

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-170485

DOCKET NO. UG-170486

REBUTTAL TESTIMONY OF

KEVIN J. CHRISTIE

REPRESENTING AVISTA CORPORATION

1 **I. INTRODUCTION**

2 **Q. Please state your name, business address and present position with Avista**
3 **Corporation.**

4 A. My name is Kevin J. Christie and my business address is 1411 East Mission
5 Avenue, Spokane, Washington. I am presently employed as the Vice President, External
6 Affairs and Chief Customer Officer.

7 **Q. Have you filed direct testimony in this proceeding?**

8 A. Yes. I have filed direct testimony in this case, in which I provided an overview
9 of the Company's Customer Solutions organization, our customer service & support
10 programs, Avista's products and services initiatives in Washington, and finally, I provided a
11 summary of the Company's natural gas line extension allowance program ("LEAP").

12 **Q. What is the scope of your rebuttal testimony?**

13 A. My rebuttal testimony will provide the Company's response to Commission
14 Staff's ("Staff") testimony regarding LEAP, the electric-to-natural-gas fuel conversion
15 program, and goals set forth and approved by the Commission for the Company's Low-
16 Income Rate Assistance Program ("LIRAP").¹ In addition, I will provide the Company's
17 response to The Energy Project's testimony regarding increased funding for the Company's
18 low-income weatherization program, and the Industrial Customers of Northwest Utilities'
19 ("ICNU") testimony regarding funding proposals for the Company's demand-side
20 management ("DSM") programs. Below is a summary of the Company's response to these
21 items:

¹ See *Wash. Utils. & Transp. Comm'n v. Avista Corp. d/b/a Avista Utils.*, Docket Nos. UE-150204 and UG-150205, Final Order Rejecting Tariff Filing, Accepting Partial Settlement Stipulation, Authorizing Tariff Filings, Order No. 05, 77-80, ¶¶ 223-34 (Jan. 6, 2016).

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- LEAP – The Commission should allow the LEAP to continue as originally approved in Order No. 01 in Docket UG-152934. The Company remains willing to work with Staff on additional and/or revised metrics for reporting on the program and on evaluation of the future of the program. The LEAP has been very successful.
- Fuel Conversion Program – The electric-to-natural-gas fuel conversion program remains a cost-effective electric conservation program and should be allowed to continue. Concerns with the fuel conversion program are more appropriately addressed with the Company’s Energy Efficiency Advisory Group and not within the context of this general rate case.
- Low-Income Programs – The Company supports the extension of the LIRAP plan for an additional year, through 2020. Regarding the proposal by The Energy Project to increase low-income weatherization funds, the Company supports increasing funding by the same amount as the LIRAP, through 2020, rather than the proposal of TEP.
- DSM Funding for Schedule 25 – Avista is not supportive of an opt out option for DSM because the system benefits of the Company’s DSM programs (i.e., lower generation costs due to load reduction) would still accrue to the customer even though the customer did not pay for DSM. The Company does agree that a Self-Direct option for DSM funding could provide value to Avista and our large customers, but it is more appropriate for such a program to be vetted and discussed through the DSM Advisory Group.

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Q. Are you sponsoring any additional exhibits?
A. No.

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1 **II. LINE EXTENSION ALLOWANCE PROGRAM**

2 **Q. Does Avista agree the Commission should accept the conditions set forth**
 3 **by Staff, with respect to the LEAP pilot program?**

4 A. It should be continued, but not with the added conditions set forth by Staff.
 5 The Company believes that the Commission should allow the LEAP² to continue as originally
 6 approved in Order No. 01 in Docket No. UG-152394. In that Order, the Commission made
 7 the following statements:

8
 9 *We agree with Staff that Avista’s revised natural gas line extension allowance*
 10 *methodology is appropriate. The change in methodology will better ensure that the*
 11 *Company is acquiring new customers who will aid in lowering fixed costs recovered from*
 12 *existing customers. In addition, the excess allowance rebate will aid in mitigating the*
 13 *switching costs for many customers who are interested in natural gas services while*
 14 *ensuring that the Company does not acquire new customers to the detriment of existing*
 15 *customers.*

16
 17 *We also agree with Staff that deferring the excess allowance rebates for later recovery is*
 18 *appropriate given that acquisition of these customers will aid in lowering costs to existing*
 19 *customers by spreading the burden of fixed costs over a larger user base. Accordingly, we*
 20 *approve the proposed changes to the Company’s Natural Gas Line Extension Tariff on a*
 21 *temporary basis for a three-year period, and authorize accounting ratemaking treatment.*
 22 *To document the impact of the increased allowance and rebates, Avista must file semi-*
 23 *annual reports with Commission during the three-year pilot period.* (Emphasis added)
 24

25 During the pendency of the referenced case, Staff evaluated and supported the
 26 Company’s proposal, which the Commission then approved. However, as mentioned, the
 27 approval was on a temporary basis for a three-year period. This temporary period was
 28 considered the “pilot period” which the Company would later evaluate, and then would

² The LEAP is a component of the Company’s natural gas line extension policy, which it provides customers who install natural gas the ability to receive a credit in an amount equal to any remaining funds from the line extension allowance, after the line construction cost. The credit may only be used towards the purchase and installation of high-efficiency natural gas space and/or water heating equipment, and it may not exceed the customer’s total cost of equipment and installation.

1 propose continuation of the program or not. As noted by Staff³, upon approval of the
2 Company's filing, the Company consulted with Staff on the metrics which it would include
3 in the required semi-annual reporting. These metrics were intended to be used to evaluate the
4 success of the LEAP. Further, the Company also consulted with Staff on the questions to be
5 included in its customer survey that would be sent to program participants.

6 The Company was surprised by the level of criticism of LEAP put forth by Staff
7 witness Ms. Snyder, given Staff's prior support and approval of the program, and their help
8 in the development of the metrics that would be included in Avista's reports. Prior to receiving
9 Ms. Snyder's testimony, Avista filed three semi-annual reports in compliance with the
10 Commission's Order approving the LEAP. The Company has been open and willing to
11 consult with Staff from the very start of the pilot to modify, where possible, the metrics it is
12 reporting on, to discuss the status of the program, and to answer any questions generated by
13 the semi-annual reports. For these reasons, Staff's testimony regarding the LEAP came as a
14 surprise to the Company.

15 **Q. Does Avista support notifying Staff no later than November 30, 2018 on**
16 **its intent to modify and extend the LEAP, or discontinue the program altogether?**⁴

17 A. Yes, it does. In the Company's original filing in Docket No. UG-152394,
18 Avista was the one that proposed the changes to its natural gas line extension program,
19 including the addition of LEAP, to be approved on a temporary basis, with a subsequent
20 review to determine the effectiveness of the changes. Specifically, the Company stated
21 "following the end of the second year of the pilot, the Company will review the results with

³ Snyder, Exh. JES-1T, p. 6

⁴ Snyder, Exh. JES-1T, p. 3

1 Commission Staff, and other interested parties, to determine if the Company should continue
2 to offer the rebate beyond the three-year pilot period or not.”⁵ The end of the second year of
3 the pilot occurs on February 2, 2018. With the Company’s semi-annual report following this
4 date, we planned to complete this review as originally proposed. It is premature to terminate
5 or modify the LEAP program in advance of the required reporting.

6 The Company welcomes discussion with Staff and other interested parties in 2018 to
7 determine if the LEAP should be extended, made permanent, or discontinued. Further, the
8 Company would agree to notify Staff by November 30, 2018 of its plans and its decision to
9 file to modify tariff Schedule 151 as appropriate.

10 **Q. Does Avista agree that the LEAP fails to adhere to best practices for the**
11 **pilot program design as expressed by Staff?**⁶

12 A. No. The Company is collecting relevant data to determine the success of the
13 LEAP, along with obtaining customer feedback on their participation in the program. Further,
14 as discussed above, the Company has been transparent and open to discussing the program
15 with interested parties from the start of the pilot program and also willing to make
16 modifications to the semi-annual reporting as appropriate.

17 The Company is not opposed to improving or re-evaluating the metrics of the program
18 it is reporting on. However, Staff is incorrect in claiming that the metrics the Company is
19 currently reporting on will not allow Avista or other parties to determine the success of the
20 program⁷. The Company believes that, based on the information it has been gathering and
21 reporting, along with customer feedback on the program, the program can be successfully

⁵ Docket No. UG-152394, Avista Petition, p. 9, ¶ 25

⁶ Snyder, Exh. JES-1T, p. 4

⁷ Snyder, Exh. JES-1T, p. 9

1 evaluated to determine its future. It is also important to note, as discussed earlier, the program
2 just passed the half-way point at the end of August 2017, and thus there is adequate time to
3 discuss any future modifications to the metrics currently being evaluated, to determine the
4 success of the program.

5 Lastly, the Company plans to adhere to its original proposal of reviewing the program
6 after the second completed year to determine the program's effectiveness and future. It is
7 premature to terminate or modify the program at this time.

8 **Q. Has the Company shifted course from the original purpose of the LEAP,**
9 **which was to “help expand natural gas distribution infrastructure to address**
10 **environmental concerns associated with emissions, and further promote the end-use of**
11 **natural gas?”⁸**

12 A. No. Ms. Snyder insinuates that the Company's primary objective of the LEAP
13 is to maximize the number of new natural gas customers. Avista's service territory covers
14 much of eastern Washington where the average temperature during winter months is much
15 colder than that of the west side of the State. Because the Company is in a colder climate
16 zone, the effectiveness of heat pumps diminishes when temperatures approach freezing. In
17 addition, Avista is a dual fuel utility that does offer both electric and natural gas service to its
18 customers. Because the Company is in the position to offer its customers a more economic
19 and reliable heating product, it is acting in the best interest of its customers by way of
20 incentives. Ms. Snyder's suggestion that the Company is using the fuel conversion program
21 to grow its gas business disregards the Company's situation as a dual fuel utility, operating in

⁸ Docket No. UG-152394, Avista Petition, p. 4

1 a cold climate, that has the duty to provide safe and reliable service to all its customers (natural
2 gas and electric) at the lowest reasonable cost.

3 **Q. Please clarify Avista's intent on evaluating the success of the LEAP.**

4 A. The Company plans on evaluating the success of the program based on the
5 metrics already included in its semi-annual reports. Again, the Company has been, and
6 continues to be, open to discussions about additional metrics that may be appropriate. Also,
7 the Company will continue to use information obtained from customer survey data to
8 determine the success of the program from a customer perspective.

9 **Q. Do you believe the LEAP has been successful thus far?**

10 A. Yes. As indicated by the number of new residential Schedule 101 hookups,
11 along with the positive customer feedback that indicates the LEAP was instrumental in
12 customers' decision to convert to natural gas, the program has been a tremendous success thus
13 far.

14 **Q. Might the increase of new residential Schedule 101 hookups in 2016 and**
15 **2017 be attributed to new residential construction in Avista's natural gas service**
16 **territory?**

17 A. New residential construction does account for a portion of new residential
18 Schedule 101 hookups, but not for all of the increase the Company has seen in 2016 and 2017.
19 Residential natural gas customer growth overall results from newer home construction plus
20 additions from natural gas conversions. Population growth captures growth from new
21 construction and natural gas conversions captures growth from existing homes that convert to
22 natural gas. Prior to the LEAP, residential natural gas customer growth in Washington
23 exceeded service area population growth by an average of 0.3% annually between 2007 and

1 2015.⁹ Therefore, in the absence of the LEAP, customer growth would have likely continued
2 on at population growth plus 0.3%. Current population growth in our Washington service
3 area is about 1.6%. However, starting in 2016, residential natural gas customer growth
4 accelerated to an average of 2.3%, meaning that the LEAP is contributing an additional 0.4%
5 to customer growth.¹⁰ Controlling for population growth, the LEAP is the only factor that can
6 explain the Company's recent acceleration of new gas customer growth.

7 **Q. As it pertains to each of the three metrics proposed by Staff for evaluating**
8 **the success of the program, please provide the Company's response.**

9 A. The following are the Company's initial response to each of the metrics
10 proposed by Staff:

11 **Cost-Effectiveness**

12 Regarding cost-effectiveness, the Company does not agree or support the
13 recommendation of a cost-effectiveness test, similar to those used for the Company's DSM
14 programs (i.e., Total Resource Cost Test or Utility Cost Test). The Commission opened
15 Docket No. UG-143616 to investigate the need for expanding natural gas infrastructure.
16 During the investigation, the Commission solicited feedback through written comments and
17 workshops on strategies the Commission should pursue to expand natural gas infrastructure,
18 along with exploring current natural gas line extension policies as well as potential changes
19 to those policies.

⁹ The 2007-2015 time period is chosen as it represents the start of the Great Recession up to the year before the LEAP began. It was during this period that the spread between customer growth and population growth fell and subsequently stabilized at levels significantly below those seen in the pre-2007 period.

¹⁰ 1.6% population growth contribution + 0.3% normal conversions contribution + 0.4% LEAP contribution = 2.3% customer growth

1 In response to that investigation, the Company filed a petition with the modifications
2 to its line extension policy in Docket No. UG-152394. Specifically, the Company proposed
3 to use a Perpetual Net Present Value (“PNPV”) methodology for calculating the available line
4 extension amount to be offered to new natural gas customers. Using the PNPV methodology,
5 “the maximum level of “economical” investment equals the annual distribution margin
6 divided by the required rate of return.”¹¹ This method is one of many by which natural gas
7 utilities may calculate the line extension amount available to prospective customers. Because
8 the Commission has approved this methodology, as discussed in more detail later in my
9 testimony, Avista does not believe it is necessary to also perform a DSM like cost-
10 effectiveness test on the Company’s line extension policy.

11 In terms of the LEAP, the Company proposed the program because it is economical
12 for a prospective customer to use the full amount available to them for a line extension. For
13 customers that use less than the full amount, who in turn receive the remaining funds to be
14 used towards the purchase and installation of high-efficiency space and/or water heating
15 equipment, the economics are the same as a customer that uses the full amount available
16 towards the cost of the actual line extension itself. Both the methodology and the LEAP are
17 policy matters for which a traditional DSM-like cost-effectiveness test is not applicable.

18 Long-term Emissions

19 The Company agrees with Staff that if the LEAP becomes a full-fledged program after
20 the pilot program, it is appropriate to perform an analysis of the program’s effect on future
21 emissions. As pointed out by Staff, the Company performed an analysis of the impact on

¹¹ “Line Extensions for Natural Gas: Regulatory Considerations,” National Regulatory Research Institute, February 2013. <http://www.nrri.org/documents/317330/aa3828ed-bbfa-4fac-b405-c6045dcf580c>, p. 20.

1 emissions from an average Avista electric customer converting to natural gas, using the
2 Company's 2015 electric fuel supply and regional emissions profile. The 2015 profile is the
3 most current profile available as the information is provided by the Washington State
4 Department of Commerce. Avista believes it is important to use actual emissions, as long-
5 term forecasts of fuel supply and regional emissions may be speculative and include many
6 assumptions that may or may not be accurate. This is not to say that using long-term forecasts
7 should not be used, but is merely to point out that using both a snap-shot of current emissions
8 along with long-term forecasts is more meaningful.

9 **Customer Survey Data**

10 The Company worked with Staff on the development of the questions to be included
11 in the voluntary survey that customers are asked to complete when participating in the LEAP.
12 The voluntary survey is not intended to solely judge customers' satisfaction, albeit customer
13 satisfaction is extremely important for any program offering of the Company. In addition to
14 customer satisfaction, the survey was intended to gauge a number of other elements, including
15 why customers were interested in converting to natural gas, had customers previously
16 considered converting to natural gas, what prevented customers from previously converting
17 to natural gas, did the LEAP influence customers' decision to convert to natural gas, and had
18 customers planned on installing high efficiency equipment prior to learning about the LEAP?

19 A summary of customer survey responses can be found in the Company's semi-annual
20 reports it submits in Docket No. UG-152394. A couple of highlights from the report that
21 speak to more than just customer satisfaction are, that prior to the LEAP, 67% of customers
22 previously considered converting to natural gas, but chose not to, with an overwhelming
23 majority indicating the cost of the equipment and construction prevented them from

1 converting. Over 90% of customers indicated that the LEAP impacted their decision to
2 convert to natural gas, and prior to learning about the LEAP, 71% of customers said they had
3 not previously considered high efficiency equipment. This information clearly shows that the
4 data obtained from the customer surveys speaks more than to just customer satisfaction, but
5 more so to the success and impact of the LEAP.

6 Regarding Staff's recommendation "to conduct a survey that includes electric
7 customers that have chosen not to take part in the program in order to ascertain areas where
8 the program design or implementation might improve customer use of the program,"¹² the
9 Company believes this is likely not feasible. Avista is certainly open to discussing additional
10 survey instruments that it can use to gauge both participant and non-participant feedback,
11 however, based on the Company's experience, getting non-participants (if they could even be
12 identified) to voluntarily participate in a survey is not an easy task.

13 **Q. Is Avista willing to modify its semi-annual reports with additional input**
14 **from Staff?**

15 A. Definitely. As previously discussed, the Company developed the metrics it
16 includes in its semi-annual reports in consultation with Staff. That should continue. The
17 Company has remained open to suggestions from Staff and has always been willing to discuss
18 changes it could make to its semi-annual reports.

19 **Q. Please summarize your perspective on the success and future of the**
20 **LEAP?**

¹² Snyder, Exh. JES-1T, p. 11

1 A. The Company does not believe the Commission should allow the continuation
2 of the LEAP program only as conditionally suggested by Staff. As discussed herein, the LEAP
3 was approved on a temporary basis, for a three-year period. The Company believes the
4 program should be allowed to run its course as approved. After the conclusion of the second
5 year, the Company will review the results with Staff and other interested parties to determine
6 the future of the LEAP.

8 **III. FUEL CONVERSION PROGRAM**

9 **Q. How long has the electric-to-natural-gas fuel conversion program been in**
10 **place?**

11 A. The Company's electric-to-natural-gas fuel conversion program has been in
12 place since at least 1990. The program was designed to provide customers with fuel choices
13 and allow them to change from electric source space and water heating to natural gas where
14 desired. The program helped customers ease their energy footprint by offering incentives for
15 cost-effective, energy efficient fuel use.

16 **Q. Is the Fuel Conversion Program cost effective?**

17 A. Yes, the individual measures of the Fuel Conversion Program have a benefit-
18 to-cost ratio higher than 1.0 for both the Total Resource Cost ("TRC") Test and the Utility
19 Cost Test ("UCT").

20 **Q. What is Staff's current position on fuel conversions?**

1 A. Staff now believes fuel conversions should not be considered “conservation.”¹³
 2 Staff references the Northwest Power Act’s definition of conservation, which states that
 3 conservation is “any reduction in electric power consumption as a result of increases in the
 4 efficiency of energy use, production, or distribution.”¹⁴ In addition, Staff cites WAC 480-109-
 5 060(6), “any reduction in electric power consumption resulting from the increases in the
 6 efficiency of energy use, production or distribution.” According to Commission Staff, fuel
 7 conversions do not meet the requirements of these definitions.

8 **Q. Does the Company believe that fuel conversions qualify as energy**
 9 **conservation?**

10 A. Yes. The Company’s fuel conversion program is a cost-effective method to
 11 achieve electric savings that also removes electric load from the Company’s electric system.
 12 Fuel conversions result in energy conservation, as the direct use of natural gas is more efficient
 13 than generating electricity from natural gas. This echoes the Northwest Power Council’s
 14 policy statement on the Direct Use of Natural Gas:

15 “The Council recognizes that there are applications in which it is more energy
 16 efficient to use natural gas directly than to generate electricity from natural gas
 17 and then use the electricity in the end-use application. The Council also
 18 recognizes that in many cases the direct use of natural gas can be more
 19 economically efficient. These potentially cost-effective reductions in electricity
 20 use, while not defined as conservation in the sense the Council uses them, are
 21 nevertheless alternatives to be considered in planning for future electricity
 22 requirements.”¹⁵ (emphasis added)

23 This Statement recognizes that the direct use of natural gas is more energy efficient
 24
 25 than using electricity produced from natural gas in the end-use application. It also recognizes

¹³ Snyder, Exh. JES-1T, p. 16

¹⁴ Snyder, Exh. JES-1T, p. 16

¹⁵ Northwest Power Council’s Policy Statement on the Direct Use of Natural Gas, Appendix N, page N-4 of the Seventh Power Plan.

1 that there is a cost-effective reduction in electricity use, otherwise saying there is a reduction
2 of electric power consumption, i.e. conservation.

3 The language in WAC 480-109-060(6) states that conservation is “any reduction in
4 electric power consumption resulting from increases in the efficiency of energy use,
5 production, or distribution.” (emphasis added) Fuel conversions meet the definition of WAC
6 480-109-060 because 1) there is a reduction of electric power consumption and, 2) the
7 reduction is the result of the increase in the “efficiency of energy use.”

8 **Q. Does WAC 480-109-060 require that there is a more efficient use of**
9 **electricity?**

10 A. No. The language in WAC 480-109-060 requires that there is an “increase in
11 the efficiency of energy use.” (emphasis added) It is important to differentiate between the
12 use of electricity and the use of energy here, as electricity is only one form of energy.

13 **Q. Staff references the Company’s Schedule 90, “Electric Energy Efficiency**
14 **Programs”, which states the services described are “for the purpose of promoting the**
15 **efficient use of electricity.” Does this language suggest fuel conversions should not be**
16 **included in electric conservation programs?**

17 A. No. The language contained in Schedule 90 assumes that, as it has historically
18 been, that fuel conversion programs are an electric energy efficiency program. Section 4.1,
19 Funding, specifically identifies fuel conversions as programs available for funding.

20 **Q. What does Staff now propose to do with the Conversion Program?**

21 A. Staff’s position is that fuel conversions should no longer be funded by the
22 Company’s Electric DSM Tariff Rider, rather the program should be removed from the Tariff

1 Rider and into a more appropriate funding source.¹⁶ While Commission Staff does not make
2 it clear whether or not they feel the Company should offer conversion incentives through
3 different funding mechanisms or discontinue it completely, they do recommend that the
4 Company's 2018-2019 Biennial Conservation Plan ("BCP") not be approved if the Company
5 includes fuel conversions in the plan.

6 **Q. Staff indicates that the Company has failed to meet its natural gas**
7 **conservation target multiple times and that the effects of conversions have not been**
8 **included in Avista's conservation achievement. How is this statement relevant to Fuel**
9 **Conversions?**

10 A. The Company does not see correlation between not meeting its natural gas
11 conservation target and electric-to-natural-gas fuel conversions (an electric program). Further,
12 the Company's 2017 year-to-date therm savings of 732,436 has already exceeded its IRP
13 target of 489,110 therms.

14 Staff also indicates that it is not clear if conversions have been included in Avista's
15 conservation achievement. In the Company's 2016 Annual Conservation Report, the
16 Company clearly provides the kWhs saved inclusive of conversions, the amount of savings
17 from fuel conversions separately, and also the I-937 kWh total which excludes conversions.
18 The Company also reports savings both inclusive and exclusive of fuel conversion on a
19 monthly basis to the Commission.

20 **Q. Staff opines the inclusion of Conversion Programs burden electric**
21 **customers unfairly¹⁷. Do you agree with Ms. Snyder's statements?**

¹⁶ Snyder, Exh. JES-1T, p. 18 and 23

¹⁷ Snyder, Exh. JES-1T, p. 23

1 A. No. Ms. Snyder’s comments neglect to mention the benefits that are received
2 by electric customers (electric only and dual fuel) as a result of the fuel conversion program.
3 All customers benefit from the fuel conversion program as it contributes to the deferral of
4 future resource acquisitions and investments in generation, distribution, and transmission
5 projects. As identified in the Company’s 2017 Electric IRP, savings derived from
6 conservation programs offset approximately 50% of the expected electric growth in its
7 Washington and Idaho service areas.

8 Ms. Snyder also mentions that customers do not receive the same type of avoided cost
9 benefits.¹⁸ While this is true that the avoided costs are not the same as traditional conservation
10 measures, it neglects to identify the system-wide benefit the customer receives from
11 conversion programs effect on future resource planning.

12 **Q. Would discontinuing the Fuel Conversion Program harm electric**
13 **customers?**

14 A. Yes. The costs for heating with electric resistance heat can be between 1.5 to
15 3 times the cost of heating with natural gas, which would be a detriment to those electric
16 customers who are unable to afford converting without the availability of the fuel conversion
17 program. And, as mentioned earlier, the alternate use of heat pumps in our colder climate
18 zone is not economic as compared to the west side of the State. Lastly, as referenced by Staff
19 in their response to Public Counsel Data Request No. 6, “natural gas customers have access
20 to a wider range of appliances”.¹⁹ Discontinuing the fuel conversion program would limit

¹⁸ Snyder, Exh. JES-1T, p. 15

¹⁹ Staff response to Public Counsel Data Request No. 6(a).

1 access to natural gas appliances for customers who are unable to convert to natural gas without
2 the availability of the rebates from the fuel conversion program.

3 **Q. Please reiterate Commission Staff’s position on fuel conversions within the**
4 **Company’s low-income weatherization program.**

5 A. Ms. Snyder states that “staff sees no reason not to allow these agencies to fund
6 low-income fuel conversions in cases when it is in the best interest of the low-income
7 customer.”²⁰ The Company agrees that fuel conversions should continue to be allowed within
8 the low-income conservation program funded by the Tariff Rider, as the program provides
9 both bill savings and energy savings.

10 **Q. Staff indicates there are common themes for items allowed to be funded**
11 **by the DSM tariff.²¹ Has Commission Staff presented these themes to the Company in**
12 **the past for qualifying programs?**

13 A. No, they have not.

14 **Q. Staff indicates that the incentive expenditures for residential fuel**
15 **conversions dwarf the proposed incentives for all other residential programs.²² Is this**
16 **correct?**

17 A. No. For the 2018-2019 time period, incentives for the Fuel Conversion
18 programs make up 29% of the overall DSM budget. Ms. Snyder’s statement that conversions
19 make up 42% of the overall budget takes into consideration indirect non-incentive utility costs
20 that are allocated to each program for planning purposes only.

²⁰ Snyder, Exh. JES-1T, p. 24

²¹ Snyder, Exh. JES-1T, p. 18

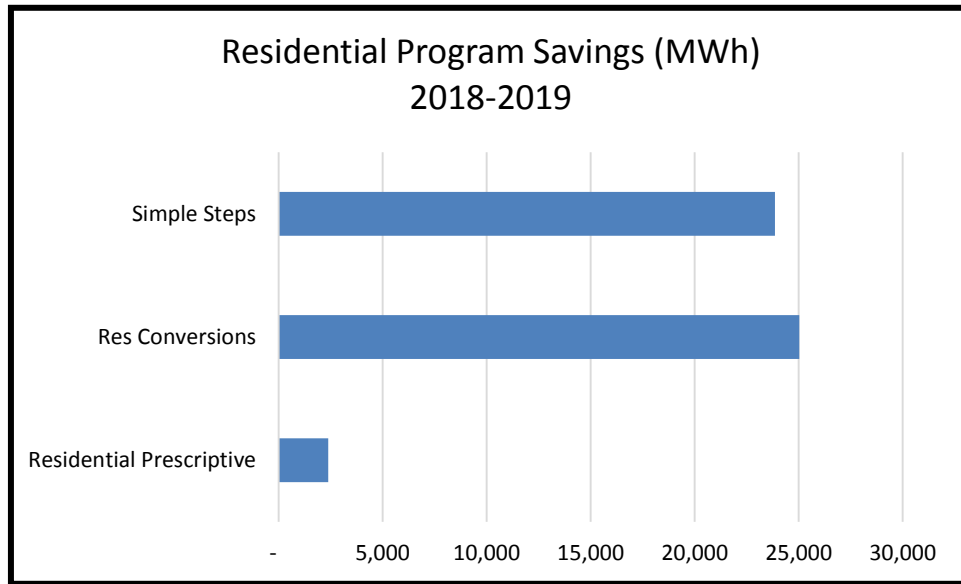
²² Snyder, Exh. JES-1T, p. 21

Table No. 1:

Expense Type	Expense	%
Fuel Conversion Incentives	\$9,033,572	29%
Other Incentives	\$12,223,202	39%
Non-Incentive Expenses	\$7,480,165	24%
NEEA	\$2,800,000	9%
Total Elec Budget (2018-2019)	\$31,536,939	100%

Also, Ms. Snyder provided a comparison of Residential Fuel Conversions to other residential program incentives. This Comparison excluded the Company’s Simple Steps LED upstream “buy down” program which is expected to achieve savings of 23,860 MWh over the 2018-2019 biennia. When correctly comparing programs, the fuel conversion program is closer aligned to other residential efforts made by the Company.

Illustration No. 1:



Lastly, Avista customers have responded to the fuel conversion offerings more than they have in the past, which when currently compared to other energy efficiency programs,

1 shows a higher percentage of savings coming from fuel conversion programs. By suggesting
2 that a program's size relative to other program offerings be discontinued undermines the
3 efforts of the Company to pursue cost-effective savings.

4 **Q. Please elaborate on the cost-effectiveness of the fuel conversion program**
5 **and how it relates to LEAP.**

6 A. The Conversion Program continues to be cost-effective according to the TRC
7 and the UCT. Through discovery, Ms. Snyder requested that the Company provide a cost-
8 effectiveness test that combines the LEAP along with the conversion program.²³ The
9 Company explained in its response that the two programs are separately run, separately
10 funded, and are not tested together. The Company does not perform this analysis as LEAP
11 and Fuel Conversions are different and distinct programs.

12 The intent of the LEAP, as discussed previously, is to help to expand natural gas
13 distribution infrastructure to address environmental concerns associated with emissions, and
14 further promote the efficient end-use of natural gas. The LEAP is not a DSM program nor
15 was it proposed to be treated like a DSM program.

16 In addition, there are multiple reasons why the Company has not provided a cost-
17 effectiveness analysis on the LEAP. First, the customer incremental costs vary from project
18 to project more so than other measures. For example, a customer with a 450 foot line extension
19 will have a higher overall cost than a customer with a 50 foot extension. Second, the LEAP
20 program merely provides customers with access to natural gas via a natural gas line extension.
21 Until the fuel is used, there are no identifiable efficiency savings. Third, by combining the

²³ Staff_DR_179.

1 LEAP program with other fuel conversion measures, the analysis would rely on multiple
2 combinations of measures, which has not been the practice of Avista in the past. The
3 usefulness of this analysis comes into question when it has already been determined that all
4 fuel conversion measures offered by Avista are cost effective.

5 **Q. Commission Staff describes how Avista's Fuel Conversion Program,**
6 **LEAP, and other DSM programs overlap. Are they correct in their assessment?**

7 A. Staff is partially correct in their assessment. It is true that Avista electric
8 customers do qualify for both the LEAP and the fuel conversion program and that any
9 customer who installs high efficiency natural gas equipment may qualify for a natural gas
10 rebate. However, the overlap between the programs ends there. Staff reached the conclusion
11 that the intent of the LEAP and the fuel conversion program are one in the same,²⁴ but that is
12 incorrect. The intent of the fuel conversion program is to reduce electric consumption and
13 make homes more energy efficient. The intent of the LEAP is to expand natural gas
14 infrastructure and make natural gas more available to all prospective natural gas customers,
15 not just Avista electric customers.

16 Further, the fuel conversion program does not duplicate the LEAP. The LEAP began
17 in March 2016, while the Company's fuel conversion program has been around since at least
18 1990. In addition, the fuel conversion program does not require customers to install high
19 efficiency equipment, but the LEAP does. Requiring customers to install high efficiency
20 equipment was a suggestion by Staff that the Company agreed to. Per the customer survey
21 data from the LEAP previously discussed, 67% of customers said they had previously

²⁴ Snyder, Exh. JES-1T, p. 23

1 considered converting to natural gas, but chose not to, primarily due to the first costs. Also,
2 71% of customers that participated in the LEAP indicated they had not previously considered
3 high efficiency equipment. From this data it is clear that the combination of the fuel
4 conversion program and LEAP are affecting customers' ability and desire to convert to natural
5 gas, however, the intent and purpose of the two programs is not duplicative.

6 Lastly, as I discussed in Section II above, the Company is able to parse out the effect
7 of the LEAP program on expanding customer access to natural gas. Beginning in the Fall of
8 2016, it was clear that due to the addition of LEAP, new natural gas customer hookups began
9 to exceed the Company's forecasts.

10 **Q. Staff claims they clearly expressed their view to the Company that**
11 **Washington electric customers should no longer be paying for fuel conversion through**
12 **the conservation rider.²⁵ Did this communication occur during the Company's Energy**
13 **Efficiency Advisory Group's fall meeting on September 25-26, 2017?**

14 A. No. Although Staff and the Company have made it a priority to increase
15 touchpoints throughout the year with the goal of increasing transparency and open
16 communications, Staff did not state their position on the disallowance of Fuel Conversion
17 until October 23, 2017, seven days before the Company's Biennial Conservation Plan was
18 due. Staff should have been more open in their communications.

19 **Q. Does the Company's Energy Efficiency Advisory Group share Staff's**
20 **position that the Fuel Conversion Program should be discontinued?**

²⁵ Snyder, Exh. JES-1T, p. 22

1 A. No, it does not. The Company has notified the Advisory Group of Staff's
2 position on fuel conversions and while some members were in favor of the discontinuation,
3 others voiced their concerns over ending the program and the effect it would have on
4 customers.

5 **Q. Staff recommends that the Commission should not approve the**
6 **Company's BCP if Avista includes the Fuel Conversion program in that plan. Do you**
7 **agree with Staff's recommendation?**

8 A. No. While the Fuel Conversion Program will take place in the 2018-2019 two-
9 year window, the Biennial Conservation Plan sets an overall I-937 target for conservation.
10 The Company has not included in this target any conservation savings from the Fuel
11 Conversion programs it offers. The Company's Annual Conservation Plan, which is included
12 with the BCP as an appendix, outlines how the Company will obtain the savings necessary to
13 meet this target along with the program budgets. While Fuel Conversions are included in the
14 workpapers that support the overall budgeted savings, the program savings are separately
15 stated from I-937.

16 **Q. If the Commission was to discontinue the Fuel Conversion Program, who**
17 **would be affected?**

18 A. If the Commission orders the discontinuation of Avista's fuel conversion
19 program, there would be multiple implications for customers, the Company, Avista
20 employees, its trade allies, and contractors, as well as a resource deficiency.

21 **Q. Should the Commission determine the Fuel Conversion Program should**
22 **no longer be considered conservation, what would the Company propose as a transition**
23 **plan?**

1 A. The Company was surprised to learn of Staff’s disappointment regarding the
2 status of its LIRAP program and efforts to reach the goals established in 2014. On June 25,
3 2015, the Commission approved the following relating to the Company’s LIRAP²⁸:

4 *On June 25, 2015, the Commission approved the parties’ Joint Petition to (1) establish a*
5 *pilot rate discount program for fixed-income seniors and disabled persons in addition to the*
6 *current LIRAP program, (2) establish a LIRAP Advisory Group, and (3) authorize funding*
7 *for those activities. The Commission also adopted the following goals for Avista’s LIRAP*
8 *program:*

- 9 • *Keep customers connected to energy service,*
- 10 • *Provide assistance to more customers than are currently served,*
- 11 • *Lower the energy burden of LIRAP participants, and*
- 12 • *Collect data necessary to assess program effectiveness and inform ongoing*
13 *policy discussions.*
- 14

15 Since approval of the modifications to LIRAP, the Company has been actively
16 implementing the modifications. As outlined in my direct testimony, the Company began a
17 two-year rate discount pilot in October 2015 for senior and disabled households. The rate
18 discount pilot concluded September 30, 2017, however the Company along with its Energy
19 Assistance Advisory Group (“EA Advisory Group”) proposed, and the Commission
20 approved, the continuation of the pilot program for a third year. The Company works with its
21 newly formed EA Advisory Group on a regular basis to evaluate additional opportunities to
22 serve low-income customers.

23 The Company did not provide an update on how it plans to implement these goals in
24 this general rate case as these goals are a pillar of the ongoing efforts discussed and analyzed
25 by the EA Advisory Group, and which the Company has updated the Commission on.
26 Specifically, on January 13, 2017 the Company filed a LIRAP Status Update in compliance

²⁸ *WUTC v. Avista*, Docket Nos. UE-140188 and UG-140189 (*consolidated*), Order No. 07 (June 25, 2015), at para 5.

1 with Order No. 7 in Docket Nos. UE-140188 and UG-140189. The status update provided an
2 update on the rate discount pilot program along with the feasibility of implementing a
3 Percentage of Income Payment Plan (“PIPP”) and/or Arrearage Management Plan (“AMP”).
4 The Company provided a second status update to the Commission on these same topics on
5 August 30, 2017.

6 **Q. Is the Company willing to explain how the programs delivered through**
7 **LIRAP relate to the goals approved by the Commission and how it is implementing said**
8 **goals?**

9 A. Yes, it is. The Company is more than willing to work with its EA Advisory
10 Group on evaluating how the programs delivered through LIRAP are helping to reach the
11 goals approved by the Commission. The Company does not believe it is necessary to address
12 this in its compliance filing in this rate case, rather the Company can address this in its annual
13 LIRAP report or in its next status update to be filed on or before August 31, 2018.

14 **Q. Do you support TEP’s proposal to increase low-income weatherization in**
15 **the amount of \$350,000 for each year of an approved rate plan? If not, please explain.**

16 A. No, it does not. The Company does support an increase in funds to support
17 low-income weatherization, however, not to the extent of that proposed by TEP. TEP’s
18 proposal would increase low-income weatherization funding by approximately 50% (from \$2
19 million to \$3 million) over the course of a three-year rate plan, if approved. This level of
20 increased funding on an annual basis far exceeds the annual increases approved for LIRAP.
21 Alternatively, the Company would propose a similar plan as to that of LIRAP, through 2020,
22 for increased funding to low-income weatherization. Such increases would result in the
23 following impacts on low-income weatherization funding:

1 **Table No. 2:**

Year	Funding	% Increase
2018/2019	\$2,140,000	7%
2019/2020	\$2,289,800	7%
2020/2021	\$2,450,086	7%

2
3
4
5 **Q. In addition to the tariff-based weatherization funding, is Avista willing to**
6 **contribute non-customer dollars that would provide flexible funds for low-income**
7 **weatherization projects as proposed by TEP?**

8 A. Avista is willing to discuss with its Energy Efficiency Advisory Group the need
9 for additional flexible funds for low-income weatherization projects and where those funds
10 may come from.

11
12 **V. DEMAND SIDE MANAGEMENT FUNDING FOR SCHEDULE 25**

13 **Q. What did ICNU propose related to DSM funding for customers served on**
14 **Avista's Schedule 25?**

15 A. ICNU witness Mr. Stephens presented two alternatives related to Schedule 25
16 DSM funding:

- 17 1. DSM Opt-Out²⁹
18 2. Self-Direct Option³⁰
19

20 **Q. For the first alternative, does Avista agree that customers should be able**
21 **to opt-out of the Company's DSM funding and programs?**

22 A. No, customers should not have an opt-out option. Every customer benefits

²⁹ Stephens, Exh. RRS-1CT, p.40, ll. 11-20 – p.41, ll. 1-2

³⁰ Stephens, Exh. RRS-1CT, p.43, ll. 1-14

1 from the Company's DSM programs through an avoidance of increased generation costs over
2 time, among other benefits. These system benefits accrue to all customers, and therefore all
3 customers should pay. If a customer could opt out, the system benefits of the Company's
4 DSM programs (i.e., lower generation costs due to load reduction) would still accrue to the
5 customer even though the customer did not pay.

6 **Q. For the second alternative, does Avista agree that a Self-Direct option**
7 **could be of value to the Company's largest customers?**

8 A. Yes, Avista does agree that a Self-Direct option could provide value to Avista
9 and to our large customers. As such, Avista is willing to introduce a conceptual Self-Direct
10 program to its DSM Advisory Group in the second-half of 2018 for their consideration. The
11 DSM Advisory Group would take up further in-depth investigation of potential program
12 options, with the intention that Avista would file with the Commission a proposal or status
13 update on or before January 15, 2019.

14 **Q. Does this conclude your rebuttal testimony?**

15 A. Yes.