

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

1

I. INTRODUCTION

2

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

3

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

4

- Bradley T. Cebulko, Regulatory Analyst, Washington Utilities and Transportation Commission Staff (Staff);

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- Mary M. Kimball, Senior Regulatory Analyst, Public Counsel Unit of the Washington Office of Attorney General (Public Counsel).

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

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

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of the Settlement.

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Q: Are you sponsoring Joint Testimony in support of the Multiparty Settlement

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Stipulation filed with the Washington Utilities and Transportation

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Commission (Commission) on October 29, 2015?

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A: Yes. This Joint Testimony recommends approval of the Multiparty Settlement

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Stipulation (Settlement) by the Commission.¹ The Settlement adequately resolves

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the issues identified by Staff and Public Counsel during our review of Avista's

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Demand-Side Management (DSM) tariff filing. Its approval is in the public

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interest for the reasons discussed herein.

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Q: What is the scope of your testimony?

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A: The Joint Testimony supports approval of the Settlement Stipulation filed by the

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parties on October 29, 2015, that resolved all the issues identified in Commission

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Order No. 01 and in Public Counsel's comments dated July 27, 2015. This Joint

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Testimony also responds to the specific questions raised in Bench Request Nos. 1

24

and 2 dated January 8, 2016.

¹ The Industrial Customers of Northwest Utilities also intervened in this proceeding, and, while not a signatory, does not oppose the Settlement.

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

2 A: The Settlement, filed October 29, 2015, was signed by Avista, the Commission
3 Staff, and Public Counsel. Accordingly, this represents a “multiparty settlement”
4 under WAC 480-07-730.²

5 **II. QUALIFICATIONS OF WITNESSES**

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

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

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

20 A: I joined the Public Counsel section of the Attorney General’s Office in 2000 as a
21 Regulatory Analyst, and am currently Senior Regulatory Analyst. I received a
22 B.A. in Political Science from Williams College in Williamstown, Massachusetts

² The Stipulation itself provides a narrative explaining the issues and their agreed-upon resolution.

1 in 1992. In 1997, I received a Master's degree in Public Policy from the
2 University of California, Berkeley. I have worked on a wide range of issues in
3 the telecommunications and energy sectors. With respect to energy-related issues,
4 my work has included energy efficiency, reliability, decoupling mechanisms,
5 service quality, and affiliate interest issues. I also oversee the work of Public
6 Counsel's analyst staff participation in utility conservation and integrated
7 resource plan advisory groups. I have participated as a member of Avista's
8 energy efficiency advisory group for approximately 15 years.

9 **III. TESTIMONY IN SUPPORT OF SETTLEMENT STIPULATION AND**
10 **RESPONSE TO BENCH REQUEST NO. 1**

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

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

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

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

- 9 1. Avista’s sponsorship of \$2,500 for a Northwest Energy Coalition (NVEC)
10 evening event titled “Four Under Forty,” which honored clean energy
11 leaders, was removed as an expenditure.
- 12 2. A natural gas reimbursement (credit) from Washington State University
13 (WSU) totaling \$311,153 was mistakenly applied to the electric program
14 instead of the natural gas program. Avista provided documentation
15 regarding this correction.
- 16 3. Avista ceased sending Opower Home Energy Reports in January, 2015,
17 due to technical difficulties related to implementation of its new customer
18 information system (Project Compass). The Company was not able to
19 resume sending reports until August, 2015. Staff and Public Counsel were
20 concerned that Avista neither informed its advisory group of this
21 interruption until May 1, 2015, nor did it timely inform the Commission.
22 Avista will refund to customers the costs associated with the interruption,
23 totaling \$211,589, through an adjustment to Schedule 91, the electric

1 DSM rider, subsequent to approval of the Settlement. The Company will
2 extend the duration of the program, at no additional cost to ratepayers, as
3 discussed in the Settlement. Avista will incur mailing and license fees
4 (totaling \$211,589) and may ultimately seek recovery of those fees in the
5 2016-2017 conservation tariff rider filing. Staff and Public Counsel will
6 consider and evaluate the overall performance of the Opower program to
7 determine if cost recovery is reasonable. Avista's communications and
8 engagement with its advisory group on this issue will be reviewed as part
9 of the Company's Biennial Conservation Report to be filed June 2016.

10 4. Avista originally proposed not to adjust its natural gas DSM tariff,
11 Schedule 191. However, Staff and Public Counsel were concerned with
12 the growing negative balance in the Washington natural gas DSM rider
13 account, as reported in the Company's monthly stakeholder DSM
14 newsletter. That account had a negative balance of approximately \$1.5
15 million in August 2015. Avista conducted further budget analysis and
16 determined that an adjustment to Schedule 191 was warranted.
17 Consequently, a filing was made with the Commission October 2, 2015, in
18 conjunction with Avista's Purchased Gas Adjustment (PGA) filing review,
19 with new natural gas Schedule 191 rates that took effect November 1,
20 2015.³

21 5. Avista clarified its eligibility requirements for the residential
22 weatherization program to correct an inconsistency between

³ Docket UG-151935.

1 documentation on the Company's website and the Company's practices to
2 remove a reference to contractor certification.

3 6. A large non-residential, new construction project received an incentive
4 payment of \$482,020 paid to the project owner. The project included
5 HVAC controls, but the verification documentation indicated the controls
6 were still in the process of being fully programmed, in part because the
7 building was not yet fully occupied. Avista has now changed its practices
8 so that beginning with contracts signed January 2014, all controls projects
9 will be performance-based, and customer incentives will not be paid until
10 Avista has received sufficient confirmation of energy savings. In addition,
11 this particular project will be fully reviewed and evaluated by Avista's
12 third-party evaluator as part of the 2014-2015 impact evaluation and
13 verification required for the Biennial Conservation Report to be filed June
14 2016.

15 7. Avista agreed to revise its procedures to require that authorizations for
16 payments include both the signature and the date of all individuals who
17 approve or authorize expenditures.

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

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

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

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

1 Group on any major findings and recommendations as it considers any
2 organizational or implementation changes as a result of that evaluation.

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

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

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

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

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

16 **A:** The Company has not demonstrated a lack of familiarity with WAC 480-109 and
17 the Commission's standard practice regarding the use of conservation advisory
18 groups since July 2015.

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

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

1 **IV. STAFF AND PUBLIC COUNSEL RESPONSE TO BENCH REQUEST NO. 2**

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

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

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

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).

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

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

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

21 Finally, with the help of its regular advisory group members, the Company
22 has sought and received stronger participation from its members. Their expertise
23 and ongoing participation is improving the quality of discussion at the meetings.

1 The Company has also sought out additional members to its advisory group who
2 it believes will enhance the quality of discussion. Although Public Counsel has
3 communicated a concern to the Company regarding the independence of some of
4 the new members, both Staff and Public Counsel believe that the Company sought
5 these additions from a genuine desire to improve the advisory group, and we
6 appreciate that desire.

7 **V. CONCLUSION**

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

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

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

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

19 A: Yes. The Commission's charge is to regulate in the public interest. The terms of
20 the Settlement are fair, just, and reasonable.⁵ The Settlement represents the
21 Parties' best efforts at arriving at an end result that satisfies these requirements.

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

23 A: Yes it does.

⁵ RCW 80.28.010.