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IDAHO PUBLIC
UTILITIES COMMISSION

November 25, 2020

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

AVU-G-20-08

Re: Avista Corporation Application for Determination of 2018-2019 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, 2018 through December 31, 2019. Also included in this filing are Exhibit Nos. 1-3 in support of the Application, containing Avista's 2018 Annual Conservation Report, 2019 Annual Conservation Report, and the Company's third-party Impact Evaluation Reports of its natural gas energy efficiency programs for 2018-2019.

If you have any questions regarding this filing, please contact Dan Johnson, Director of Energy Efficiency, at (509) 495-2807 or dan.johnson@avistacorp.com.

Sincerely,

/s/ Shawn Bonfield

Shawn Bonfield
Sr. Manager of Regulatory Policy & Strategy
Avista Utilities
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Enclosures

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10 **BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

11

12	IN THE MATTER OF THE APPLICATION OF)	CASE NO. AVU-G-20- <u>08</u>
13	AVISTA CORPORATION FOR A)	
14	DETERMINATION OF 2018-2019 NATURAL)	
15	GAS ENERGY EFFICIENCY EXPENSES AS)	APPLICATION OF
16	PRUDENTLY INCURRED)	AVISTA CORPORATION
17	_____)	

18 **I. INTRODUCTION**

19 In accordance with IDAPA 31.01.01 (Rules of Procedure, or RP), RP 052 and RP
20 201, et seq., Avista Corporation, doing business as Avista Utilities (hereinafter Avista or
21 Company), hereby respectfully requests that the Idaho Public Utilities Commission
22 (Commission) issue an order designating Avista's natural gas energy efficiency
23 expenditures from January 1, 2018 through December 31, 2019, in the amount of
24 \$2,896,986, as prudently incurred.

25 The Company requests that this filing be processed under the Commission's
26 Modified Procedure rules through the use of written comments.

27 Communications in reference to this Application should be addressed to:

28 David J. Meyer, Esq.
29 Vice President and Chief Counsel for
30 Regulatory and Governmental Affairs
31 Avista Corporation
32 P.O. Box 3727

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5 The Company has included the following attachments in support of this filing,
6 which are also referenced below:

- 7 a) Exhibit No. 1 - Idaho 2018 and 2019 Natural Gas Impact Evaluations
8 b) Exhibit No. 2 - Avista 2018 Idaho Annual Conservation Report
9 c) Exhibit No. 3 - Avista 2019 Idaho Annual Conservation Report

10 **II. BACKGROUND**

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

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

III. NATURAL GAS PROGRAM EXPENDITURES

The Company requests Commission determination that the expenditures incurred during the 2018-19 Program years, totaling \$2,896,986 for Idaho's natural gas Energy Efficiency Programs, were prudent and in the public interest. Of the total amount spent, \$2,263,689, or 78%, 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 (Advisory Group). At December 31, 2017, Avista's natural gas Programs had an overfunded balance of \$180,889. During 2018, the Programs incurred costs in the amount of \$1,279,666, while tariff Schedule 191 collections totaled \$1,332,964, resulting in additional overfunding for a total balance of \$234,187 at December 31, 2018. However, the overfunded balance decreased to \$78,073 by December 31, 2019, as Program expenditures outpaced collections by \$156,114, totaling \$1,617,320 and \$1,461,206, respectively.

The following Table No. 1 illustrates the balances for the 2018 and 2019 Program years on a monthly basis.

Table No. 1

Accounting Period	Beginning Balance	Program Expenditures	Tariff Collections	Ending Balance
Jan 2018	(\$180,889)	\$109,956	(\$230,692)	(\$301,625)
Feb 2018	(\$301,625)	\$52,253	(\$181,721)	(\$431,094)
Mar 2018	(\$431,094)	\$115,200	(\$192,239)	(\$508,132)
Apr 2018	(\$508,132)	\$80,240	(\$138,897)	(\$566,789)

¹ \$1,321,862 in incentives were paid to customers in 2018 and \$941,827 in 2019.

May 2018	(\$566,789)	\$56,726	(\$69,186)	(\$579,249)
Jun 2018	(\$579,249)	\$174,591	(\$37,098)	(\$441,756)
Jul 2018	(\$441,756)	\$88,835	(\$34,262)	(\$387,183)
Aug 2018	(\$387,183)	\$61,837	(\$28,254)	(\$353,600)
Sep 2018	(\$353,600)	\$72,311	(\$28,254)	(\$309,543)
Oct 2018	(\$309,543)	\$127,425	(\$71,834)	(\$253,953)
Nov 2018	(\$253,953)	\$90,486	(\$120,301)	(\$283,767)
Dec 2018	(\$283,767)	\$249,806	(\$200,226)	(\$234,188)
Jan 2019	(\$234,188)	\$126,374	(\$214,477)	(\$322,291)
Feb 2019	(\$322,291)	\$63,490	(\$229,875)	(\$488,676)
Mar 2019	(\$488,676)	\$125,209	(\$235,145)	(\$598,611)
Apr 2019	(\$598,611)	\$136,254	(\$126,556)	(\$588,913)
May 2019	(\$588,913)	\$146,874	(\$73,947)	(\$515,987)
Jun 2019	(\$515,987)	\$103,468	(\$41,352)	(\$453,870)
Jul 2019	(\$453,870)	\$122,685	(\$34,014)	(\$365,199)
Aug 2019	(\$365,199)	\$155,134	(\$29,849)	(\$239,914)
Sep 2019	(\$239,914)	\$119,454	(\$32,750)	(\$153,210)
Oct 2019	(\$153,210)	\$192,393	(\$86,213)	(\$47,030)
Nov 2019	(\$47,030)	\$167,368	(\$151,147)	(\$30,809)
Dec 2019	(\$30,809)	\$158,617	(\$205,881)	(\$78,073)

IV. ENERGY EFFICIENCY SAVINGS AND COST EFFECTIVENESS

From January 1, 2018 through December 31, 2019, the Company achieved 464,718 therms of savings on a gross basis. Table No. 2 details the energy savings by residential, non-residential and low-income sectors, which make up the Company's natural gas Energy Efficiency Portfolio.

Table No. 2

Program Sector	2018-2019 Gross Verified Savings (therms)
Residential	387,751
Nonresidential	68,263
Low Income	8,704
Total Portfolio	464,718

Avista judges the effectiveness of its natural gas Portfolio based upon a number of metrics, including analyses utilizing four specific metrics to evaluate the cost-

1 effectiveness of a given program from both the Company's and from customers'
2 perspectives: the Utility Cost Test (UCT),² the Total Resource Cost (TRC), the
3 Participant Cost Test (PCT), and the Ratepayer Impact Test (RIM). One of the most
4 commonly applied metrics to provide insight into the net value of natural gas savings to
5 all customers is the UCT, which is a benefit-to-cost test from the utility perspective that
6 includes incentives and excludes net costs and non-energy benefits (NEBs). Avista's cost-
7 effectiveness goal for both the electric and natural gas Program Portfolios is to have a
8 UCT above 1.00, which indicates that the benefits to the utility exceed the costs of
9 implementing the program. Based on gross reported savings, the overall natural gas
10 Program Portfolio achieved a UCT ratio of 2.12³ for 2018 and a UCT ratio of 1.50 for
11 2019. The cost-effectiveness metrics are included in Table No. 3 below:

12 **Table No. 3**

13

Cost-Effectiveness Test	2018	2019
Utility Cost Test (UCT)	2.12	1.50

14 **V. ENERGY EFFICIENCY TARGETS**

15 The Company's energy efficiency targets are established in the process of
16 developing the Natural Gas Integrated Resource Plan (IRP). The targets derived through
17 the resource planning efforts provide a starting point for program planning which is
18 accomplished through the annual business planning process where program offerings are
19 optimized for the Company's service territory based on current economic and market
20 conditions.

² Also known as the Program Administer Cost (PAC) test.

³ See Exhibit No. 2 - Avista 2018 Idaho Annual Conservation Report; Page 12, Table 10 contains the correct UCT for the natural gas Portfolio cost-effectiveness results, 2.12. The associated paragraph states, incorrectly, a 2.15 UCT for 2018.

1 The results of Avista's natural gas Energy Efficiency Programs exceeded the 2018
2 and 2019 IRP targets established as part of this IRP process, as shown in Table No. 4
3 below. Idaho Energy Efficiency savings for 2018 were 247,756 therms, which surpassed
4 the natural gas savings target of 246,440 therms by 101%. For 2019, the Company
5 accomplished 68% of its 320,830 therm target, reporting annual energy savings of
6 216,962 therms. Avista's Idaho 2018 and 2019 Natural Gas Impact Evaluations have been
7 included as Exhibit No. 1 to support these figures.

8 **Table No. 4**

9

Time Period of Reported Savings	Local Evaluated therm Savings	IRP Target	Percent Achieved
2018	247,756	246,440	101%
2019	216,962	320,830	68%

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11
12

13 **VI. PROGRAM EVALUATION**

14 In addition to the cost-effectiveness analyses conducted for each Program, Avista
15 also contracts with independent, third-party consultants to provide program Evaluation,
16 Measurement, and Verification (EM&V) activities. These EM&V activities are used to
17 validate and report verified energy savings related to its energy-efficiency measures and
18 programs, as well as provide viable recommendations to improve program performance,
19 enact changes to programs, and decide whether and when to phase out measures.

20 For both the 2018 and 2019 Program years, Cadmus was retained by Avista to
21 perform an impact and process evaluation on Avista's natural gas Energy Efficiency
22 Programs. The primary goal of the impact evaluation is to provide an accurate summary
23 of the gross energy and demand savings attributable to Avista's Portfolio. The main

1 purpose of a process evaluation is to identify any improvements needed at the portfolio
2 level to increase program effectiveness and efficiency.

3 As part of its 2018-19 evaluations, Cadmus concluded that Avista's Idaho natural
4 gas Programs achieved 464,718 therms in 2018-2019 cost-effectively and that Avista's
5 2018-2019 programs addressed all impact and process evaluation needs in accordance
6 with industry and regulatory standards.⁴

7 **VIII. REQUEST FOR RELIEF**

8 As described in greater detail above, Avista respectfully requests that the
9 Commission issue an Order designating Avista's 2018 and 2019 total natural gas
10 Energy Efficiency expenditures of \$2,896,986 as prudently incurred, with this
11 Application being processed under Modified Procedure through the use of written
12 comments.

13 Dated at Spokane, Washington this 25th day of November 2020.

14
15 AVISTA CORPORATION

16
17 By: /s/ David J. Meyer
18 David J. Meyer
19 Vice President and Chief Counsel for
20 Regulatory and Governmental Affairs

⁴ See Exhibit No. 1, Cadmus' Idaho 2018 and 2019 Natural Gas Impact Evaluations