AVISTA

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UTILITIES COMMISSION

May 19, 2021

Jan Noriyuki, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Blvd. Bldg. 8, Ste. 201-A
Boise, Idaho 83714

Re: **Case Nos. AVU-E-20-13 and AVU-G-20-08 – Reply Comments of Avista**

Dear Ms. Noriyuki:

Pursuant to the Notice of Modified Procedure issued by the Idaho Public Utilities Commission (IPUC or Commission) on February 8, 2021, Avista Corporation, dba Avista Utilities (Avista or Company), respectfully submits the following reply comments in response to Commission Staff's May 5, 2021 written comments. Avista appreciates Staff's review of its 2018-2019 Energy Efficiency program and the finding that the Company's expenses were prudent. In general, the Company finds Staff's comments to be agreeable and serve to further strengthen Avista's program. We are grateful for Staff's ongoing commitment to Avista's customers and their support as the Company implemented various changes in observation of the prior Settlement Stipulation in Case Nos. AVU-E-18-12 and AVU-G-18-08 (Settlement). Staff did note a handful of concerns in their comments, for which the Company provides the below responses.

1. Recommended Disallowance for 2016-2017 Evaluation, Measurement, & Verification (EM&V) Expenses

Staff has recommended "removing all expenses paid to Nexant, Inc. (Nexant) for the Company's third-party evaluations in 2018 related to its 2016-2017 biennial EM&V reports."[1] This recommendation would result in an additional disallowance of $155,123 beyond the $374,934 agreed to in the Settlement, making the overall disallowance of $530,057. Such a disallowance

[1] Staff's Comments at page 3.

exceeds the total 2016-2017 Nexant engagement costs that could have been allocated to Idaho customers, but for the agreement for Avista to absorb those costs. The table below summarizes the 2016-2017 disallowances from the Settlement, as well as the recommended disallowance in this case.

Table No. 1 – Total Proposed Disallowances, 2016-2018

	2016 Expenses	**2017 Expenses**	**Settlement Total**	**Recommended Disallowance for 2018 Expenses**	**Grand Total**
Electric	$178,835	$108,337	$287,172	$60,634	$347,806
Natural Gas	$9,204	$78,558	$87,762	$94,489	$182,251
Total	**$188,039**	**$186,895**	**$374,934**	**$155,123**	**$530,057**

As noted above, the Settlement reached by Avista and Commission Staff resulted in a $374,974 adjustment. These were costs paid in the 2016-2017 time period, but unbeknownst to Staff until recently and to Avista upon additional review of historical invoices, some of those costs paid in 2016-2017 were trailing charges booked in 2016 related to the 2014-2015 EM&V activities (for which there was no disallowance). EM&V expenses, by their very nature, often trail behind the actual review period as the evaluator requires the year to be completed before it is evaluated. In actuality, what Avista and Staff should have done was review if any of the costs from a prior period (2014-15) were in the current period (2016-17), and likewise whether any current period (2016-17) costs were billed in 2018.

Upon reviewing Staff's proposed disallowance in this Case, we realized that the total disallowance would actually exceed what Idaho's portion of those costs would even have been. The following table disaggregates the disallowance amounts into the engagement periods for which the expenses actually apply. Highlighted in blue are the costs that were paid in 2016-17 yet were related to a prior prudence review period. Likewise, highlighted in yellow are the payments made in 2016, 2017 and 2018 related to the 2016-17 review period. As you will see highlighted in green, Avista absorbed (wrote off) $374,974; this is almost $23,000 **more** than the total Idaho-share of Nexant costs of $352,075.

Table No. 2 – Expenses Incurred vs. Year Applied

	EM&V Period	2016 Payments	2017 Payments	2018 Payments	Total
Electric	2014-15	$176,835	$0	$0	$176,835
	2016-17	$2,000	$108,337	$60,634	$170,971
Total Elec		**$178,835**	**$108,337**	**$60,634**	**$347,806**
Natural Gas	2014-15	$1,147	$0	$0	$1,147
	2016-17	$8,057	$78,558	$94,489	$181,104
Total Gas		**$9,204**	**$78,558**	**$94,489**	**$182,251**
Combined Total		**$188,039**	**$186,895**	**$155,123**	**$530,057**
Total for 2014-2015				**$177,982**	
Total for 2016-2017				**$352,075**	
Amount Already Absorbed by Avista				**$374,974**	

The Company believes that it has taken necessary steps to address Staff's concerns that led to the Settlement to begin with, and that the prior disallowance was more than adequate. As such, the Company respectfully disagrees with Staff's recommendation, and no further adjustments should be made for the 2016-2017 Nexant engagement.

2. Rebates and Incentive Changes

Avista acknowledges Staff's concern regarding the fluctuation of incentive levels within its Energy Efficiency program and, as common practice, strives to avoid unnecessary incentive level adjustments. Avista's goal is to maximize the level of incentives and still remain cost-effective per the Utility Cost Test (UCT), and the Company generally adjusts rebates downward only when its recommendations from Impact Evaluations indicate doing so, or to align with revisions to the Regional Technical forum (RTF). When per-unit savings estimates decrease, the Company still attempts to maintain an incentive level consistent with prior years.

Avista is open to collaborating with Staff on this issue and accepts Staff's recommendation for working with its stakeholder group to formalize the process for evaluating and changing incentives. Avista will work with Staff to determine how impact evaluation information should be used and when incentive levels should be locked in.

3. Evaluation of Northwest Energy Efficiency Alliance (NEEA)

The NEEA savings model includes Program Measures and Codes & Standards. These savings benefit the Northwest region as a whole, rather than one state or region. Avista acknowledges Staff's concern with the NEEA program and will include an evaluation of the program as part of its overall EM&V process. Avista agrees to Staff's recommendation and will work with Staff on the details of the EM&V for NEEA.

4. 2018-2019 Annual Conservation Report

As identified by Staff, the Annual Conservation Report (ACR) contained an error related to Health and Safety (H&S) expenses and discount rates being applied inadvertently. Both of these errors originated from the third-party impact evaluation workpapers and were missed in the Company's review of its ACR. While the Company recognizes these errors and understands the need to be meticulous in the review of all external reporting it conducts, the errors had minimal impacts on overall program outcomes.

Table No. 3 below illustrates portfolio level cost-effectiveness (CE) as filed originally with the Company's ACR, in comparison to the revisions made after identification of these errors. As noted, the overall impact of these errors was minimal, with the 2018 UCT having no change and the 2019 UCT having a change of .01 for electric and .13 for natural gas.

Table No. 3 – Portfolio Impact of H&S Errors

2018 Total Portfolio					**2019 Total Portfolio**				
	Electric		**Gas**			**Electric**		**Gas**	
	TRC	UCT	TRC	UCT		TRC	UCT	TRC	UCT
Filed	2.07	2.66	0.99	2.12	Filed	1.95	2.39	0.58	1.50
Revised	2.08	2.66	1.00	2.12	Revised	1.93	2.38	0.61	1.63
Impact	**(0.01)**	**-**	**(0.01)**	**-**	**Impact**	**0.02**	**0.01**	**(0.03)**	**(0.13)**

Avista will continue to improve its review processes and overall reporting elements now and into the future and is not opposed to performing an in-house CE assessment. However, the Company would request that adequate time be allowed in order to develop a methodology, a formalized process, and a technology plan—all of which will inform timely and accurate cost-effectiveness analyses. Avista is currently contracted with Cadmus and ADM for the 2020-2021 program years;

for 2020, both Cadmus and ADM recently completed the cost-effectiveness work for the Company's Idaho programs. The Company is concerned that if an in-house CE is to be performed, the cost already incurred to utilize the existing third-party evaluators would also be considered not used nor useful by Staff in the future. To address this concern, Avista respectfully requests that for the 2020-2021 period, the Company perform a combined two-year cost-effectiveness analysis that can then be submitted with the 2021 Annual Conservation Report. This will allow adequate time for Avista to implement a CE methodology into its planning and analytics work.

Additionally, the Company is currently developing the documents for its 2022-2023 EM&V Request for Proposal (RFP) and will modify the Scope of Work to exclude cost-effectiveness for Idaho evaluation work.

5. Research and Development

Avista acknowledges Staff's concerns with its Idaho Research and Development (R&D) projects, and agrees with the request that the Company discontinue the R&D program until such time that the program can be redesigned to focus on projects that provide the "near-term, practical benefits for Idaho ratepayers"[2] that Staff desires. While the Company maintains that the work and findings of the R&D program contributes to the overall body of knowledge for the region, we understand the expectation that there be tangible benefits for customers resulting from this work. While Avista agrees to discontinue the R&D program at this time, and therefore has not issued an RFP for any subsequent projects in 2021, the Company believes that it is appropriate that it be allowed to continue with any R&D work already in progress, especially for projects already contracted.

Conclusion

Avista values the continued collaboration and insight provided by Staff as we endeavor to improve upon our Energy Efficiency program each year. While we see merit in many of Staff's comments, as discussed herein, the Company believes that it has taken necessary steps to address Staff's concerns with regards to its prior EM&V engagement with Nexant and that there should be no further disallowance in this case. Additionally, the Company supports Staff's recommendation to

[2] Staff's Comments at page 18.

bring its CE analyses in-house as well as to discontinue its R&D program, but requests additional time to complete the necessary processes and meet its existing contract obligations, as noted above.

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

Sincerely,

/s/ Shawn Bonfield

Shawn Bonfield
Sr. Manager of Regulatory Policy & Strategy