

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	DOCKETS UE-090134
TRANSPORTATION COMMISSION,)	and UG-090135
Complainant,)	<i>(consolidated)</i>
)	
v.)	
)	
AVISTA CORPORATION, d/b/a)	
AVISTA UTILITIES,)	
Respondent.)	
.....)	
In the Matter of the Petition of)	
)	
AVISTA CORPORATION, d/b/a)	
AVISTA UTILITIES,)	DOCKET UG-060518
)	<i>(consolidated)</i>
For an Order Authorizing)	
Implementation of a Natural Gas)	
Decoupling Mechanism and to Record)	
Accounting Entries Associated With the)	
Mechanism.)	
.....)	
)	

POST-HEARING BRIEF OF INTERVENOR THE ENERGY PROJECT

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I. Introduction

I In Order No. 4 of Docket No. UG-060518 (“Order No. 4”), the Commission issued its approval of Avista’s three-year pilot for a decoupling mechanism. The Commission approved the pilot because it wanted a chance to evaluate the supporting parties’ assertion that allowing the utility to recover its fixed cost and lost margin due to conservation. It was argued that decoupling would better “align” utility management’s interests with energy conservation efforts and would therefore result in a more effective utility-sponsored energy efficiency program. In paragraph 10 of Order No. 4, the Commission underscored both its strong support for energy conservation and its role in stimulating increased conservation, but observed that its statutory responsibility to regulate in the public interest also requires the Commission to look beyond the abstract and examine the specific evidence to determine whether the facts support this rationale for Avista. (Docket No. UG-060518, p. 3, para. 10). Order No. 4 flagged several of the Commission’s concerns, noting that the mechanism could:

- distort price signals and actually work against the uptake of energy conservation (p. 6, para. 17-18)
- “simply be a way to shift from the Company to customers the risk of falling individual natural gas consumption” (p. 8, para. 25)
- result in “inappropriate benefit to the Company” through disproportionate recovery relative to the margin lost (p. 8, para 26)

- 2 In the hearing on the evaluation plan for the decoupling pilot on March 24th, 2008, Commissioner Oshie added to this list of concerns a specific concern as to whether the Company's low-income customers would be unduly impacted (Docket No. UG-060518; TR. Vol. 3, pp. 147-48). Commissioner Oshie referred as well to the guidance the Commission provided in UE-050684, which rejected PacifiCorp's decoupling proposal and established guidelines for decoupling. As Commissioner Oshie explained at the hearing, "what we expect to see in the evaluation is the impact of the mechanism on low income customers." (TR. pp.147:25,148:1-2). Commissioner Oshie went on to ask questions about how decoupling would affect low income customers, who cannot generally afford the weatherization and energy efficiency measures that are available to other customers and the impact of the increase in the customer charge to recover the utility's "fixed cost" and/or the increasing cost of volumetric gas purchases on them. (TR. Vol. 3 148:10-16).
- 3 Chairman Sidran also joined "Commissioner Oshie's general point that the evaluation must include an evaluation of the impact on low income customers. How that is done will be, of course, something that presumably will be developed in the evaluation plan. But in terms of how we proceed, since the Company bears the burden here on the ultimate issue, I suggest that we let the Company's witnesses offer any additional direct testimony..." (TR. Vol.3 176:16-25). The Chairman also said that "This is Avista's evaluation report, and *Avista bears the burden at the end of the day as to whether the pilot will continue* or be modified" (emphasis added). (TR. Vol. 3 153:20-22).

4 In the conclusion of the Order No. 4 the Commission explicitly instructed the settling parties to “demonstrate that decoupling mechanisms do indeed increase utility sponsored conservation and that the potential flaws do not outweigh the program’s benefits” and noted that they “will carefully evaluate the mechanism and will only consider an extension upon a convincing demonstration that the mechanism has enhanced Avista’s conservation efforts in a cost effective manner” (Order 4 p.10, para. 33). The Energy Project contends that the evaluation does not provide such a “convincing demonstration” and that the flaws do, in fact, outweigh the benefits. While there is an increase in savings for Washington’s residential customers, primarily in the final year, the Company’s Washington savings do not increase significantly. The residential performance in that sense represents a shift in focus, not an increase. The overall increase in savings occurs primarily in Idaho, where there is no decoupling mechanism. The Company’s recovery of the deferral funds grossly overcompensates it. Finally the Company’s low-income customers and near low-income customers are harmed. Only an extremely small number can participate in any of the utility’s conservation offerings, yet they have to pay almost as much as regular Schedule 101 customers for both the conservation programs and the decoupling mechanism.

II. The Energy Project supports Public Counsel’s brief on decoupling.

5 The Energy Project’s brief focuses primarily on the impact the decoupling pilot will have on Avista’s limited income customers. But we also believe the

decoupling pilot fails to meet the criteria spelled out in Commission's Order 4 in Avista's decoupling docket. We believe that Public Counsel has appropriately identified the shortfalls in the pilot. While The Energy Project has discussed some shortfalls, Public Counsel's examination is broader in scope than ours. We therefore join Public Counsel in the following points:

- Avista's DSM savings data are not based on measurements and verification of actual usage;
- the existing data does not show that increased therm savings in Washington have significantly increased as a result of decoupling;
- the mechanism provides for an disproportionate recovery of lost margin section;
- there are no serious disincentives to invest in DSM;
- there should be no recovery of lost margins from non-programmatic DSM issues section;
- Avista is not entitled to guaranteed recovery of fixed cost and fixed costs which change over time and under different conditions;
- Avista's decoupling mechanism is unnecessarily complex;
- the limited income test will not benefit most of those customers

- the significant increase in the customer charge proposed by staff is harmful to residential customers generally and especially to limited income and sends the wrong price signal.

III. Limited income customers and other residential customers do not benefit from decoupling mechanism

A. The increase in residential energy efficiency does not extend to the utility's low-income customers.

6 The Titus , *Evaluation of the Avista Gas Decoupling Mechanism Pilot*, Table C1-A (corrected August 10, 2009) indicates that, overall, the utility's Washington savings and expenditures did increase between 2004 and 2008. Titus's analysis, however, also illustrates the great disparity between residential customers as a whole and limited income customers: the residential expenditures increased 789%, while limited income expenditures increased only 43% between the two years prior to the initiation of decoupling and the final two years (Titus, p. 84). Furthermore, increases in funding for the limited-income program resulted from settlement negotiations in a general rate case, *not* at the utility's initiation as a function of the decoupling mechanism (Exhibit BRA_1T p. 14:7-15). That is, the greatest increase in the limited income funding occurred during 2004-2005, the year *before* the pilot was initiated. Subsequent funding for limited income remains relatively flat for the three years of the pilot, Tables C9-B and C1-C, respectively, with highest level of annual funding only 8% higher than the 2005

level. As the Titus evaluation states on page 29 ... “the rate growth in the Limited Income DSM expenditures is not growing as fast as (residential DSM) and the Limited Income DSM portion is shrinking.”

- 7 Mr. Norwood would have the Commission believe that the limited income program doesn't capture more savings because the company lacks control over the program – the community action programs control it (Exhibit KON_1T, p. 49, l. 3-4) (TR. 1021-1022 (Norwood)). This insinuation completely ignores the process the utility is intimately involved with, as described by Mr. Powell in his direct testimony (Exhibit JP_2T, pp. 9: 11- 10 ,10: 1-2). It also ignores the fact that the community action agencies cannot install any measures with Avista funds unless Avista has approved that use of funds. Finally, the statement is wholly disingenuous – the Company has greatly increased its non-low-income residential program savings by making a greater effort in that sector and making more funds available to that sector. Similarly, increasing funding to the limited income program will result in more savings. On cross examination, Mr. Norwood acknowledges that limited income DSM savings are “in large part . . . directed by how much funding . . . is available for these low income homes or customers” (TR, 1040:17-25 Norwood).

B. Low-income customers are unlikely to see much benefit from the Company's non-programmatic efforts.

8 The Company's *Every Little Bit* promotion illustrates the absence of proportionate benefit for limited income customers. Avista has offered *Every Little Bit* as an example of how the Company pursues non-programmatic energy efficiency and educates its customers (TR. 1028: 15-20). This might seem to legitimize its claim for a decoupling deferral to compensate for the reduction in consumption that goes beyond what can be attributed to the energy efficiency that has been captured programmatically. At the same time, in Exhibit KON-2-X (Norwood) the Company admits the "Company has not conducted statistically valid surveys of our customers as to their adoption of no-cost and low-cost measures resulting from the *Every Little Bit* campaign. For that reason *we do not claim energy savings from these non programmatic measures*" (Emphasis added). So, while it does not claim any savings, Avista would like to be compensated for the lost margins on a large amount of unidentifiable "savings."

9 The *Every Little Bit* 2008 DSM Campaign elements shown in Exhibit JP-2 (Powell) demonstrate that the major thrust of the *Every Little Bit* campaign is to promote the Company's rebates for measures that are paid for by customers with the wherewithal to pay for up to 50% or more of the costs of the measures. Every page of this Exhibit describing the *Every Little Bit* campaign focuses on getting rebates from the utility. Not once are no cost/low cost measures mentioned. As Mr. Powell's testimony notes, "there is an undeniable capital barrier" faced by limited-income households that "may well result in a less than proportionate participation" rate (Exhibit JP_3T, p.10:9-11. Mr. Norwood reveals that the no cost/low cost measures promoted through *Every Little Bit* apply more

to electric usage than gas. (TR.997:15, p.998:9). Of the eleven no cost/low cost measures most often cited in the “most recent survey,” seven might pertain to natural gas consumption. Three of these would either require capital outlay by the customer or presume the presence of a gas appliances less commonly found in limited income homes (“maintain heating system,” “install weather-stripping or caulking,” “don’t over dry clothes”), while two others are normally practiced by limited income households out of sheer necessity (“lowered thermostat settings,” “avoid heating unoccupied areas”) thus precluding them from providing any additional benefit (Exhibit KON-2-X (Norwood)).

10 In his rebuttal testimony, Mr. Norwood points to a number of low cost measures that are part of the home energy audit a customer can self administer through the Avista *Every Little Bit* website (KON_1T, p. 34: 12-17). This is not really a convincing argument for substantial non-programmatic energy efficiency, however, since only 12,477 customers are known to have completed the basic Home Energy Audit (Exhibit KON 3-X). However, even if all 18,467 customers who “visited the audit tool” saw some savings from no cost/low cost measures, it isn’t clear that these are Washington customers, and it still represents an extremely small percentage of Avista’s residential customers. This would not contribute a considerable amount of non-programmatic savings. Although Mr. Norwood criticizes Public Counsel witness Brosch and The Energy Project witness Alexander for providing “no evidence” for their characterizations that the *Every Little Bit* campaign provides no substantial savings and is aimed at higher income households (Exhibit KON_1T p. 34:4-10), yet his own testimony

indicates Avista has no idea whether any limited income customers have participated in *Every Little Bit* (TR. 1011:7-19). To reiterate the point about impact, even if there is a relatively high degree of uptake on the part of customers who visited the site, the overall number of customers involved is so small that the savings contribution from non-programmatic measures is unlikely to be significant. Given that a computer is needed in order to perform the audit, we suggest that very few, if any; limited income customers see any benefit from that offering. As evidenced by the fact that the term “digital divide” has become part of the lexicon, it should be understood that the additional cost required still makes access to computers and, more so, the internet more difficult for low income customers than regular residential customers. While there has been some closure of the gap created by the over the last few years, it is reasonable to expect that very few low-income customers have completed the on-line audit. For limited income or any other residential customer facing a “capital barrier,” the *Every Little Bit* program offers few measures that can have a significant impact on usage or bills.

C. Extremely few limited income customers get to participate in the company’s program offerings.

11 The disproportionate impact from decoupling goes beyond the *Every Little Bit* promotion. This lack of proportionate participation is a major failing of the decoupling mechanism to support limited income energy efficiency. Limited-income household participation in the energy efficiency program comprises a very

small percentage of the eligible population - 1.2% (Titus, Table K- 14B). In a given year, over 98% of the income eligible population is not able to participate in Avista's energy efficiency programs in a meaningful way. When so few customers, 215 in this case, are able to benefit from the program, of course the average savings per customer is lower than a program that reaches out to many more customers with more available measures.

12 Thus the lower savings/customer in the limited income program in the decoupling evaluation report are not due to the implementation of lower saving measures, but because fewer households can participate in the program. The Company could have targeted additional limited income households for energy efficiency. In his rebuttal testimony, Mr. Powell suggests that the reason the limited-income program saw a disproportionately small increase in funding was that measures were already fully funding of the incremental cost of the of the efficiency measure, while Avista increased the regular residential DSM program to pay higher rebates (an increase up to 50% of cost (Exhibit JP_ 3T, p. 11:11-18). This may shed some light on why the increase in residential expenditures far outpaces the savings increase that results. It does not justify, however, the failure to increase the limited income program funding. At very least, an increase in limited income expenditures would have resulted in more measures installed, more savings captured, and more customers served.

IV. The lack of benefit for low-income customers is a critical defect of the decoupling mechanism.

A. The Commission is right to be concerned about the mechanism’s impact on low-income customers.

13 As discussed in Section I. above members of this Commission have been especially and expressly concerned about the potential inequity of such mechanisms for different customer classes. In the guidance provided in the rejection of PacifiCorp’s decoupling proposal (Docket . UE-050684, p. 41, paragraph 109), the Commission separately identified the “Impact of the mechanism on low-income customers” as a required detail “at a minimum.” In the hearing regarding Avista’s decoupling pilot evaluation plan, Commissioner Oshie underscored this concern once again by pointing out that the filed documents did not address “whether or not low-income customers are going to be unduly or unreasonably affected by the operation of this program . . . since low-income customers cannot generally afford the kind of weatherization or other energy efficiency products that might be available to other customers . . .”, Transcript Vol. 3: 147-148.

14 Commissioner Oshie’s foresight on this issue is, unfortunately, right on target, because, as demonstrated above, few limited income customers (approximately 1.2%) are able to participate directly in the limited income energy efficiency program; there is no evidence that they are able to partake of the utility’s rebate offerings; and the utility does not even track the low-income community’s use of, or the impact of, no cost/low cost measures. As Alexander pointed out in her direct testimony, the Titus evaluation does not inform this question either: “There was no attempt to evaluate the usage patterns of any limited income customers to

determine whether they took steps that affected their heating temperature or usage in response to the higher bills associated with the Decoupling and DSM surcharges” nor does the report provide any information “concerning indicia of payment troubled customers, such as frequency of late payment, issuance of disconnection notices, disconnection itself, need for payment plans, declarations of medical emergency, demand for deposit, or other actions taken by any utility that typically fall more heavily on limited income households” (Exhibit BRA_1T, p.13:9 –15). As Ms. Alexander correctly concludes, there is “no evidence that the decoupling program or mechanism had any impact on Avista’s design, funding, or implementation of DSM programs targeted to limited income customers” (Exhibit BRA_1T pp.13:16-21,14:1) Ms. Glaser also agrees with this observation (Exhibit NLG_1T p.14:14-16). Rather, the decoupling mechanism functions to raise rates for low-income customers without giving them sufficient access to the increased energy efficiency opportunities that some other customers receive.

B. A significant number of other residential customers also do not benefit from the decoupling mechanism.

15 The inability to participate in the program is not limited to the limited income households, however; it affects other residential customers as well. As Alexander also pointed out, in her Direct Testimony the limited income eligible population (125% of the federal poverty level) is more narrowly defined than what is used currently in other low-income programs (Exhibit BRA-1T pp.14:14-23, 15:1-19

. These customers can neither afford to participate in the Company's offers to the residential customer class, nor qualify for the limited-income programs. This reveals that it is not only the defined "limited income" customers who have not benefited from the supposed positive influence of the decoupling mechanism, but also good number of other residential customers.

16 Ms. Alexander points out that if the higher definition of low income used for some programs in Washington and other states were used for DSM and rate assistance programs the limited income population in Avista service territory would be increase by approximately 9000 to 56,000 more customers (Exhibit (BRA-1T p. 15:6-11). While it is likely there will be customers who are just over income for the limited income programs to some extent, their plight is exacerbated because these customers pay for decoupling on top of paying for DSM while Avista targets its increased energy efficiency funding to households at middle income and above.

V. The presence of a decoupling mechanism does not correlate with increases in the Company's energy efficiency efforts.

17 In Order No. 4 the Commission specifically charged the settling parties "to demonstrate that decoupling mechanisms do indeed increase utility sponsored conservation and that the potential flaws do not outweigh the program's benefits. We will carefully evaluate the mechanism, and will only consider an extension upon a *convincing* demonstration that the mechanism has enhanced Avista's

conservation efforts . . .” (Order 4 p. 10, paragraph 33; emphasis added). Public Counsel and The Energy Project were not convinced by the Company’s claim that it established their DSM targets in the 2006 IRP on the *expectation* that the Commission would grant them some sort of compensating mechanism. These parties saw the lack of any incremental increase in the Company’s conservation targets as a clear indication that decoupling was not necessary to achieve greater conservation effort when a properly executed IRP already established the targets. Furthermore, the Company’s target may not be nearly as aggressive as it would have us believe. Jon Powell testified in 2006, in Docket No. UG-060518 with regard to Avista’s performance subsequent to establishing a 240,000 therm target in the “most recent tariff,” that Avista “has delivered approximately three to five times the (240,000 therm) goal during each of the five calendar years since” (UG-060518, ExhibitJP-1T, p. 3, l. 6-12). So in the five years before the decoupling pilot began, Avista was already delivering annual savings in the range of 720,000 to 1,200,000 therms. Perhaps the level established in the 2006 IRP is more of steady-state acquisition than an aggressive goal.

18 The Titus evaluation bears this out – the Company’s 2008 Washington performance, while doubling what was accomplished in 2004, is not significantly higher than the level targeted and accomplished in 2005, although the cost more than doubled (Table C1-A). In fact it is less than a 4% increase in savings. Rather than significantly increasing conservation savings, it appears the Company essentially shifted its efforts from Commercial/Industrial work to Residential, and that primarily in the last year (Titus Table C1-C). Perhaps this is because the

Company is sensitive to the fact that it is primarily residential customers who are served by Schedule 101 and who are dunned to pay the decoupling deferral.

While The Energy Project commends the increased effort in the residential arena, this shift demonstrates that greater energy efficiency could be captured overall.

19 Michael Brosch noted that the lack of correlation between the existence of a decoupling mechanism and increased energy efficiency is underscored by the fact that the Company's electric conservation efforts, also a product of the IRP process, have accelerated at a greater rate than the gas conservation efforts, despite the absence of a decoupling mechanism for electricity (Exhibit MLB_1T. pp.8:15-20,9:1-5). Perhaps more telling is his observation that the increases in Avista's energy efficiency efforts in Idaho between 2007 and 2008 (a 151% increase in savings) are greater than any corresponding increase in Washington (Exhibit MLB_1T p.11: 8-10). As evidence that Avista's DSM efforts and achievements have increased during the pilot, Mr. Powell cites Titus Table 3 as indicating savings increased from 1.2 million therms in 2005 to 1.9 million in 2008 (Exhibit JP_3T p.12:19-20, p.13:1-2). However, Titus Table 3 which is for Washington alone shows 2005 savings 1,016,766 to 1,053,244 savings in 2009. This is a somewhat smaller increase, but more importantly reveals that only approximately 36,500 therms of the increase were in Washington. The bulk of savings for total DSM was captured in Idaho, where customers do not pay a decoupling charge. (Exhibit BJH_2a Table C1-A) Clearly, the Company's performance in Idaho demonstrates that it has and continues to increase its energy efficiency acquisition regardless of the presence of a decoupling mechanism.

This suggests that a decoupling mechanism is less effective than other things considered in the IRP process when setting targets for energy efficiency.

VI. The decoupling mechanism overcompensates the utility.

20 In its Order No. 4 approving the decoupling pilot, the Commission expressed its concern that the program should not result in “inappropriate benefit to the Company” and explicitly identified the “proportion of margin lost to company sponsored DSM relative to the amount subject to recovery” as being “of great interest.” Titus obviously saw this as a paramount consideration, and supplied the relevant data in the first table in the executive summary. At the 90% level of recovery of deferral, Table 1 indicates that the total deferrals for 2007-2008 came to \$1,573,628. Mr. Steve Johnson, Public Counsel’s witness, objected in the original case because he estimated the Company was likely to collect excessive compensation through the mechanism. (Docket No. UG-060518, Exhibit SGJ-6). In response the Joint Parties characterized Mr. Johnson’s estimation as “extrapolated and massaged historical results”, suggesting it was wildly exaggerated. (Docket No. UG-060518; Joint Rebuttal, p. 8, l. 6-9). As it turns out, Mr. Johnson’s exaggerated estimate was \$1.44 million for 2007-08, over \$100,000 *less* that what the Company is in line to collect.

21 Mr. Johnson’s concerns about how much the Company would over collect from the mechanism were not only legitimate, but conservative. At the same time the total lost margin caused by the entire WA DSM program amounted to \$379,832,

Titus Table 1 while the lost margin from programs available to Schedule 101 customers who are dunned with the decoupling charge only came to \$253,089. This amounts to allowing the Company to recover roughly four to six times the cost of the lost fixed costs from their conservation efforts, as Mr. Norwood readily admits (Exhibit KON_1T, p. 34:20). He goes on to suggest that the Company would be willing to drop the recovery percentage from 90% to 70% (p. 35:16-19). For the years referred to above, this would amount to a charge of \$1,253,650 to Schedule 101 customers, or roughly three to five times the Company's lost margins – still quite lucrative. In the same vein, Avista's limited income customers bore \$165,522 in decoupling deferral costs for 2006-2007, yet the lost margin for the limited income energy efficiency sponsored by the Company totaled \$27,261 for that same period – again a margin of six to one, respectively (Titus Tables K12 and K4).

- 22 Proponents of decoupling are likely to argue that the accounting of lost margins is only a first year cost and that the reduced consumption will persist. And, in fact, Titus notes this immediately below the data table both in Section E, Titus, Table E2, p. 45, and the executive summary (Titus, p. 2). It is also true, however, that such lost margins would be accounted for in the next rate case and rates adjusted accordingly. While some extol avoiding a general rate case as a virtue of decoupling, it can also be seen as single issue ratemaking and poor policy. The “virtue” argument might carry more weight had Avista not filed three gas rate cases within the three year period of the pilot (UG-070805, filed April 26, 2007,

and UG-080417, filed March 4, 2008; Titus, p. 47; and the current case UG-090135, filed January 23, 2009).

VII. NWEC's and Staff's recommended changes are not superior alternatives to outright termination of the mechanism.

23 In an effort to preserve some version of decoupling for the Company, the NW Energy Coalition has recommended two changes: 1) reduce the amount of the deferral Avista can recover from 90% to 70% and 2) require that the limited income program meet a minimum target in order for the Company to recover the deferral. We have already demonstrated above that the reduction to 70% still overcompensates the company on the order of three to five times the fixed cost margin lost to programmatic conservation savings. We presume the intention of instituting a minimum limited income target is in response to Avista's failure to serve this needy customer sector commensurately with the rest of the residential sector. With regard to the 5% Limited Income test that the Company offered in this regard, Mr. Norwood's response to Energy Project DR No. 31 (Exhibit KON-4-X) reveals that the suggested level is meaningless in that it would have had no impact on the level of effort to serve limited income in any year of the pilot. We see no reason to establish targets that require no different behavior or are no test to the utility's performance.

24 Staff's recommendation is half right. They are correct that the mechanism should be terminated. Their offered solution to raise the monthly charge to \$10 over the

next year or so, however, is not an effective adjustment. As both Mr. Hirschhorn for the Company and Ms. Glaser for the NW Energy Coalition point out, this would discourage conservation by reducing the price signal to conserve (Hirschhorn Cross examination TR: 1144; Glaser Cross answering testimony, (Exhibit NLG_5T p.8:1-17,p.7:24-26) In her cross answering testimony, Ms. Alexander concurs but also points out that “the ultimate result of such a rate design is to shift cost recovery to lower use customers and lower the total bill for the highest use customers” (Exhibit BRA_2T, p. 6: 1-4.). Alexander also points out that such a change in rate design will have adverse effects on the vast majority of low-income customers, despite the intention to ameliorate the damage. Since only a small percentage of customers are identified as limited income through their participation in the bill assistance and energy efficiency programs, only a very few would receive the reduced monthly charge Staff has proposed. Since the limited income customers tend to be low-use customers as well, most would end up paying an even larger bill due to the increased customer charge as well as not being able to participate due to limited funding in either energy efficiency or energy assistance programs. (Exhibit No. BRA_2T, pp. 7:13-16, 9:5-20, 10:1-4). On cross examination, staff witness Deborah Reynolds conceded that more than twice as many low-income customers would see a \$4.25 increase in their monthly payment (from \$5.75 to \$10) as would see a \$2.75 reduction to \$3.00. (TR. 1270-71) This phenomenon would also reach beyond those households currently recognized as “limited income” to several thousand more who live just above that eligibility threshold.

VIII. How does one tell if there is a change in the “corporate culture?”

25 Proponents of decoupling mechanisms often assert that decoupling is necessary to better align utility management with the goal of energy efficiency. Ms. Glaser makes this argument in her prefiled direct testimony (Exhibit NLG__1T, p. 6:26-30). Better alignment of interests presumably would result in a corporate culture more supportive of decoupling. The difficulty, however, is how can one tell whether there has been a change in the corporate attitude toward energy conservation? Mr. Norwood conceded this is very difficult to measure in response to Commissioner Jones’ questions on the topic. (TR, p. 1024:11 p. 1026:9). In the course of this discussion, Mr. Norwood revealed that the Company considered other, simpler, incentive approaches to decoupling but The Energy Project believes these options could be considered in a separate proceeding but should not be used to address a failed experiment.

IX. Conclusion

26 The Energy Project believes the Commission should terminate Avista’s decoupling pilot. The pilot has failed to show that the decoupling has increased conservation savings in a substantial manner over what would have occurred had there been no decoupling. The Company’s recovery of the decoupling deferral vastly overcompensates its efforts. Customers have incurred additional cost without any showing of substantial benefit. The Titus report and the Company’s

witnesses have shown that limited income customers failed to receive any benefit from decoupling. Barbara Alexander's testimony indicates that lack of benefit extends well beyond just the limited income customers of whom the Company is aware. NWECA's suggested modifications, and Avista's offer to make modifications to the pilot, do not remedy the shortcoming in the decoupling mechanism. Staff's proposed alternate rate design does not encourage energy efficiency or the goal of the decoupling pilot, and is unduly burdensome to low use customers.

27 The Commission stated almost three years ago that this is an opportunity to demonstrate that decoupling mechanisms do indeed increase utility-sponsored conservation and that the potential flaws do not outweigh the program benefits. After a thorough evaluation and review of Avista's decoupling mechanism, The Energy Project believes this mechanism fails the Commission's standard.

Respectfully Submitted this 10th of November 2009.

By Ronald Roseman

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