

**DECISION MEMORANDUM**

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL**

**FROM: NEIL PRICE  
DEPUTY ATTORNEY GENERAL**

**DATE: SEPTEMBER 12, 2014**

**SUBJECT: AVISTA CORPORATION'S APPLICATION FOR A DETERMINATION  
OF 2013 DEMAND SIDE MANAGEMENT (DSM) EXPENSES AS  
PRUDENTLY INCURRED, CASE NOS. AVU-E-14-07 AND AVU-G-14-02**

On August 12, 2014, Avista Corporation (“Avista” or “Company”) submitted an Application seeking a determination by the Commission that the Company’s electric and natural gas energy efficiency expenditures from January 1, 2013 through December 31, 2013 were prudently incurred. The Company’s Application consists of a cover letter and the testimony and exhibits of Chris D. Drake, Bruce W. Folsom, and M. Sami Khawaja.

**AVISTA’S APPLICATION**

The Company included a cover letter requesting a Commission determination of prudence of their DSM programs and the prefiled testimony and exhibits of three Company witnesses.

**Testimony of Mr. Drake:** Mr. Drake is the Manager of Demand Side Management (DSM) Program Delivery for Avista. His testimony gives an overview of the Company’s DSM program offerings available to Idaho customers in the 2013 program year.

In 2013, Avista offered the following residential programs to Idaho electric and/or natural gas customers: High Efficiency Heat Pump; Ductless Heat Pump; High Efficiency Variable Speed Motor; High Efficiency Tanked Water Heater; Space Heat Conversion (Direct Use of Natural Gas); Water Heat Conversion (Direct Use of Natural Gas); Multifamily Natural Gas Market Transformation (Direct Use of Natural Gas); Ceiling, Attic, Floor, Wall Insulation; ENERGY STAR Homes; ENERGY STAR Appliances; CFL (and CFL Recycling) Promotions;

“Second” Refrigerator/Freezer Recycling Program; Community Events and Workshops; Low-cost/no-cost information; On-line Home Energy Audits and Analysis; Simple Steps Smart Savings (CFLs and Showerheads); manufacturer buy-downs for compact fluorescent lighting and low-flow showerhead measures (Avista sponsored) (Simple Steps Smart Savings).

Avista offered the following non-residential (commercial and industrial) programs to Idaho electric and/or natural gas customers: EnergySmart Grocer; Power Management for PC Networks; Premium Efficiency Motors; Food Service Equipment; Commercial HVAC Variable Frequency Drives; Retro-Commissioning; Commercial Clothes Washers; Vending Machine Controllers; Lighting and Controls; Green Motors Rewind Program; Commercial Windows and Insulation; Standby Generator Block Heater; Site Specific Offerings in Various End Uses.

Avista offered the following low-income programs to Idaho electric and/or natural gas customers: weatherization assistance and Low Income Energy Assistance Program (LIHEAP).

For program evaluation, measurement and verification, Avista states that it employed Cadmus after a competitive request for proposal (RFP) process. Avista employs an implementation team made up of program managers, coordinators, engineers, account executives, and analysts. Mr. Drake asserts that the Company has provided all necessary verification of installation and project invoices.

**Testimony of Mr. Folsom:** Mr. Folsom is employed by Avista as Director, Products and Services. His testimony focused on providing an overview of the Company’s recent Idaho DSM portfolio results and expenditures for electric and natural gas efficiency programs; Avista’s involvement with the Northwest Energy Efficiency Alliance (NEEA); an update on the Company’s university research and development activities; status of the Company’s suspended natural gas DSM programs; overall evaluation by Avista’s third-party contractor, Cadmus; and stakeholder involvement. Mr. Folsom attached two exhibits to his testimony depicting a summary of 2013 research and development projects funded by the DSM tariff rider, and Avista’s 2013 Annual Report-Demand-Side Management, Idaho, summary of DSM energy savings and levelized costs, a summary of electric DSM cost-effectiveness; and a summary of natural gas DSM cost-effectiveness.

Mr. Folsom noted that the Company achieved Idaho energy efficiency savings for 2013 of 25,899, 21,999 MWh net savings, first-year MWh. This represents 136% of the

Company's target savings of 19,009 MWh dictated by Avista's IRP for this period. Avista has achieved over 189 aMW of cumulative savings through its energy efficiency efforts in the past 36 years. 122 aMW of DSM is currently in place on the Company's system, with approximately 36 aMW in the Idaho service territory. Current Company-sponsored conservation reduces retail loads by 10.6 percent. Additionally, 51,772 therms of residual first year efficiency savings were achieved from January 1, 2013 through December 31, 2013.

Avista spent \$7,634,864 on Idaho electric and natural gas DSM programs, of which 64% was paid out to customers in direct incentives pursuant to the cost-effectiveness tests shown in Exhibit No. 1. This does not include additional benefits such as technical analyses provided to customers by the Company's DSM engineering staff.

Regarding Avista's participation and funding of Northwest Energy Efficiency Alliance (NEEA) programs, Mr. Folsom states that the levelized cost of resources acquired through Avista's Idaho participation was 1.8 cents per kWh. This compares with \$141 per first-year MWh for Avista-funded local energy efficiency programs in Idaho. During 2013, Avista's Idaho-related NEEA funding was \$801,838.

On August 30, 2013, Mr. Folsom recounted that Avista filed a request with the Commission to authorize up to \$300,000 per year of Schedule 9, DSM Tariff Rider revenue to fund applied research at Idaho's universities through a "call for papers" approach. The intent of this initiative is to supplement the pipeline of emerging technology. Mr. Folsom stated that the Idaho electric and natural gas tariff rider balances were \$3,459,189 (underfunded) and \$674,059 (overfunded), respectively.

Avista states it intends to reinstate its natural gas efficiency programs in Idaho as soon as they are "cost-effective," as verified through the application of the Total Resource Cost (TRC) test. Mr. Folsom alleges that Idaho's electric programs are cost-effective according to the TRC, benefit to cost ratio of 1.23, and Program Administrator Cost (PAC), benefit to cost ratio of 1.86, tests.

**Testimony of Mr. Khawaja:** Mr. Khawaja is employed as an executive consultant for Cadmus and testifying on behalf of Avista, presenting the findings of the Cadmus evaluations. His prefiled testimony includes Exhibit 3, Avista 2013 Idaho Electric Impact Evaluation Report. Cadmus conducted impact and process evaluations of the electric and natural gas programs in the residential, nonresidential, and low income sectors. According to Mr.

Khawaja, although natural gas programs were suspended in Idaho prior to 2013, there were several instances where natural gas savings were achieved due to grandfathered projects or dual fuel saving measures. Mr. Khawaja asserted that Cadmus's evaluations met industry standards and protocols.

The Cadmus evaluation included 357 phone surveys conducted for the residential measure verification and over 2,000 general population surveys. The process evaluations included 357 residential participant, 2,160 residential general population, 201 non-residential participant, and 140 non-residential non-participant surveys. The evaluations also included 20 contractor interviews, as well as interviews with several implementation contractors, Avista PPA, and implementation staff.

Mr. Khawaja believes that the Avista evaluation addresses all 13 measurement and verification needs in accordance with 14 industry and regulatory standards. Impact evaluation on the 2013 program years verified electric savings exceeding IRP and Avista Business Plan goals. He believes that the process evaluations reveal that the programs are run efficiently while some areas for improvement exist.

#### **COMMISSION DECISION**

1. Does the Commission wish to issue a Notice of Application and Notice of Modified Procedure?
2. Does the Commission wish to issue a deadline for intervention of 14 days?



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Neil Price  
Deputy Attorney General

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