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UTILITIES COMMISSION

Avista Corp.
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August 1, 2022

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

AVU-G-22-05

Re: Avista Corporation Application for Determination of 2020-2021 Natural Gas 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 natural gas 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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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
AVISTA CORPORATION FOR A)	CASE NO. AVU-G-22-<u>05</u>
DETERMINATION OF 2020-2021 NATURAL)	
GAS ENERGY EFFICIENCY EXPENSES AS)	APPLICATION OF
PRUDENTLY INCURRED)	AVISTA CORPORATION
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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 natural gas energy efficiency expenditures from January 1, 2020 through December 31, 2021, funded through the Company’s Schedule 191 Energy Efficiency Rider Adjustment in the amount of \$4,928,907, 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 natural gas 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. NATURAL GAS PROGRAM EXPENDITURES

The Company requests Commission determination that the expenditures incurred during the 2020-21 Program years, totaling \$4,928,907 for its natural gas Program, were prudent and in the public interest. Of the total amount spent, \$3,795,232, or 77%, 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 191 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 natural gas tariff rider balance was nearly \$2.0 million underfunded, meaning that less tariff rider funding was collected than actually needed to fund the ongoing Program operations. This underfunded balance is a reflection of higher customer participation in Program offerings and a higher level of incentive costs reaching customers. To remedy the underfunded balance and more closely match projected future revenue with budgeted expenditures, the Company plans to file a revision to its Schedule 191 rider concurrently with its other natural gas filings in Idaho (e.g., Purchased Gas Cost Adjustment (PGA)) prior to the end of 2022.

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

¹ \$2,005,738 in incentives were paid to customers in 2020 and \$1,789,495 in 2021.

Table No. 1

Accounting Period	Beginning Balance	Program Expenditures	Tariff Collections	Ending Balance
Jan-20	(\$78,073)	\$169,483	(\$215,786)	(\$124,376)
Feb-20	(\$124,376)	\$124,065	(\$200,206)	(\$200,517)
Mar-20	(\$200,517)	\$185,313	(\$176,401)	(\$191,605)
Apr-20	(\$191,605)	\$120,816	(\$144,499)	(\$215,288)
May-20	(\$215,288)	\$174,473	(\$75,984)	(\$116,799)
Jun-20	(\$116,799)	\$202,748	(\$57,387)	\$28,562
Jul-20	\$28,562	\$186,227	(\$37,483)	\$177,306
Aug-20	\$177,306	\$128,710	(\$30,097)	\$275,920
Sep-20	\$275,920	\$149,166	(\$33,653)	\$391,433
Oct-20	\$391,433	\$332,594	(\$54,931)	\$669,097
Nov-20	\$669,097	\$302,687	(\$147,039)	\$824,745
Dec-20	\$824,745	\$405,974	(\$209,219)	\$1,021,500
Jan-21	\$1,021,500	\$160,109	(\$219,872)	\$961,738
Feb-21	\$961,738	\$142,608	(\$225,191)	\$879,155
Mar-21	\$879,155	\$236,369	(\$212,002)	\$903,522
Apr-21	\$903,522	\$159,573	(\$133,259)	\$929,836
May-21	\$929,836	\$178,302	(\$74,360)	\$1,033,778
Jun-21	\$1,033,778	\$196,689	(\$49,749)	\$1,180,718
Jul-21	\$1,180,718	\$157,512	(\$37,483)	\$1,300,747
Aug-21	\$1,300,747	\$162,339	(\$20,272)	\$1,442,814
Sep-21	\$1,442,814	\$224,538	(\$33,782)	\$1,633,569
Oct-21	\$1,633,569	\$228,844	(\$65,882)	\$1,796,531
Nov-21	\$1,796,531	\$196,384	(\$129,602)	\$1,863,313
Dec-21	\$1,863,313	\$403,382	(\$199,648)	\$2,067,047

III. 2020 AND 2021 PROGRAM PERFORMANCE

The Company's energy efficiency targets are established on an annual basis through the process of developing the natural gas 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 352,548 therms, which fell short the natural gas savings target of 421,270 therms, achieving 84% of the target. For 2021, the Company accomplished 84% of its 358,160 therm target, achieving annual energy savings of 300,000 therms. This represents 84% of the Company's combined, two-year IRP target of 779,430 therms, which does not include the additional 159,522 therms acquired through NEEA. In support of these figures, Avista's 2020 and 2021 Natural Gas 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 Therm Savings	IRP Target	Percent Achieved
2020	352,548	421,270	84%
2021	300,000	358,160	84%
2020-2021	652,548	779,430	84%

As shown in Table No. 2 above, from January 1, 2020 through December 31, 2021 the Company achieved 652,548 therms of savings, excluding NEEA savings of 159,522 therms. Table No. 3 below details the natural gas savings by residential, non-residential and low-income sectors, which make up the Company's natural gas Portfolio.

Table No. 3

Program Sector	2020-'21 Verified Savings (Therms)
Residential	593,607
Non-Residential	50,229
Low-Income	8,712
Total Portfolio	652,548

Avista evaluates the effectiveness of its natural gas 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),² 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 1.26 and a TRC ratio of 0.68 based on verified savings. For 2021, the overall Portfolio achieved a UCT ratio of 1.24 and a TRC ratio of 0.60 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)	1.26	1.24
Total Resource Cost (TRC)	0.68	0.60

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

² 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 impact evaluations on Avista's natural gas Energy Efficiency Program. The primary goal of impact evaluations is to provide an accurate summary of the gross natural gas and demand savings attributable to Avista's Portfolio. Cadmus was also retained to perform process evaluations on all Avista natural gas 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 natural gas Program achieved 652,548 therms 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-20-08,³ 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,⁴ 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 natural gas Energy Efficiency Program expenditures of \$4,928,907 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

³ <https://puc.idaho.gov/Fileroom/PublicFiles/ELEC/AVU/AVUE2013/Staff/20210505Comments.pdf>

⁴ <https://puc.idaho.gov/Fileroom/PublicFiles/ELEC/AVU/AVUE2013/Company/20210520Reply%20Comments.pdf>