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IDAHO PUBLIC
UTILITIES COMMISSION

August 1, 2022

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

AVU-E-22-13

Re: Avista Corporation Application for Determination of 2020-2021 Electric Energy Efficiency Expenses as Prudently Incurred

Dear Ms. Noriyuki:

Enclosed for filing with the Commission is the Application of Avista Corporation, dba Avista Utilities (Avista or "the Company"), requesting a determination of prudence for the Company's electric energy efficiency expenditures from January 1, 2020 through December 31, 2021. Also included in this filing are Exhibit Nos. 1-3 in support of the Application, containing Avista's 2020 Annual Conservation Report, 2021 Annual Conservation Report, and Idaho Incentive Modification Methodology document.

If you have any questions regarding this filing, please contact Ryan Finesilver, Manager of Energy Efficiency, at (509) 495-4873 or ryan.finesilver@avistacorp.com.

Sincerely,

/s/ Jaime Majure

Jaime Majure
Regulatory Policy Analyst

Enclosures

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Attorney for Avista Corporation

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
AVISTA CORPORATION FOR A)	CASE NO. AVU-E-22-<u>13</u>
DETERMINATION OF 2020-2021 ELECTRIC)	
ENERGY EFFICIENCY EXPENSES AS)	APPLICATION OF
PRUDENTLY INCURRED)	AVISTA CORPORATION
_____)	

In accordance with IDAPA 31.01.01 (Rules of Procedure, or RP), RP 052 and RP 201, *et seq.*, Avista Corporation, dba Avista Utilities (“Avista” or “Company”), at 1411 East Mission Avenue, Spokane, Washington, hereby applies to the Idaho Public Utilities Commission (“Commission”) for an order designating Avista’s electric energy efficiency expenditures from January 1, 2020 through December 31, 2021, funded through the Company’s Schedule 91 Energy Efficiency Rider Adjustment in the amount of \$13,236,234, as prudently incurred (hereinafter “Application”).

The Company also requests that this filing be processed under the Commission’s Modified Procedure Rules (RP 201-204) through the use of written comments.

All communications, pleadings, and orders with respect to this Application should be directed to:

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Avista has included the following attachments in support of this filing, which are also referenced below:

- a) Exhibit No. 1 – Avista 2020 Idaho Annual Conservation Report
- b) Exhibit No. 2 – Avista 2021 Idaho Annual Conservation Report
- c) Exhibit No. 3 – Idaho Incentive Modification Methodology

I. BACKGROUND

Avista has continuously offered energy efficiency services since 1978. Through these offerings, the Company seeks to provide customers with programs and information that may help them manage their energy use and to utilize cost-effective energy efficiency resources to meet the energy and demand needs of the Company's electrical system. These efforts are funded through Avista's Electric and Natural Gas Energy Efficiency Rider Adjustments (Schedule 91 and Schedule 191, respectively), or "tariff riders".

The Company's Energy Efficiency Program (Program) consist of options for residential, non-residential and low-income customer segments. These Programs are offered through traditional prescriptive channels along with site-specific projects and upstream buy-down programs. Each Program in the Company's electric Energy Efficiency Portfolio (Portfolio) is designed to meet cost-effectiveness requirements and is evaluated by a third-party evaluator each

year. The results of both the Company's and the third-party evaluator's annual assessments of the Program are contained within Avista's Annual Conservation Report (ACR).

II. ELECTRIC PROGRAM EXPENDITURES

The Company requests Commission determination that the expenditures incurred during the 2020-21 Program years, totaling \$13,236,234 for its electric Program, were prudent and in the public interest. Of the total amount spent, \$7,730,146, or 58%, of total expenditures were paid out to customers in direct incentives.¹ This percentage does not include additional benefits such as technical analyses provided to customers by the Company's Energy Efficiency engineering staff or regional market transformation efforts through the Northwest Energy Efficiency Alliance (NEEA).

The Company reports the Schedule 91 balance on a monthly basis to Commission Staff and its Energy Efficiency Advisory Group (EEAG or "Advisory Group"). As of June 30, 2022, Avista's electric tariff rider balance was nearly \$4.9 million overfunded, meaning that more tariff rider funding was collected than actually needed to fund the ongoing Program operations. This overfunded balance was driven by two main factors: 1) the current rate was designed to recover a significant underfunded balance resulting from the high level of conservation achieved during the 2016 and 2017 program years,² and 2) the COVID-19 pandemic's continued impact on the Program, with lower levels of throughput lingering in the majority of Program offerings. To remedy the overfunded balance and more closely match projected future revenue with budgeted expenditures, the Company has filed revisions to its Schedule 91 rider concurrently with this Application.

¹ \$3,625,202 in incentives were paid to customers in 2020 and \$4,104,944 in 2021.

² This underfunding was addressed by an increase to Schedule 91 rates effective October 1, 2017, approved by the Commission in Order No. 33897 of Case No. AVU-E-17-06.

The following Table No. 1 illustrates the balances for the 2020 and 2021 Program years on a monthly basis.

Table No. 1

Accounting Period	Beginning Balance	Program Expenditures	Tariff Collections	Ending Balance
Jan-20	\$4,375,287	\$529,418	(\$1,018,003)	\$3,886,702
Feb-20	\$3,886,702	\$314,861	(\$942,438)	\$3,259,125
Mar-20	\$3,259,125	\$659,856	(\$893,159)	\$3,025,822
Apr-20	\$3,025,822	\$511,992	(\$844,337)	\$2,693,477
May-20	\$2,693,477	\$465,786	(\$719,300)	\$2,439,963
Jun-20	\$2,439,963	\$481,126	(\$739,390)	\$2,181,699
Jul-20	\$2,181,699	\$370,631	(\$794,166)	\$1,758,164
Aug-20	\$1,758,164	\$584,493	(\$901,766)	\$1,440,891
Sep-20	\$1,440,891	\$482,095	(\$835,501)	\$1,087,485
Oct-20	\$1,087,485	\$773,356	(\$708,759)	\$1,152,081
Nov-20	\$1,152,081	\$264,135	(\$850,650)	\$565,567
Dec-20	\$565,567	\$1,034,585	(\$1,025,966)	\$574,186
Jan-21	\$574,186	\$537,859	(\$1,014,857)	\$97,188
Feb-21	\$97,188	\$602,494	(\$976,353)	(\$276,671)
Mar-21	(\$276,671)	\$631,446	(\$1,035,763)	(\$680,988)
Apr-21	(\$680,988)	\$490,147	(\$838,691)	(\$1,029,532)
May-21	(\$1,029,532)	\$632,246	(\$739,552)	(\$1,136,838)
Jun-21	(\$1,136,838)	\$362,643	(\$816,730)	(\$1,590,925)
Jul-21	(\$1,590,925)	\$291,482	(\$794,166)	(\$2,093,610)
Aug-21	(\$2,093,610)	\$1,161,203	(\$1,114,419)	(\$2,046,825)
Sep-21	(\$2,046,825)	\$416,500	(\$801,590)	(\$2,431,915)
Oct-21	(\$2,431,915)	\$393,240	(\$749,534)	(\$2,788,208)
Nov-21	(\$2,788,208)	\$382,492	(\$820,041)	(\$3,225,757)
Dec-21	(\$3,225,757)	\$862,148	(\$998,686)	(\$3,362,295)

III. 2020 AND 2021 PROGRAM PERFORMANCE

The Company's energy efficiency targets are established on an annual basis through the process of developing the electric Integrated Resource Plan (IRP). The targets derived through the resource planning efforts provide a starting point for Program planning, which is accomplished through the annual business planning process where Program offerings are optimized for the Company's service territory based on current economic and market conditions. Program savings

for 2020 were 16,711 MWh, which surpassed the electric savings target of 15,387 MWh, achieving 109% of the target. For 2021, the Company accomplished 93% of its 14,504 MWh target, achieving annual energy savings of 13,510 MWh. This represents 101% of the Company's two-year IRP target of 29,891 MWh, which does not include the additional 6,994 MWh acquired through NEEA. In support of these figures, Avista's 2020 and 2021 Electric Impact Evaluations are included as appendices within each respective year's ACR (See Exhibit No. 1 for 2020 and Exhibit No. 2 for 2021).

Table No. 2

Time Period of Reported Savings	Local Evaluated MWh Savings	IRP Target	Percent Achieved
2020	16,711	15,387	109%
2021	13,510	14,504	93%
2020-2021	30,221	29,891	101%

As shown in Table No. 2 above, from January 1, 2020 through December 31, 2021 the Company achieved 30,221 MWh of savings, excluding NEEA savings of 6,994 MWh. Table No. 3 below details the electric savings by residential, non-residential and low-income sectors, which make up the Company's electric Portfolio.

Table No. 3

Program Sector	2020-'21 Verified Savings (MWh)
Residential	6,696
Non-Residential	23,156
Low-Income	369
Total Portfolio	30,221

Avista evaluates the effectiveness of its electric Portfolio based upon a number of metrics, including analyses utilizing four specific measurements to evaluate the cost-effectiveness of a given program from both the Company's and from customers' perspectives: the Utility Cost Test

(UCT),³ the Total Resource Cost (TRC), the Participant Cost Test (PCT), and the Ratepayer Impact Test (RIM). The most commonly applied metrics to provide insight into the net value to all customers are the UCT—a benefit-to-cost test from the utility perspective that includes incentives and excludes net costs and non-energy benefits (NEBs)—and the TRC, which represents the customer perspective by including all measure costs and NEBs, excluding incentives. For 2020, the overall Portfolio achieved a UCT ratio of 2.23 and a TRC ratio of 2.02 based on verified savings. For 2021, the overall Portfolio achieved a UCT ratio of 1.24 and a TRC ratio of 1.11 based on verified savings. The cost-effectiveness metrics are included in Table No. 4 below:

Table No. 4

Cost-Effectiveness Test	2020	2021
Utility Cost Test (UCT)	2.23	1.24
Total Resource Cost (TRC)	2.02	1.11

The primary reason for the shift in cost-effectiveness between the two periods is due to 1) an updated avoided cost for the 2021 Program year and 2) a lower level of conservation achievement in 2021 than in 2020.

IV. PROGRAM EVALUATION

In addition to the cost-effectiveness analyses conducted for the Program, Avista also contracts with independent, third-party consultants to provide program Evaluation, Measurement, and Verification (EM&V) activities each year. These EM&V activities are used to validate and report verified energy savings related to the Company's energy efficiency measures and Program

³ Also known as the Program Administer Cost (PAC) test.

offerings, as well as provide viable recommendations to improve Program performance, enact changes to Program components, and decide whether and when to phase out measures.

For both the 2020 and 2021 Program years, Cadmus (non-residential) and ADM (residential and low-income) were retained by Avista to perform an impact evaluations on Avista's electric Energy Efficiency Program. The primary goal of the impact evaluations is to provide an accurate summary of the gross electric and demand savings attributable to Avista's Portfolio. Cadmus was also retained to perform process evaluations on all Avista electric Program offerings. The main purpose of a process evaluation is to identify any improvements needed at the Portfolio level to increase program effectiveness and efficiency.

As part of its 2020-21 evaluations, the evaluators concluded that Avista's electric Program achieved 30,221 MWh cost-effectively and the Program addressed all impact and process evaluation needs in accordance with industry and regulatory standards.

V. ADDITIONAL PROGRAM ACTIVITIES

Per Order No. 35129 in Case Nos. AVU-E-20-13 and AVU-G-20-08—Avista's request for a prudence determination of its 2018-2019 electric and gas energy efficiency programs—the Commission ordered Avista to take several actions intended to improve its Program and associate processes. The below section provides an update on these action items and related activities.

NEEA Evaluation

In its Order, the Commission determined that Avista should pursue an independent EM&V of the NEEA program in Idaho. The intent of this evaluation is to clarify whether the savings claimed by NEEA, the allocation of those savings to Idaho, and the cost-effectiveness are accurate and ultimately benefiting Idaho customers.

Avista began its EM&V vendor selection efforts early in 2022 and transitioned to pursuing a joint effort with Idaho Power for the NEEA review. Avista and Idaho Power have collaborated to jointly issue a Request for Proposal (RFP) for the review of the program and is currently reviewing responses to the RFP. Avista's selection criteria is heavily based on attaining a vendor that can demonstrate independence and provide an objective analysis of the NEEA program. Avista will continue to update Commission Staff on the EM&V progress.

Idaho Incentive Modification Process

In response to concerns that customers are negatively impacted by frequent incentive changes, Avista was instructed to formalize an objective standard for changing rebate and incentive levels. As a result of this request, Avista prepared a formal document to illustrate its process and methodology for changing incentive levels in Idaho, meeting with Commission Staff through the 2020-2021 period to review the document and gather feedback. Avista also circulated the document to its Advisory Group to gain further input. This document, inclusive of all feedback received, has been included as Exhibit No. 3 to this filing as well as an appendix to the 2021 ACR (Exhibit No. 2).

Cost-Effectiveness

Commission Staff noted in the 2018-2019 prudence review that errors existing in the cost-effectiveness calculations conducted by Avista's third party evaluator would not have occurred had Avista performed its cost-effectiveness testing internally. As a result, Avista agreed to perform its cost-effectiveness tests internally and committed to providing internally calculated cost-effectiveness calculations for the 2021 program year and a combined 2020-2021 basis. This analysis is included in the 2021 Annual Conservation Report (Exhibit No. 2) as Appendix I.

Research and Development Funding

In their comments in Case Nos. AVU-E-20-13 and AVU-G-20-08,⁴ Commission Staff provided a recommendation that future funding for the Research and Development (R&D) program be discontinued or suspended until the program could be redesigned to focus on R&D that provides near-term, practical benefit for Idaho customers. While Avista agreed to this provision in its reply comments,⁵ the Commission, in its Order No. 35129, instead directed Avista to propose an updated R&D program that includes measurable targets and metrics. To date, Avista has not renewed its contracts with its existing R&D partners and continues to evaluate opportunities for R&D projects that return benefits to Idaho customers.

VI. REQUEST FOR RELIEF

As described in greater detail above, Avista respectfully requests that the Commission issue an Order designating Avista's 2020 and 2021 total electric Energy Efficiency Program expenditures of \$13,236,234 as prudently incurred, with this Application being processed under Modified Procedure through the use of written comments.

DATED this 1st day of August 2022.

Respectfully submitted,

Avista Utilities

By: /s/ David Meyer
David J. Meyer, Vice President and Chief
Counsel for Regulatory and Governmental Affairs

⁴ <https://puc.idaho.gov/Fileroom/PublicFiles/ELEC/AVU/AVUE2013/Staff/20210505Comments.pdf>

⁵ <https://puc.idaho.gov/Fileroom/PublicFiles/ELEC/AVU/AVUE2013/Company/20210520Reply%20Comments.pdf>