the Company is also a funder and an active participant in the achievement of energy efficiency through regional market transformation. This activity occurs through the Northwest Energy Efficiency Alliance portfolio of market transformation ventures, achieving resource acquisition from throughout the region. Avista and other utility partners are in the continuous process of developing sound methodologies for the attribution of the energy savings from these programs to individual utilities and jurisdictions in a manner that is additive to local utility programs.

It is Avista's intent to incorporate the portion of these regional savings that is within the scope of the CPA used to establish the Washington BCP acquisition target towards meeting that acquisition target. The methodology will be based upon the inclusion of the net market effects of these regionally supported services and technologies in a manner that is consistent with Avista's practice of applying the energy savings of all participants in local programs toward the achievement of the BCP acquisition target. Methodologies developed within these protocols will be subject to review by NEEA, Avista and Avista's Advisory Group.

The incorporation of the portion of these regional savings that are beyond local utility control, but applicable to the Company's Washington service territory was addressed in a joint filing by Avista, Puget Sound Energy, and Pacificorp on November 1, 2012, pursuant to Commission request. Avista will report NEEA savings, however will not include the projected savings as part of the penalizable target. This recognizes the import of NEEA savings, but holds Avista accountable for local programs or those under control of the local utility.

Avista manages street light fixtures for many local and state governments. As an element of its 2013 Street Light Asset Management Plan, Avista's Asset Management group is considering replacing approximately 21,640 high pressure sodium fixtures in Washington with comparable LED fixtures, commencing in 2015. In addition to the expected maintenance and operations savings, this lighting conversion project will result in approximately 7.4 MWh savings (at 75W per fixture) of end-use energy efficiency. These fixtures are classified under rate schedules that were not included in the scope of the CPA. Energy efficiency obtained from this upgrade effort, while claimable under WAC 480-109 criteria, will be reported but not claimed against the biennial target.

The Company has not included efficiency achieved through fuel switching (electric to natural gas space and water conversions) within the scope of this BCP target since such acquisition is explicitly outside of the scope of the statute. Avista does nevertheless intend to continue to pursue cost-effective fuel switching efficiency, although the expected savings acquisition from these programs is not included in the BCP target nor will the actual acquisitions from these programs be considered eligible for contributing to the achievement of the BCP target.

6. Reporting and Tracking Systems

During the last biennium, Avista provided a quarterly report to the Commission which covered targets, energy savings, budgets, actual expenses, revenue, and tariff rider balances. A similar report was produced monthly for Avista's Advisory Group. The same report will continue to be produced monthly in the 2014-2015 biennium for Avista's Advisory Group. Various internal reports are produced for Avista's program managers and other staff. The reports differ in content depending on the needs of those requiring the information. The reports cover energy savings acquisition, costs, details of rebates, location, customer, and other information as needed. These reporting and tracking systems are evolving to meet the needs of those involved in managing the programs, measures, and energy efficiency activities as well as those involved in advisory groups and external regulatory groups.

Avista currently has two main tracking systems for energy efficiency projects. The Customer Service System (CSS) is Avista's legacy "mainframe" central data management system. It is used for tracking residential and low-income projects and contains project, rebate, and customer information. The CSS is expected to be replaced by a new system in the 3rd quarter of 2014. Oracle's Customer Care and Billing software was selected and is currently being configured to meet Avista's needs. SalesLogix is used for tracking nonresidential (commercial, industrial, nonprofit, multi-family, and government) projects and contains project, rebate, and customer information. The reason for a separate nonresidential tracking system is due to the complexity of the projects and the significant details and project information that are necessary to track the nonresidential projects from start to finish. In addition, a corporate financial system is used for tracking finances and expenditures across all areas of Avista.

Avista provides the following reports:

- 2014 DSM Business Plan, containing any changes to program details and an annual budget, will be filed by November 1, 2013.
- A 2014 Annual Report on Conservation Acquisition on evaluated results, including an evaluation of cost effectiveness and comparing budgets to actual, will be filed by June 1, 2015.
- Any revisions to the cost recovery tariff will be filed by July 1, 2014, with a requested effective date of September 1, 2014.
- A Biennial Conservation Plan including revised program details and program tariffs, together with identification of 2016-2025 achievable conservation potential, will be filed by November 1, 2015, requesting an effective date of January 1, 2016.
- A 2014-2015 Two Year Report on Conservation Acquisition Achievement on evaluated results will be filed by June 1, 2016.

7. Adaptive Management and Implementation Strategies

Despite the best efforts of all of those involved in planning for the achievement of the Company's acquisition and cost-effectiveness targets, there will be the frequent need for revisions and mid-course corrections during the biennium. The Company will maintain an ongoing evaluation system to identify developing issues and to follow through with the appropriate management action.

The Company's 2014 DSM Business Plan outlines a strategy for the upcoming calendar year. Additionally, the Company has committed to notifying the Commission of unplanned changes in incentives or program eligibility that occur during the year. The same business planning process will be carried out to plan for 2015 activities with a formal business plan being filed with the Commission on or before November 1st, 2014.

The Company will continue to evaluate potential efficiency measures throughout the biennium. Measures that have the potential for delivering cost-effective savings will be considered for incorporation into the DSM portfolio. The quantifiable acquisition from all

eligible measures, whether they are included in the current portfolio or not, will count towards the achievement of the BCP target.

If the Company's tracking and management of efficiency acquisition indicates that it is likely that the portfolio will fail to achieve an acquisition equal to the BCP target stated in this filing, the Company will immediately notify the Commission. This notification will include an estimate of the shortfall, the causes of the deficiency and the steps taken or being contemplated by Avista to address the issue.

It is fully recognized that the Company bears the responsibility for achieving the acquisition targets established within this BCP, and that the Company will need to make revisions, from time to time, to the portfolio within the boundaries of the current or future tariff language to meet these obligations.

8. Utility Evaluation, Measurement and Verification Activities

Evaluation, Measurement and Verification (EM&V) is intended to represent the comprehensive analyses and assessments necessary to supply salient information to stakeholders that adequately determines the energy efficiency acquisition of Avista's DSM programs as well as provide real-time information for program management. EM&V, as described below and taken as a whole, are analogous with other industry standard terms such as Portfolio Evaluation or Program Evaluation.

A Technical Committee, serving primarily within the scope of EM&V, currently assists Avista with the development of EM&V protocols and related technical conservation program considerations. These activities include providing recommendations and guidance on functional aspects of implementation and evaluation. Principal interaction with Avista includes meetings, document and plan reviews, webinars and direct interchanges.

Avista is committed to using independent third-party EM&V consultants and evaluators for the various analyses required to substantiate the I-937 portfolio over the biennium. The role of EM&V for validation of the conservation acquisition is critical to the reporting phase of the BCP, and the processes and protocols for conservation evaluation will continue to be refined. The existing corporate EM&V documents, including the EM&V Framework, annual EM&V plans and individual program EM&V guidelines, will be reviewed and updated as necessary to improve their benefit to the DSM programs and Avista's customers. Furthermore, Avista's TRM has been evaluated by an independent, third-party evaluator and savings estimates are updated annually based on on-going impact evaluation findings and other appropriate sources.

The Regional Technical Forum (RTF), as an advisory committee to the Northwest Power and Conservation Council, is a valued source of information relating to the measurement of energy savings, but is not the only source of information. The RTF provides Unit Energy Savings (UES) references suitable for consideration in Avista's acquisition planning relative to each biennium. In cases where Avista uses RTF UES values and delivers programs in a manner consistent with the RTF's defined delivery mechanism, the evaluation efforts are limited to verification of participation which would be applied to the associated UES. RTF assumptions may be updated with Avista specific assumptions (e.g. actual purchases versus forecasted purchases) to come up with an RTF-consistent UES more appropriate for Avista. Furthermore, since the RTF evaluation process incorporates a market adjusted baseline, applications of RTF UES values are not subject to net-to-gross adjustment. Avista may elect to evaluate, refer to, and use RTF or other sources of energy efficiency metrics with equal merit. Information from the RTF, the Sixth Power Plan, NEEA, and other data sources are used in Avista's TRM to compile, catalog, and track electrical energy efficiency measures. Key criteria available from the

RTF include measure costs, savings, estimated useful lifetimes, and measure sunset thresholds. Program-specific savings amounts, whether established by the RTF or other means, are subject to rigorous and frequent impact evaluation that serves to verify or adjust appropriate energy savings levels.

All energy savings will be based upon normal and fixed operating conditions as it relates to the specific measure. Suppressed demand, also known as take back, represents an incremental increase in energy consumption as a result of the energy efficient measure that will decrease the evaluated energy savings. Energy efficiency measures essentially reduce the cost of end-use services. When there is opportunity for user control of those measures, the customer often rationally chooses to consume a higher quantity of those services in response to this reduction in cost. Measurement of savings based upon pre- and post-project energy usage effectively determines the energy savings achieved through the efficiency improvement for any increased usage that occurs due to changes in customer behavior. While it may be difficult to exclude this influence from impact evaluations, the intent is to separate these two factors in order to claim the efficiency impact alone. This consideration will be provided to the independent third-party evaluators.

Baselines for cost-effectiveness and the measurement of energy savings will be modified during the biennium to be consistent with code or standard revisions that become effective during the biennium. In the unlikely event that unanticipated revisions to codes and standards occur between the applicable BCP and IRP, Avista will claim energy saving credit relative to the baselines consistent with the effective date anticipated within the establishment of the I-937 target for any documented projects.

For performance contract projects that extend across annual or biannual periods, acquisition, cost-effectiveness and incentive expenditures will be based on the date of the final incentive payment associated with the project. The payment date will establish the effective date of the acquisition for all purposes of the BCP, including the prudency of the incentive.

The Company will apply, as the primary cost effectiveness test, the TRC test as modified by the Council. The Council-modified calculation of TRC includes quantifiable non-energy benefits, a risk adder, and a 10 percent conservation benefit adder that increases the avoided costs. The Council does not include a net-to-gross adjustment. In addition to the Council-modified TRC, Avista will provide calculations of the Program Administrator Cost test (also called the Utility Cost test), Ratepayer Impact Measure test, and Participant Cost test. Overall conservation cost-effectiveness will be evaluated at the portfolio level, electric and natural gas combined. Costs included in the portfolio level analysis include conservation-related administrative costs. Avista will continue to evaluate measure and program level cost tests. Avista will seek the best science available for accurate and applicable savings for electricity measures and will look first to the Council's Regional Technical Forum (RTF). If Avista utilizes savings amounts for prescriptive programs that have not been established by the RTF, such estimates will be based on a rigorous impact evaluation that has verified savings levels or be performed by a third-party evaluator, and be presented to the Advisory Group for comment.

Avista will provide opportunities for the Advisory Group to review the evaluation, measurement and verification protocols.

For the 2014-2015 biennium, Avista will spend a sufficient amount of its conservation budget on evaluation, measurement, and verification, including a reasonable proportion on independent, third-party EM&V. Avista will 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 are intended to 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. An annual independent, third-party EM&V report involving analysis of both program impacts and processes, for those programs reviewed in that year, must be part of the Annual Report on Conservation Acquisition.

9. Cost Recovery Mechanism

This section describes Avista's cost recovery mechanism for energy efficiency expenditures and presents an overview of a separate proposal to recognize savings pre-acquired from future periods. Pre-acquisition will exclude lost-opportunity (new construction) as identified by the CPA.

Avista's energy efficiency programs are funded through Schedules 91 (electric) and 191 (natural gas), or "tariff riders." For the 2014-2015 compliance period, proposed "true-up" changes to Schedule 91 will be filed on July 1st to be effective on September 1st. The procedure to determine prudence of DSM expenditures is discussed in Section 10, below.

10. Plan Compliance Information and Other Key Issues

In this document, Avista has stated its targets and described how these targets have been developed consistent with RCW 19.285 and WAC 480-109. Avista has described in Appendix A the programs that are designed to achieve these targets and how these savings will be defined and presented. The acquisition target is an aggregate target that can be met through any eligible

measure as described in Section 5. Reporting standards and stakeholder involvement have been shown.

Avista has the full authority and responsibility to manage the DSM portfolio so as to meet the targets included herein. Avista will inform the Commission in a timely manner if there is an expectation that the I-937 target will not be achieved.

As stated in Sections 8 and 10, cost-effectiveness and other prudence-related issues related to cost recovery would be based on the June 1, 2016 verified savings report. Avista will file testimony and supporting evidence to demonstrate the prudency of its electric DSM expenditures for 2014 and 2015. Within 30 days of the filing, parties could request that the Commission set the matter for adjudication. Any cost-recovery issues would be implemented by the Commission in the next annual tariff rider filing.[21]

11. Tables for Portfolio Plan Template

The following table summarizes the expected target acquisition from the electric-efficiency portion of the Company's DSM portfolio, distribution efficiency measures and efficiency measures reducing power plant load within generating facilities.

The Company's proposed energy efficiency acquisition for the 2014-2015 biennium is based upon a CPA completed by a third-party consultant applying methodology consistent with the Council's Sixth Power Plan.

Expectations regarding distribution efficiency are based upon estimates of the annual acquisition from projects anticipated to be completed within the biennium. The potential for the acquisition of electric-efficiency within generating stations is based on measures similar to Avista's site-specific, or custom, programs.

[21] This is in keeping with the Order No. 05 in Dockets UE-110876 and 110877 (consolidated), "Order Granting Joint Motion for Clarification on Forum for Resolution of DSM Prudence"

Table 2, below, summarizes these three categories of eligible target acquisition.

Table 2: BCP Target Summary

Category	Target (MWh)
Electric efficiency	67,137
Less NEEA savings identified within the CPA	(11,130)
End-Use Electric Efficiency Target	56,007
Distribution efficiency	2,061
Generation efficiency	163
Aggregate BCP Target	58,231

III. DISTRIBUTION EFFICIENCY

Grid Modernization technology has been designed to improve the power grid's reliability and performance by optimizing the push and pull from supply and demand. Ultimately, these projects will move the region and nation closer to establishing a more efficient and effective electricity infrastructure that's expected to help contain costs, reduce emissions, incorporate more wind power and other types of renewable energy, increase power grid reliability, and provide greater flexibility for consumers.

Targets for distribution energy efficiency capture first year energy savings consistent with the end-use energy efficiency protocols. Based on first year energy savings, the Company is expecting approximately 34,800 MWh from the 2012-2013 biennium. Conservation Voltage Reduction (CVR) makes up 83 percent of the loss savings.

The projects related to the 2012-2013 biennium have been mostly completed. Avista will capture the first year energy savings entirely in the year when the assets were placed in service.

The Company's 2013 Electric Integrated Resource Plan, Chapter 5, identifies additional distribution savings to occur in Washington and Idaho in the 2014-2015 period. Even though the Company's efforts are focused on Idaho feeders in 2014 and 2015, the following table identifies some savings by feeder in Washington as well:

Table 3: 2014-2015 Feeder Upgrade Plan

2014 Feeder Upgrade Plan		Loss Savings		
Feeder	Office	kW Condct	kW Xfmr	MWH
WIL12F2 (Completed)	Davenport	160.25	6.801	1,463.4
	Total	**160.3**	**6.8**	**1,463.4**
2015 Feeder Upgrade Plan		**Loss Savings**		
Feeder	**Office**	**kW Condct**	**kW Xfmr**	**MWH**
ROS12F1 (Completed)	Spokane	2.5	27.585	263.5
M23621 (Completed)	Palouse	2.75	17.274	175.4
OTH502 (Completed)	Othello	0	2.435	21.3
WAK12F2 (Completed)	Spokane	0	15.702	137.5
	Total	**5.25**	**62.996**	**597.8**
			Grand Total	**2,061.2**

IV. GENERATION EFFICIENCIES

Avista periodically audits its facilities for energy efficiency improvements. This includes its approximately fifteen generating facilities. Unlike its Main Office Building, which is completing a major LEEDS-certified renovation, most generating facilities draw power from its adjacent power plant and are not metered as a typical "Avista customer." This is known as a "parasitic load." For the 2014-2015 biennium, Avista expects to install lighting improvements at its Cabinet and Noxon hydroelectric facilities with targeted savings of 250 MWh of which approximately 163 MWh's is Washington's share.

Avista is in the process of inventorying the potential for energy savings from lighting, motors, and HVAC at all of its generating facilities. This inventory will also include baseline analyses for purposes of measurement and verification. This is necessary because, as parasitic loads with no billing data, verification of savings may require additional metering with greater *ante* (before) and *post* (after) evaluation per Avista's EM&V Framework protocols.

As a non-metered service (not contributing to Schedule 91), Avista intends to capture the costs associated with these projects through its normal rate-making process.

RESPECTFULLY SUBMITTED this 1st day of November, 2013.

AVISTA CORPORATION

By: _____

Kelly O. Norwood
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