

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**AVISTA CORPORATION, d/b/a  
AVISTA UTILITIES,**

**Respondent.**

**DOCKETS UE-170485 & UG-170486**

*(Consolidated)*

**CROSS-ANSWERING TESTIMONY OF**

**SHAWN M. COLLINS (EXH. SMC-4T)**

**DIRECTOR OF  
THE ENERGY PROJECT**

*Rate Spread, DSM, Fuel Conversion*

**DECEMBER 1, 2017**

1

**I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Shawn Collins. My business address is 3406 Redwood Avenue,  
4 Bellingham, WA 98225.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am the Director of The Energy Project (TEP), a program of the Washington  
7 State Community Action Partnership housed at the Opportunity Council in  
8 Bellingham, WA.

9 **Q. How long have you been employed by the Opportunity Council.**

10 A. I have been employed by Opportunity Council since 2006. I have served as the  
11 Director of TEP since 2015.

12 **Q. Would you please state your educational and professional background?**

13 A. A statement of my professional qualifications has previously been filed in this  
14 docket as Exhibit SMC-2.

15 **Q. On whose behalf are you testifying?**

16 A. I am testifying for TEP, an intervenor in this proceeding, on behalf of the  
17 Community Action Partnership (CAP) organizations that provide low-income  
18 energy efficiency and bill payment assistance for customers in Avista's service  
19 territory. These agencies include: SNAP (Spokane Neighborhood Action  
20 Partners) (Spokane County), Rural Resources (Ferry, Lincoln, Stevens Counties),  
21 Community Action Partnership (Asotin County), Community Action Center  
22 (Whitman County), Opportunities Industrialization Center (OIC) of Washington

1 (Adams County), and Washington Gorge Action Programs (Skamania, Klickitat  
2 Counties).

3 **Q: Have you previously filed testimony this docket?**

4 A: Yes. I filed Response Testimony (Exh. SMC-1T) on October 27, 2017,  
5 addressing low-income issues. On November 1, 2017, I filed Testimony in  
6 support of the Multiparty Partial Settlement Stipulation (Multiparty Settlement)  
7 (Exh. SMC-3T).

8 **II. PURPOSE AND SUMMARY OF CROSS-ANSWERING TESTIMONY**

9 **Q. What is the scope of your cross-answering testimony?**

10 A. My testimony responds to rate spread and demand-side management (DSM)  
11 proposals contained in the testimony of Robert Stephens on behalf of the  
12 Industrial Customers of Northwest Utilities (ICNU). I also comment on  
13 Commission Staff's recommendations in the testimony of Jennifer Snyder  
14 regarding Avista's residential fuel conversion program.

15 **Q. Could you please summarize your testimony?**

16 A. The Energy Project does not support Mr. Stephens' recommendations on cost-of-  
17 service and residential rate spread or those regarding DSM contributions. I  
18 believe that, if adopted, these proposals would be harmful to Avista's low-income  
19 customers. Regarding Staff's fuel conversion recommendation, my testimony  
20 provides additional background about the value of retaining fuel conversion in  
21 low-income energy efficiency programs and notes Staff's support for its  
22 continued availability in that context.

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1           **III. ICNU’S RATE SPREAD AND DSM RECOMMENDATIONS**

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3   **Q.   Please identify the rate spread recommendations in Mr. Stephens’ testimony**  
4           **that cause particular concern for The Energy Project.**

5   A.   Mr. Stephens devotes extended attention to cost-of-service methodology in his  
6           response testimony. He argues that Avista’s long standing cost-of-service study  
7           (COSS) methodology has significant shortcomings and recommends “significant  
8           changes.”<sup>1</sup> Mr. Stephens recommends that the Commission adopt his  
9           recommended changes and implement them under certain rate increase scenarios  
10          by requiring that none of the benefits should flow to Schedule 1/2 residential  
11          customers.<sup>2</sup> Instead, any “savings” from an increase less than Avista’s full  
12          request should accrue, in Mr. Stephens view, to other customer classes.<sup>3</sup>

13                 In his testimony, Mr. Stephens provides an example of how his approach  
14                 would work. If Avista were only allowed half of its \$61.3 million electric rate  
15                 request (\$30.6 m), the residential class would pay nearly \$28 million, or over 90  
16                 percent of the increase. Residential customers would see a 13.3 percent increase  
17                 in rates, the same percent as if Avista’s as-filed electric increase were fully  
18                 granted. All other customer classes would receive a 1 percent or less increase.<sup>4</sup>  
19                 For subsequent years of a rate plan, he proposes a similar approach for Year 2 and

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<sup>1</sup> Stephens, Exh. RRS-1CT at 2:4-22.

<sup>2</sup> *Id.* at 3:4-13. Schedule 1 is Avista’s tariff for Residential Service. Schedule 2 is Fixed-Income Senior & Disabled Residential Service.

<sup>3</sup> *Id.* at 36:3-10.

<sup>4</sup> *Id.* at 36, Table 5

1 Year 3 increases, allocating a larger share of the rate increases to the residential  
2 class.<sup>5</sup>

3 **Q: What is your concern with these recommendations?**

4 A: The Energy Project has two major concerns. First, Mr. Stephens does not  
5 adequately explain in his testimony why the Commission should accept ICNU's  
6 invitation to open cost-of-service issues to litigation in this docket. As Mr.  
7 Stephens acknowledges, Avista's cost-of-service study in this case is "in many  
8 respects, consistent with studies filed by Avista in the past and is reasonable in  
9 certain ways[.]"<sup>6</sup> Avista's cost-of-service approach uses methodologies approved  
10 by the Commission in previous dockets.<sup>7</sup> The parties to the Multiparty Settlement  
11 agreed not to challenge that approach in this docket, in recognition of the fact that  
12 a "generic case" has been established by the Commission to review the complex  
13 and contentious issues raised by cost of service analysis. No useful purpose  
14 would be served by opening up the breadth of electric cost-of-service  
15 methodology issues for litigation in this docket simply because one party wishes  
16 to urge an alternative to Avista's existing approach.

17 Mr. Stephens' own testimony reflects the complexity of cost-of-service  
18 issues and the multiple approaches that can be proposed. There are many  
19 differences of opinion and varying interests among stakeholders on these issues  
20 and ICNU's proposals would undoubtedly be contested. The "generic docket"  
21 can examine these same issues in a collaborative fashion in a suitable forum with

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<sup>5</sup> *Id.*, at 36:11-37:2.

<sup>6</sup> Stephens, Exh. RRS-1CT at 9:7-8.

<sup>7</sup> Joint Memorandum In Support Of Multiparty Partial Settlement Stipulation, ¶ 20.

1 participation from all regulated companies and other interested stakeholders, as  
2 the settling parties stated in their Joint Memorandum.<sup>8</sup> For this reason, The  
3 Energy Project supported the provisions of the Multiparty Settlement deferring  
4 cost-of-service debates to the generic case.

5 **Q: What is your second concern?**

6 A: I do not believe Mr. Stephens' recommended approach is consistent  
7 with the Commission's principles for implementing changes to rate spread.  
8 The Commission has been clear and consistent in prior decisions over many years  
9 that the results of cost-of-service studies are not to be automatically and  
10 uncritically adopted in setting rates. This is in part a recognition of the fact that  
11 cost-of-service studies themselves involve substantial elements of judgment. In  
12 addition, in determining what is a fair, just, and reasonable rate, the Commission  
13 has placed significant weight on factors such as perceptions of fairness, rate  
14 stability over time, gradualism, and avoidance of rate shock.

15 These factors are particularly important from the perspective of Avista's  
16 low-income customer population. As I stated in my opening testimony,  
17 substantial numbers of Avista customers face challenging economic conditions,  
18 with more than 85,000, nearly 40 percent of the residential class, having incomes  
19 under 200 percent of the Federal Poverty Level.<sup>9</sup> Mr. Stephens recommendation  
20 suggests that these customers, along with all other residential customers, should  
21 bear the brunt of any approved rate increase, while non-residential classes see

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<sup>8</sup> *Id.* ¶ 22.

<sup>9</sup> Collins, Exh. SMC-1T at 7:6-11.

1 virtually no increase. This is hardly consistent with ordinary perceptions of  
2 fairness. Even if one agreed with Mr. Stephens' cost-of-service methodology,  
3 the double-digit percentage increase in rates in his illustrative example certainly  
4 qualifies as "rate shock" and does not comport with the principle of gradualism.  
5 Mr. Stephens recommendation seems to have limited regard for these principles  
6 and to lean unduly toward a mechanical application of his own cost-of-service  
7 methodology.<sup>10</sup>

8 By contrast, the Multiparty Settlement on rate spread in this case is  
9 acceptable to The Energy Project because it is consistent with the Commission's  
10 principles. The Multiparty Settlement addresses the interest in moving  
11 residential rates closer to parity, but it does so in a reasonable, gradual and  
12 deliberate manner while protecting customers, including low-income customers,  
13 from excessive rate impacts.<sup>11</sup>

14 **Q: Does Mr. Stephens make any recommendation regarding the Avista Demand**  
15 **Side Management program?**

16 A: Yes. Mr. Stephens argues that there is a disparity between classes in the  
17 relationship of benefits to costs associated with Schedule 91 Demand Side  
18 Management. (DSM) Rate Adjustment collections.<sup>12</sup> To address this asserted  
19 disparity, Mr. Stephens recommends that "the preferred alternative is to

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<sup>10</sup> *Id.* at 3:4-13. Mr. Stephens states that his analysis would ultimately require a 36 percent rate increase to bring residential customers to full parity

<sup>11</sup> Multiparty Partial Settlement Stipulation, ¶ 6 (Electric Rate Spread). The settlement provides that the residential class will receive 106 percent of any increase to other classes, and 94 percent of any decrease. *See*, Joint Memorandum In Support of Multiparty Settlement Stipulation, ¶ 23.

<sup>12</sup> Stephens, Exh. RRS-1CT at 39:1-40:15

1 implement an opt-out process for Schedule 25 customers, or at least the ICNU  
2 member most egregiously affected.”<sup>13</sup>

3 **Q: Do you have a response to this proposal?**

4 A: Yes. The Energy Project does not support this recommendation. As an initial  
5 matter, it is worth noting that Mr. Stephens’ premise – that there is an inequitable  
6 disparity between contributions and benefits for Schedule 25 customers -- is  
7 debatable. In response to a similar proposal by ICNU in Avista’s last general rate  
8 case, Commission Staff challenged this premise and presented an analysis  
9 showing that “[t]he benefits of this [Avista DSM] program clearly exceed the  
10 costs being recovered from Schedule 25 customers.”<sup>14</sup> This calls into question the  
11 underlying justification for the changes proposed by Mr. Stephens.

12 In addition, adoption of an “opt-out” option for some of Avista’s  
13 customers is poor public policy. As Mr. Stephens points out, Avista’s Schedule  
14 91 electric DSM “tariff rider,” is applicable to all six major rate classes, with  
15 different classes paying different rates per kWh.<sup>15</sup> The tariff is designed as a non-  
16 bypassable systems benefit charge applicable to all retail sales and intended to  
17 recover from all customers “costs incurred by the Company associated with  
18 providing Demand Side Management services and programs to customers.”<sup>16</sup>  
19 Customers are not charged based on their individual use of Company DSM

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<sup>13</sup> *Id.* at 40:14-15.

<sup>14</sup> *Washington Utilities & Transportation Commission v. Avista Corp.*, Docket UE-160228/UG-160229, Cross Answering Testimony of Jason Ball, Exh. JLB-5T at 7:3-4 and chart (Comparison of Schedule 25 Total DSM Benefits to Contributions).

<sup>15</sup> Stephens, Exh. RRS-1CT at 39:3-4. The current rate for Schedule 25 is \$0.00232. The Schedule 1 & 2 residential class rate is \$0.00344.

<sup>16</sup> Schedule 91



1 programs. For example, all residential customers, including low-income  
2 customers, provide support for Avista DSM programs through the Schedule 91  
3 residential rate, although not all directly participate in Avista's energy efficiency  
4 programs.

5 This is reasonable because DSM provides system-wide benefits that help  
6 all customers, including the avoidance of increased generation costs. Recovering  
7 from all customers who benefit is consistent with basic cost recovery principles.  
8 By the same token, allowing individual customers or classes of customers to opt-  
9 out of supporting DSM would be inequitable, allowing some customers to avoid  
10 contributing while continuing to receive the system benefits of DSM.

11 Ultimately, allowing customers to opt-out of supporting DSM could reduce the  
12 support available for this important part of Avista's resource portfolio, or shift  
13 DSM costs to other customer classes, or both.<sup>17</sup>

#### 14 IV. AVISTA'S FUEL CONVERSION PROGRAM

15 **Q: Commission Staff witness Jennifer Snyder recommends that Avista**  
16 **discontinue funding its Fuel Conversion program through its electric**  
17 **conservation rider, Schedule 91. Do you have any response?**

18 **A:** Yes. The Energy Project recognizes that Staff and other stakeholders have  
19 concerns with the program and that Staff testimony in this docket recommends

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<sup>17</sup> The Commission recently recognized this issue in approving the settlement in the PSE Microsoft Special Contract case, noting the importance of Microsoft's commitments "to continue or increase its contribution to conservation, energy efficiency, and low-income support funding" in advancing the public interest. *Washington Utilities & Transportation Commission v. Puget Sound Energy*, UE-161123, Order 06, ¶ 91-92.

1 that funding through Schedule 91 be discontinued.<sup>18</sup> The issues are under  
2 discussion in the currently pending review of Avista's 2018-2019 Biennial  
3 Conservation Plan, Docket UE-171091. The Energy Project has not addressed the  
4 broader issues around the residential fuel conversion program, however, I do have  
5 a response regarding fuel conversion incentives as part of low-income  
6 weatherization.

7 **Q: Could you explain in more detail?**

8 A: Avista's low-income weatherization program is administered through six  
9 Community Action Partnership (CAP) agencies and one tribal organization.  
10 Low-income fuel conversion measures are, accordingly, offered separately from  
11 the Avista's general residential fuel conversion program. In some cases,  
12 weatherization projects for low-income homes include fuel conversion in the  
13 scope of work, often due to an assessment of improved affordability for the  
14 household. Fuel conversion measures in the low-income weatherization program  
15 have been found to achieve higher than expected energy savings.<sup>19</sup> Low-income  
16 fuel conversion is a modest component (12 percent) of the total low-income  
17 weatherization program, and less than one percent of the total Avista energy  
18 efficiency portfolio budget.<sup>20</sup>

19 **Q: What is your recommendation regarding low-income fuel conversion**  
20 **measures?**

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<sup>18</sup> Snyder, Exh. JES-1T at 24:11-14.

<sup>19</sup> UE-132054, Avista Corp 2014-2015 Biennial Conservation Report, filed June 1, 2016, Appendix A, Impact Evaluation of Washington Electric 2014-2015 Energy Efficiency Programs, Nexant, Table 6-55, p. 145.

<sup>20</sup> Avista 2018-2019 Biennial Conservation Plan, Appendix A.

1 A: I recommend that, in the event, the Commission considers discontinuation of  
2 Schedule 91 funding for Avista’s residential fuel conversion program, that fuel  
3 conversion measures be retained for the low-income weatherization program. It  
4 may be appropriate to reflect this through tariff amendment, for example, to  
5 Schedule 90. These measures represent another option for reducing the energy  
6 burden of low-income households and are worth preserving.

7 **Q: Does Commission Staff take a position on low-income fuel conversion?**

8 A: The Energy Project understands from conversations with Commission Staff that  
9 Staff supports retention of fuel conversion measures within the low-income  
10 weatherization program. Consistent with this understanding, while  
11 recommending overall discontinuation of Schedule 91 funding, Ms. Snyder’s  
12 testimony recognizes that CAP agencies provide low-income fuel conversion, and  
13 states that “Staff sees no reason not to allow these agencies to fund low-income  
14 fuel conversions in cases where it is in the best interest of the low-income  
15 customer.”<sup>21</sup>

## 16 V. CONCLUSION

17 **Q. Please summarize your recommendations.**

18 A. The Energy Project respectfully recommends that the Commission not adopt the  
19 ICNU recommendations regarding an alternative cost-of-service methodology  
20 with its associated disproportionate rate impacts. The Commission should  
21 approve the Multiparty Settlement on rate spread and rate design for the reasons

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<sup>21</sup> Snyder, JES-1T at 24:4-9.

1 set forth in my separate testimony supporting the settlement.<sup>22</sup> The Energy  
2 Project also recommends that the Commission not approve ICNU's proposal to  
3 allow Schedule 25 customers to opt-out of DSM contributions. Finally, The  
4 Energy Project strongly recommends that, in the event that the Commission  
5 orders discontinuation of Schedule 91 funding for Avista's residential fuel  
6 conversion program, that it also provide in its order for retention of fuel  
7 conversion measures within the low-income weatherization program.

8 **Q. Does this conclude your testimony?**

9 A. Yes.

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<sup>22</sup> Collins, Exh. SMC-3T.