

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND	)	
TRANSPORTATION COMMISSION	)	DOCKETS UE-151148
	)	
Complainant,	)	
	)	
v.	)	
	)	MULTIPARTY SETTLEMENT
AVISTA CORPORATION d/b/a	)	STIPULATION
AVISTA UTILITIES	)	
Respondent.	)	
.....	)	

**I. PARTIES**

This Multiparty Settlement Stipulation is entered into by Avista Corporation (“Avista” or the “Company”), the Staff of the Washington Utilities and Transportation Commission (“Staff”), and the Public Counsel Unit of the Washington Office of Attorney General (“Public Counsel”), jointly referred to herein as the “Parties”.<sup>1</sup> This Multiparty Settlement Stipulation identifies each of the issues identified by Staff and Public Counsel during the course of the review, and provides the Company's response on each issue. Staff and Public Counsel are satisfied with the statements and resolution as set forth in this settlement stipulation. Accordingly, this represents a “Settlement” under WAC 480-07-730. The Parties agree that this Multiparty Settlement Stipulation (hereinafter “Settlement” or “Stipulation”) is in the public interest and should be accepted by the Commission as a resolution of the issues identified in

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

Order 01 and Public Counsel's comments dated July, 27, 2015. The Parties understand this Settlement Stipulation is subject to approval of the Washington Utilities and Transportation Commission (the "Commission").

## **II. INTRODUCTION**

On May 29, 2015, Avista filed with the Commission certain tariff revisions to its electric demand side management (DSM) tariff, Schedule 91. Schedule 91 is a tariff rider with rates set to match the future year's electric energy efficiency expenditures and budget, and trued-up with the prior year's actual expenditures and revenue collection. Avista's filing is based on supporting workpapers and the Company's 2015 DSM Business Plan<sup>2</sup>. Representatives of all Parties appeared at a Settlement Conference held on September 21, 2015. Subsequent discussions led to this Settlement Stipulation.

The signing Parties have reached a Settlement of the issues that warranted further investigation and discussion in this proceeding. If approved, this Settlement would resolve all the issues identified in Commission Order No. 01, and Public Counsel's comments dated July 27, 2015. The Parties, therefore, adopt the following Settlement Stipulation and wish to present their agreement for the Commission's consideration and approval.

## **III. BACKGROUND**

On July 7, 2015, Staff and Public Counsel performed an on-site audit of Avista's conservation incentive and non-incentive expenditures. Prior to the on-site audit, Staff reviewed over 1000 expenditures, and selected 34 electric and natural gas line items for comprehensive on-site review. Public Counsel selected 10 additional line items for review, including:

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<sup>2</sup> Docket UE-132045, filed October 31, 2014.

- Invoice dollar match to line-item expenditures;
- Existence of proper supporting documentation for expenditures;
- Appropriate Washington allocation of expenditures;
- Overall appropriateness of expenditures; and
- Presence of proper internal control mechanisms.

All line item expenditures were supported by invoices, and supporting documentation was provided upon request. All reviewed expenditures were found to be appropriately allocated to Washington. However, Staff and Public Counsel discovered seven issues that warranted further investigation and discussion.<sup>3</sup>

#### IV. AGREEMENT

The following represents the Company's response and resolution to the seven issues identified by Commission Staff and Public Counsel. (The description of each issue represents the characterization provided by Staff and Public Counsel.)

**Issue No. 1:** Avista spent \$2,500 to sponsor a Northwest Energy Coalition (NVEC) evening event entitled 'Four under Forty,' which honored four clean energy leaders under the age of 40 from the Pacific Northwest.

**Avista Response/Resolution:** The Company removed this expenditure and adjusted the rider balance in a revised tariff filing on July 28, 2015, as explained further in response to the second issue below.

**Issue No. 2:** Staff discovered a natural gas reimbursement of more than \$300,000 that was misallocated to the Company's electric program. The error occurred when the conservation team worked with the utility accounting office to allocate an incoming invoice from a collaborative project with Washington State University. The Company has provided documentation that demonstrates that the money has been applied to the natural gas program, however, a revision to Schedule 91 was necessary to account for correcting

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<sup>3</sup> The narrative contained in Section IV is meant to satisfy the requirements of WAC 480-07-740 with respect to supporting documentation. The Parties will offer to present one or more witnesses to testify in support of the Settlement, if requested.

this allocation and the subsequent impact on rates.

**Avista Response/Resolution:** Per Commission Staff's memo for the July 30, 2015 Open Meeting – “The Company has provided documentation that demonstrates that the money has been applied to the natural gas program...”. On July 28<sup>th</sup>, substitute revisions were filed to reflect the corrected misallocation of the Washington State University (WSU) reimbursements that were incorrectly assigned to the electric program in 2013 and 2014. The reimbursements totaling \$311,153, were mistakenly assigned to the electric program and have now been assigned to the natural gas program. Also, the revision included the removal of \$2,500 for sponsorship of a NWECC event.

**Issue No. 3:** Opower Home Energy Reports. The third and most significant issue discovered by Staff and Public Counsel is that Avista ceased issuing Opower Home Energy Reports in January 2015 due to technical difficulties related to its new billing system. Unfortunately, Avista also neglected to notify the Commission of the interruption in the program. The Company was not able to resume issuing reports until August 2015, resulting in a program interruption of eight months. Staff and Public Counsel were concerned about Avista continuing to pay Opower for a program it did not implement – and collecting more than \$295,000 from its customers during the program interruption. Accordingly, Staff found that the program was not used and useful.

Staff and Public Counsel are also concerned about the long-term impact of program savings. Opower is designed as a three year program, with regularly-issued Home Energy Reports. The eight-month program interruption could have a negative impact on the program's overall efficacy and savings potential. Avista failed to inform its Advisory Group about the lapse in program until May 1, 2015; although this is precisely the type of issue the Company should have brought to its Advisory Group for discussion. For each of these reasons, Staff and Public Counsel recommended that the Opower program interruption warranted further investigation.

**Avista Response/Resolution:** After considerable effort, Avista was able to extract data files that succeeded in meeting the Opower specifications. By the end of June, extract files for the past and then-current periods were sent to Opower for analysis and reporting.

This process can take up to five weeks after Opower receives the extract files. Accordingly, Opower resumed its reporting on Friday August 14<sup>th</sup>, 2015.

Avista has been assessing the potential impact to the Home Energy Reports program, associated with the interruption of three scheduled report-outs to customers during the period in question. Overall, it appears that the level of customer savings has been stable through this period, and the Company has not seen any discernible increase in the attrition of customers from the treatment group. Avista has not received any complaints from customers associated with the interruption of the reports and the web portal tool was available during this period.

In response to the program interruption, Avista will refund to customers the costs associated with the interruption in the amount of \$211,589 dollars. The details of the proposed customer refund are set forth below in Table No. 1 below. The Company will implement the refund by way of a tariff change that will reduce Schedule 91 rates for the remainder of the 2015-16 period. The tariff change will be filed as soon as practicable after approval of this settlement. Any over- or under-recovery of the refund amount will be accounted for in the Company's 2016 conservation tariff filing.

**Table No. 1 – Refund Reconciliation**

Quarterly Print & Mail Fees	Jan 2015 - March 2015	WA	\$46,746
Quarterly Print & Mail Fees	April 2015 - June 2015	WA	\$46,746
Quarterly Print & Mail Fees	July 2015	WA	\$15,582
Half of Annual License Fee	March 2015	WA	\$102,515
		Total	\$211,589

Also in response to the program interruption the Company is planning to extend the study period for the program, including the three Home Energy Reports that were not provided customers. Ratepayers will not experience any additional costs as a result of the program interruption. Further, Avista has invited a representative from Opower to

participate in its energy efficiency advisory group meetings, to answer relevant questions, help assess any potential impact to the program, and to provide recommendations for the continued implementation of the effort. Any costs associated with Opower's participation in the advisory group meetings will be borne by Avista.

Because Avista is planning to extend the study period for the program to include the three Home Energy Reports that were interrupted, Avista agrees that the costs (\$109,074 for Print and Mailing, and \$102,515<sup>4</sup> (half of the Annual License Fee) remain in the tariff rider balancing account (FERC Account No. 242600) as a regulatory liability. This Settlement shall not be construed to preclude Avista from seeking recovery of these costs as part of Avista's 2016-17 conservation tariff and true-up adjustment filing. If included in the Company's 2016-17 conservation tariff filing, Staff and Public Counsel will consider and evaluate the overall performance of the Opower program and the individual measures affected by the program interruption to determine if cost recovery is reasonable.

**Issue No. 4:** Rates – Schedule 191 (Natural Gas). The Company had originally proposed to leave current schedule 191 natural gas DSM rates unchanged because they continue to support the ongoing natural gas portfolio. Based on the information provided at the time, Staff agreed that it was not necessary to modify rates if the rate change would be less than 0.1 percent of retail revenues, as shown in the draft workpapers. The Company's informal workpapers from June 2015 projected that the gas portfolio would be underfunded by \$500,000 at the end of July. However, the Company's July 2015 stakeholder newsletter indicates that the natural gas rider balance is underfunded by \$1.2 million, a substantial one month increase. Public Counsel and Staff expressed concern that the natural gas portfolio could be underfunded, and that the Schedule 191 tariff may need an adjustment.

**Avista Response/Resolution:** The Company has recently revised its budget analysis, incorporating the current fund balance through August, 2015, and updating the budget forecast prepared in late September. The recent budget revision projects a growing negative balance (\$1.5 million in August) in the Schedule 191 account. In an e-mail sent

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<sup>4</sup> Washington's share of the Annual License Fee.

September 22, 2015, the Company proposed to its Advisory Group that an increase to Schedule 191 would be necessary to resolve the negative balance in the account.<sup>5</sup> Avista filed revised Schedule 191 tariffs with the Commission on October 2, 2015 with proposed rates to become effective on November 1, 2015, at the same time as the Company's PGA filing would also become effective. The effect of that filing, as shown in Table No. 2 below, is to have a DSM balance of \$0 in July 2017.

**Table No. 2 – Schedule 191 Budget Analysis Results:**

2015 Washington gas DSM budget	\$ 2,914,280	CY 2015 expected expenditures (From DSM Business Plan)
2016 Washington gas DSM budget	\$ 3,634,439	CY 2016 expected expenditures
2017 Washington gas DSM budget	\$ 3,707,128	CY 2016 expected expenditures + 2%
2018 Washington gas DSM budget	\$ 3,781,270	CY 2017 expected expenditures + 2%
August Balance	\$ 1,518,050	Underfunded (Surcharge)
September 2015 - July 2016 Expenditure Budget	\$ 3,091,516	
Total Projected DSM Balance + Expenditures	\$ 4,609,566	
Net Revenue Projected to be Recovered	\$ (4,037,112)	September 2015 - July 2016
Total Projected DSM Balance (July 2016)	\$ 572,454	Underfunded (Surcharge)
Total Projected DSM Balance (July 2017)	\$ (0)	
Total Projected DSM Balance (July 2018)	\$ (559,899)	Overfunded (Rebate)

**Issue No. 5:** Public Counsel also identified some operations issues that would benefit from further investigation to clarify existing practices and consider any opportunities for improvement or modification. One issue pertains to the residential weatherization program, where Avista's program eligibility requirements state that contractor certification of existing condition is required (e.g. window u-factor, insulation R-value), but the samples reviewed during the July 7 on-site audit indicate the company is relying instead on customer provided information on the rebate form.

**Avista Response/Resolution:** Avista has revised its program eligibility requirements to correct this inconsistency and remove the reference to contractor certification. Please see

<sup>5</sup> The worksheet demonstrating the current and projected balances for Schedule 191 is provided as Attachment A.

Attachment B for the revised form.

**Issue No. 6:** Another issue pertains to a large non-residential new construction project that included HVAC controls, with an incentive of \$482,020 paid to the project owner. The verification report stated that the controls were in place but were not yet fully programmed. However, the project was considered installed and completed, and the incentive was paid. The larger issue raised here is at what point should measures such as these controls, which require programming, be considered ‘fully installed and verified,’ and qualify for incentive payment.

**Avista Response/Resolution:** At the time the Company verified the installation that the controls had the capabilities analyzed and that they were to be implemented, the controls contractor indicated that the programming for the rest of the zones was in progress. As evidence of the programming that was being done, an installation verification picture was taken showing the code of the programming that was being done. Since the building had just been completed, the parameters for the equipment schedules based on occupancy were still being programmed as the building had yet to be occupied to its full capacity. This project will be evaluated by Avista’s third-party evaluator as part of the 2014-2015 impact evaluation and verification.

According to Avista’s SaleLogix tracking system, the contract for this project was sent out in July of 2013 and returned signed in September 2013. Also in September of 2013, the Company decided to switch to a performance contract for HVAC controls, based on both 2012 Cadmus Impact results for HVAC measures and some poor performing controls projects where the owners chose to use the system differently than the specified controls plan. HVAC controls projects that were contracted beginning January 1, 2014 are performance based. Avista determined that this approach was the best way to capture the savings related to a controls measure because there can be a lot of interactive effects between all of the distribution HVAC equipment (i.e. fans, pumps, etc.). In some cases there can be a lot of fine tuning that can happen on an ongoing basis at a facility to generate energy savings that our analysis method (eQUEST) may not capture. In other cases it can also be very difficult to differentiate energy savings from the replacement of high efficiency equipment (i.e. boilers, chillers, etc.) and the effect of the controls on



such equipment if the facility operator is very good at making continuous fine tuning adjustments. Because controls projects are now performance-based, customer incentives are not paid until Avista has received sufficient confirmation of energy savings consistent with the contract. Accordingly, this resolves the issues presented relative to when a project of this type is considered “fully installed and verified” and therefore qualifying for an incentive payment.

**Issue No. 7:** The final issue is whether Avista’s procedures for authorizing expenditures should be modified to require not just a signature of the appropriate person (e.g. manager, director, or officer) but also the date that such authorization is provided.

**Avista Response/Resolution:** Avista has agreed to revise its procedures to require that the authorization form include the signature and date of all individuals who authorize or approve expenditures. Please see Attachment C for revised form.

## V. EFFECT OF THE SETTLEMENT STIPULATION

Binding on Parties. The Parties agree to support the terms of the Settlement Stipulation and recommend that the Commission issue an order adopting the Settlement Stipulation contained herein. The Parties understand that this Settlement Stipulation is subject to Commission approval. The Parties agree that this Settlement Stipulation represents a compromise in the positions of the Parties.

Integrated Terms of Settlement. The Parties have negotiated this Settlement Stipulation as an integrated document. Accordingly, the Parties recommend that the Commission adopt this Settlement Stipulation in its entirety. Each Party has participated in the drafting of this Settlement Stipulation, so it should not be construed in favor of, or against, any particular Party.

Public Interest. The Parties agree that this Settlement Stipulation is in the public interest.

Entered into this \_\_\_\_\_ day of October 2015.

Company:

By:

  
David J. Meyer

VP, Chief Counsel for Regulatory and  
Governmental Affairs

Staff:

By:

Patrick J. Oshie

Assistant Attorney General

Public Counsel:

By:

Simon ffitch

Assistant Attorney General

Company:

By: \_\_\_\_\_

David J. Meyer  
VP, Chief Counsel for Regulatory and  
Governmental Affairs

Staff:

By:  \_\_\_\_\_

Patrick J. Oshie  
Assistant Attorney General

Public Counsel:

By: \_\_\_\_\_

Simon ffitch  
Assistant Attorney General

Company:

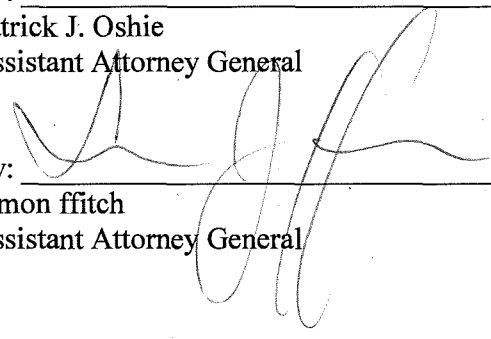
By: \_\_\_\_\_  
David J. Meyer  
VP, Chief Counsel for Regulatory and  
Governmental Affairs

Staff:

By: \_\_\_\_\_  
Patrick J. Oshie  
Assistant Attorney General

Public Counsel:

By: \_\_\_\_\_  
Simon ffitch  
Assistant Attorney General

A large, stylized handwritten signature in black ink, which appears to be "Simon ffitch", is written over the signature line and extends into the text area of the Public Counsel section.

AVISTA UTILITIES  
WASHINGTON - NATURAL GAS  
SCHEDULE 191 - DSM

Source	TOTAL	GEN SERVICE SCHEDULE 101	LRG GEN SVC SCH. 111&112	EX LRG GEN SVC SCH. 121&122	INTERRUPTIBLE SCH. 131&132	TRANSPORT SCHEDULE 146	TRANSPORT SCHEDULE 148	
Forecast	Total Annual Therms	249,602,055	118,402,337	47,863,180	5,844,811	949,948	29,225,571	47,316,209
	Present DSM Rates	\$ 0.02310	\$ 0.01824	\$ 0.01630	\$ 0.01476	\$ -	\$ -	
	Present Gross DSM Revenue	\$ 3,717,410	\$ 2,735,094	\$ 873,024	\$ 95,270	\$ 14,021	\$ -	\$ -
UG-140189	Base Revenue	\$ 157,419,000	\$ 116,589,000	\$ 35,906,000	\$ 4,113,000	\$ 811,000		
	Percentage of Current Base Volumetric Revenue	100.00%	74.06%	22.81%	2.61%	0.52%		
	Revenue Requirement	\$ 4,395,608						
	Revenue Spread Based on Current Allocation	\$ 4,395,608	\$ 3,255,512	\$ 1,002,603	\$ 114,847	\$ 22,646		
	DSM Revenue Increase <Decrease>	\$ 678,198	\$ 520,418	\$ 129,578	\$ 19,577	\$ 8,624		
	Proposed Rates	\$ 0.02750	\$ 0.02095	\$ 0.01965	\$ 0.02384			
	Percentage Increase <Decrease>		19.03%	14.84%	20.55%	61.51%		
	Present Billed Revenue	\$ 174,809,000	\$ 126,234,000	\$ 39,285,000	\$ 4,345,000	\$ 762,000	\$ 2,576,000	\$ 1,607,000
	Proposed Billed Revenue	\$ 175,487,198	\$ 126,754,418	\$ 39,414,578	\$ 4,364,577	\$ 770,624	\$ 2,576,000	\$ 1,607,000
	Overall Billed Percentage Increase <Decrease>	0.39%	0.41%	0.33%	0.45%	1.13%	0.00%	0.00%
	Average Monthly Bill @ 68 Therms	\$ 0.30						

# Program Eligibility and Guidelines

The following energy efficiency rebates are available for Washington residential customers. Weatherization rebates apply to customers in Washington who heat their homes primarily with Avista electric or natural gas. Water heating rebates apply to customers who heat their water with Avista electric. Conversion rebates apply to Avista electric resistance heat customers only.\*\* New construction homes are not eligible for Conversion and Weatherization rebates. Please see descriptions below for complete rebate requirements. All programs are subject to change. **Request for rebate must be submitted within 90 days of job completion.** For fuel conversion from electric to natural gas, please see Washington Home Space and Water Heat Rebates form.

## High Efficiency Equipment

Available for new construction and existing homes

### Water Heater (Tank Type)

A \$20 rebate is available for installation of an electric, tank type water heater between 35-55 gallons with an EF (efficiency) of 0.94 or higher. **EF verification requires an AHRI certificate.\* Heat pump water heaters do not qualify for this rebate.**

## Replacement of Electric Straight Resistance

Available for existing homes

### Electric to Air Source Heat Pump

A \$900 rebate is available to Avista electric customers who replace electric straight resistance as their primary heat (i.e. electric forced air furnace or electric baseboard heat) with a central air source heat pump.\*\*

### Variable Speed Motor

A \$100 rebate is available to Avista electric customers for installation of a primary heating forced air system that incorporates a variable speed motor. This rebate may be combined with a high efficiency rebate.

**Requires an AHRI certificate.\***

\* AHRI Certificate (Air-Conditioning, Heating and Refrigeration Institute: [www.ahridirectory.org/](http://www.ahridirectory.org/)) This certification confirms the EF (energy factor) for the water heaters. This information can be located at the above website or by the contractor who installed the equipment.

\*\* Customer usage will be reviewed and must demonstrate that at least 4,000 kilowatt-hours of electric straight resistance space heat occurred during the previous heating season in order to be eligible for rebate. If you use natural gas to heat your home, a review of your Avista natural gas must show at least 160 therms of space heat use during the previous heating season to be eligible for the rebate. Please call Avista to pre-qualify your weatherization or conversion project.

## Weatherization

Available for existing homes

### Insulation

Rebates are available for the addition of new insulation that increases the R-Value by R-10 or greater (both fitted/batt type and blown-in). Insulation must be installed only where such cavities separate conditioned from unconditioned areas of the residence (livable space). Crawl spaces are not eligible. Any insulation installed outside the cavity, such as siding applications, does not meet rebate requirements. Insulation must be contractor installed. **Contractor must certify existing and new levels of insulation and invoice must be itemized with the following: square footage, R-Value ratings, and cost.\*\***

### Ceiling/Attic

A \$0.15 per square foot rebate is available if existing insulation level is R-19 or less.

### Wall

A \$0.25 per square foot rebate is available if existing insulation level is R-5 or less.

### Floor

A \$0.20 per square foot rebate is available if existing insulation level is R-5 or less.

### Windows

A \$4.00 per square foot rebate is available for the replacement of existing single pane or metal frame double pane to windows with a u-factor rating of 0.30 or lower. Windows are defined by windows and frame, not just glass replacement. **Windows must be contractor installed. Contractor must provide new window documentation to include an itemized invoice with the following: total square footage, u-factor, ratings, and cost.\*\*** Customers describe the existing window condition by selecting either single pane or double pane aluminum.

## WAIT! Before you mail in this form, please double check that you have:

- Read, completed and signed the Washington Residential Rebate form.
- Attach legible copies of final itemized invoices. Bids will not be accepted.
- Included copies of the AHRI (Air-Conditioning, Heating, and Refrigeration Institute) certificate of approval,

# REQUEST FOR VOUCHER



Date: 10/12/2015

**PLEASE ISSUE VOUCHER TO:**

NAME Test Account One Attn:

ADDRESS , ,

AMOUNT \$ 2,400.00

APPLICATION #/DESCRIPTION Incentive: Test Account One - SS HVAC Heating

*Note: This voucher is in payment of an Energy Solutions Incentive Program*

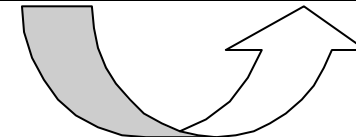
CHARGE TO:

ACCOUNT DISTRIBUTION				
PROJECT	TASK	EXP TYPE	ORG	AMOUNT
		828		
		828		

SIGNED \_\_\_\_\_ DATE \_\_\_\_\_

APPROVED \_\_\_\_\_ DATE \_\_\_\_\_

**CALL FOR PICK-UP**



PAYMENT DUE BY: