BEFORE THE WASHINGTON

UTILITIES & TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION

Respondent.

DOCKET UE-151148

JOINT TESTIMONY OF

BRADLEY T. CEBULKO (STAFF)

MARY M. KIMBALL (PUBLIC COUNSEL)

IN SUPPORT OF THE

MULTIPARTY SETTLEMENT STIPULATION

JANUARY 22, 2016

# I. INTRODUCTION

Q: Please state your names, titles, and the party you represent in this matter.

A: Our names, titles, and representation are as follows:

* Bradley T. Cebulko, Regulatory Analyst, Washington Utilities and Transportation Commission Staff (Staff);
* Mary M. Kimball, Senior Regulatory Analyst, Public Counsel Unit of the Washington Office of Attorney General (Public Counsel).

We represent two of the three parties supporting the Settlement Stipulation.

Avista has also signed the Settlement and is filing separate testimony in support

of the Settlement.

**Q: Are you sponsoring Joint Testimony in support of the Multiparty Settlement Stipulation filed with the Washington Utilities and Transportation Commission (Commission) on October 29, 2015?**

A: Yes. This Joint Testimony recommends approval of the Multiparty Settlement Stipulation (Settlement) by the Commission.[[1]](#footnote-1) The Settlement adequately resolves the issues identified by Staff and Public Counsel during our review of Avista’s Demand-Side Management (DSM) tariff filing. Its approval is in the public interest for the reasons discussed herein.

**Q: What is the scope of your testimony?**

A: The Joint Testimony supports approval of the Settlement Stipulation filed by the parties on October 29, 2015, that resolved all the issues identified in Commission Order No. 01 and in Public Counsel’s comments dated July 27, 2015. This Joint Testimony also responds to the specific questions raised in Bench Request Nos. 1 and 2 dated January 8, 2016.

**Q: Who are the signatories to the Settlement?**

A: The Settlement, filed October 29, 2015, was signed by Avista, the Commission Staff, and Public Counsel. Accordingly, this represents a “multiparty settlement” under WAC 480-07-730.[[2]](#footnote-2)

# II. QUALIFICATIONS OF WITNESSES

**Q: Mr. Cebulko, please provide information pertaining to your educational background and professional experience.**

A: Since September 2013, I have worked at the Utilities and Transportation Commission as a Regulatory Analyst. I have a Master’s degree in Public Administration from the Daniel J. Evans School of Public Policy and Governance at the University of Washington, and a Bachelor of Arts (B.A.) degree in political science from Colorado State University. I attended the National Association of Regulatory Utility Commissioners’ Annual Regulatory Studies Program in August 2014, Electric Utility Consultants, Inc.’s (EUCI) cost of service and rate design training in March 2015, New Mexico State University’s rate case basics workshop in May 2015, as well as other sector-specific workshops, trainings, and conferences.

**Q: Ms. Kimball, please provide information pertaining to your educational background and professional experience.**

A: I joined the Public Counsel section of the Attorney General’s Office in 2000 as a Regulatory Analyst, and am currently Senior Regulatory Analyst. I received a B.A. in Political Science from Williams College in Williamstown, Massachusetts in 1992. In 1997, I received a Master’s degree in Public Policy from the University of California, Berkeley. I have worked on a wide range of issues in the telecommunications and energy sectors. With respect to energy-related issues, my work has included energy efficiency, reliability, decoupling mechanisms, service quality, and affiliate interest issues. I also oversee the work of Public Counsel’s analyst staff participation in utility conservation and integrated resource plan advisory groups. I have participated as a member of Avista’s energy efficiency advisory group for approximately 15 years.

# III. Testimony in Support of Settlement Stipulation and response to bench request no. 1

**Q: Why is this Settlement Stipulation in the public interest?**

A: The settlement stipulation filed in this docket addresses the specific concerns identified by Staff and Public Counsel as part of our review of Avista’s DSM tariff riders. Staff and Public Counsel are satisfied the Company has taken the initial steps that will lead to a better, more transparent and robust conservation program. Certainly, there is more work to be done, and we still have ongoing concerns and issues that we will monitor as members of the Company’s advisory group and in matters that come before the Commission. But Avista has sufficiently resolved the issues we raised during the Open Meeting, demonstrated a commitment to improving its program through the improvements described below, and importantly, the Company will have further opportunities to demonstrate its progression through future review processes, particularly when it files its Biennial Conservation Report in June 2016.

**Q: Please explain how the settlement adequately addresses the issues identified by Staff and Public Counsel?**

A: During Staff and Public Counsel’s review of the Company’s DSM program, we identified seven specific issues that warranted further investigation, including inappropriate expenses, an accounting error, and operational and procedural issues. A description of each of those seven issues, as well as the agreed upon resolution, is provided in the Settlement Stipulation. To summarize, the resolution of those issues were as follows:

1. Avista’s sponsorship of $2,500 for a Northwest Energy Coalition (NWEC) evening event titled “Four Under Forty,” which honored clean energy leaders, was removed as an expenditure.
2. A natural gas reimbursement (credit) from Washington State University (WSU) totaling $311,153 was mistakenly applied to the electric program instead of the natural gas program. Avista provided documentation regarding this correction.
3. Avista ceased sending Opower Home Energy Reports in January, 2015, due to technical difficulties related to implementation of its new customer information system (Project Compass). The Company was not able to resume sending reports until August, 2015. Staff and Public Counsel were concerned that Avista neither informed its advisory group of this interruption until May 1, 2015, nor did it timely inform the Commission. Avista will refund to customers the costs associated with the interruption, totaling $211,589, through an adjustment to Schedule 91, the electric DSM rider, subsequent to approval of the Settlement. The Company will extend the duration of the program, at no additional cost to ratepayers, as discussed in the Settlement. Avista will incur mailing and license fees (totaling $211,589) and may ultimately seek recovery of those fees in the 2016-2017 conservation tariff rider filing. Staff and Public Counsel will consider and evaluate the overall performance of the Opower program to determine if cost recovery is reasonable. Avista’s communications and engagement with its advisory group on this issue will be reviewed as part of the Company’s Biennial Conservation Report to be filed June 2016.
4. Avista originally proposed not to adjust its natural gas DSM tariff, Schedule 191. However, Staff and Public Counsel were concerned with the growing negative balance in the Washington natural gas DSM rider account, as reported in the Company’s monthly stakeholder DSM newsletter. That account had a negative balance of approximately $1.5 million in August 2015. Avista conducted further budget analysis and determined that an adjustment to Schedule 191 was warranted. Consequently, a filing was made with the Commission October 2, 2015, in conjunction with Avista’s Purchased Gas Adjustment (PGA) filing review, with new natural gas Schedule 191 rates that took effect November 1, 2015.[[3]](#footnote-3)
5. Avista clarified its eligibility requirements for the residential weatherization program to correct an inconsistency between documentation on the Company’s website and the Company’s practices to remove a reference to contractor certification.
6. A large non-residential, new construction project received an incentive payment of $482,020 paid to the project owner. The project included HVAC controls, but the verification documentation indicated the controls were still in the process of being fully programmed, in part because the building was not yet fully occupied. Avista has now changed its practices so that beginning with contracts signed January 2014, all controls projects will be performance-based, and customer incentives will not be paid until Avista has received sufficient confirmation of energy savings. In addition, this particular project will be fully reviewed and evaluated by Avista’s third-party evaluator as part of the 2014-2015 impact evaluation and verification required for the Biennial Conservation Report to be filed June 2016.
7. Avista agreed to revise its procedures to require that authorizations for payments include both the signature and the date of all individuals who approve or authorize expenditures.

Staff and Public Counsel are satisfied with the resolution of these issues as set forth in the Stipulation. As noted both above and in the Stipulation, some of these issues will be reviewed by stakeholders and the Commission as part of Avista’s upcoming Biennial Conservation Report for 2014-2015, to be filed June 2016.

**Q: What has Avista done to improve the management of its demand-side management (DSM) program since July 2015?**

A: Avista hired a planning and analytics manager, Mr. Mike Dillon, who has taken on some of the technical analysis and oversight that has been lacking since the departure of a few key team members in the preceding years. Mr. Dillon has provided effective analysis and communications with the advisory group since joining the DSM group in Spring 2015. The Company has also made a concerted effort to improve its Conservation Advisory Group meetings by adopting certain best-practices and processes from Puget Sound Energy’s conservation resource advisory group, such as establishing ground rules for meeting participation, documenting advisory group decisions, as well as requests for advisory group discussions on specific topics.

Certainly, there is still room for improvement, but reforming a DSM program is not resolved in the course of a few weeks or in one settlement negotiation. The Company will have another opportunity to demonstrate its commitment to robust and effective management of its DSM program as part of the Biennial Conservation Report for 2014-2015, to be filed by June 1, 2016. Notably, as part of that filing, Avista will provide the process evaluation conducted by its independent third-party evaluator, Nexant. The process evaluation will include a review of the organizational structure of Avista’s DSM program and, importantly, will follow up on recommendations and findings from the prior process evaluation for 2012-2013 conducted by Cadmus. Staff and Public Counsel look forward to review of that process evaluation once it is completed, and anticipate that Avista will engage its Conservation Advisory Group on any major findings and recommendations as it considers any organizational or implementation changes as a result of that evaluation.

**Q: What has Avista done to improve its system(s) for monitoring DSM spending levels and conservation acquisition since July 2015?**

**A:** As this question is similar to Bench Request No. 2, please see our response provided below.

**Q: What procedures are now in place to ensure that Avista’s DSM staff will become aware of complications regarding ongoing programs in a timely manner?**

A: This question is best answered by the Company, and we look forward to the Company’s explanation to the Conservation Advisory Group at its next meeting.

**Q: With regard to questioning from the bench of Mr. Dan Johnson, what has the management of Avista’s DSM program done since July 2015 to become familiar with WAC 480-109 and the Commission’s standard practice regarding the use of conservation advisory groups?**

A: The Company has not demonstrated a lack of familiarity with WAC 480‑109 and the Commission’s standard practice regarding the use of conservation advisory groups since July 2015.

**Q: What has Avista done to improve communication with its conservation advisory group since July 2015?**

A: Please see our response to Bench Request No. 2, provided below.

# IV. Staff and Public Counsel Response to Bench Request No. 2

The following addresses the questions set forth in Bench Request No. 2:

**Q: As members of the Conservation Advisory Group, is Avista’s system for monitoring DSM spending levels and conservation acquisition robust enough to meet the Commission’s public interest standard?**

A: We agree with the Company that its system is sufficient to meet the public interest standard, but we also believe there is room for improvement in Avista’s monitoring and evaluating of its DSM spending levels. We monitor the Company’s monthly spending and acquisition in-part through its monthly newsletter. Indeed, Staff and Public Counsel’s request that the Company file to adjust its Schedule 191 natural gas DSM rate was prompted by our review of the growing deferral balance reported in the newsletter. By putting the monthly newsletter together, the Company has the necessary tools to monitor its spending and acquisition levels. It is up to the Company to put forth the effort to do this analysis. The Company is certainly aware that it is required to inform the advisory group when its expenditures indicate that it will spend more than 120 percent of less than 80 percent of its annual conservation budget.[[4]](#footnote-4) In regards to acquisition levels, that question will be best and further answered during the Biennial Conservation Report review in June 2016. However, the Company recently took the positive step of independently determining that it should update its unit energy savings values annually, rather than biennially.

In addition, we are also generally aware that Avista is considering procuring a software platform that will enable the Company to more effectively track its DSM projects in an electronic database. Such a database may help facilitate the Company’s management of DSM projects at key phases, and also will likely help ease and facilitate the annual audit review of DSM expenses conducted as part of the DSM rider filing by making relevant documents available and accessible through an electronic database.

**Q: As members of the Conservation Advisory Group, is Avista now proactively bringing updates, concerns, problems, major budget adjustments, and potential program changes to the Advisory Group’s attention in a timely manner?**

A: The Company has taken proactive steps to improve its relationship with the Advisory Group, and in general, is seeking to more proactively bring items before the Advisory Group in a timely manner. Since September 2015, the Company has begun documenting advisory group decisions as well as advisory group requests for discussion on specific topics. Further, the items that have been put forth for discussion have been more substantial than in the meetings prior to Summer 2015. The Company’s DSM leadership has also started attending Puget Sound Energy’s conservation resource advisory group (CRAG) meetings and has implemented some of their best practices and processes, as discussed above.

Finally, with the help of its regular advisory group members, the Company has sought and received stronger participation from its members. Their expertise and ongoing participation is improving the quality of discussion at the meetings. The Company has also sought out additional members to its advisory group who it believes will enhance the quality of discussion. Although Public Counsel has communicated a concern to the Company regarding the independence of some of the new members, both Staff and Public Counsel believe that the Company sought these additions from a genuine desire to improve the advisory group, and we appreciate that desire.

# V. CONCLUSION

**Q: In conclusion, why is this Settlement in the public interest?**

A: This Settlement should be approved for the following reasons:

* It adequately resolves the issues identified by Staff and Public Counsel during our review of Avista’s DSM tariff filing.
* Ample opportunity has been afforded all Parties to participate meaningfully in the settlement process.
* The Commission has before it a Settlement that is supported by sufficient evidence and by the Parties to the Settlement and approval is in the public interest.

**Q: Are there legal standards that must be satisfied with respect to any settlement?**

A: Yes. The Commission’s charge is to regulate in the public interest. The terms of the Settlement are fair, just, and reasonable.[[5]](#footnote-5) The Settlement represents the Parties’ best efforts at arriving at an end result that satisfies these requirements.

**Q: Does that conclude your pre-filed direct testimony?**

A: Yes it does.

1. The Industrial Customers of Northwest Utilities also intervened in this proceeding, and, while not a signatory, does not oppose the Settlement. [↑](#footnote-ref-1)
2. The Stipulation itself provides a narrative explaining the issues and their agreed-upon resolution. [↑](#footnote-ref-2)
3. Docket UG-151935. [↑](#footnote-ref-3)
4. Docket UE-132045, Order 02, *Order Granting Petition and Modifying Order 01 to Comply with Newly Adopted Rules,* (October 29, 2015), Attachment A , 2014-2015 BCP Conditions for Avista Corporation 3(a)(ix). [↑](#footnote-ref-4)
5. RCW 80.28.010. [↑](#footnote-ref-5)