

**BEFORE THE WASHINGTON
UTILITIES & 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 CARLA A. COALMONICI (CAC-1T)

ON BEHALF OF

PUBLIC COUNSEL UNIT

DECEMBER 1, 2017

CROSS-ANSWERING TESTIMONY
OF CARLA A. COLAMONICI (CAC-1T)
DOCKETS UE-170485 and UG-170486 (*Consolidated*)

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OF CARLA A. COLAMONICI (CAC-1T)
DOCKETS UE-170485 and UG-170486 (*Consolidated*)

EXHIBITS LIST

Exhibit CAC-2: Avista Supplemental Response to Public Counsel Data Request No. 152

Exhibit CAC-3: Commission Staff Response to Public Counsel Data Request No. 1

Exhibit CAC-4: Avista Response to Public Counsel Data Request No. 159

Exhibit CAC-5: Northwest Power Council Seventh Power Plan, Appendix N

Exhibit CAC-6: Avista Response to Public Counsel Data Request No. 156 and Avista
Response to Public Counsel Data Request No. 157

Exhibit CAC-7: Avista Response to Staff Request No. 174 (without Attachments)

Exhibit CAC-8: Commission Staff Response to Public Counsel Data Request No. 6 and
Avista Response to Public Counsel Data Request No. 154

Exhibit CAC-9: Avista Response to Public Counsel Data Request No. 155

Exhibit CAC-10: Excerpt of Avista’s October 24, 2017 Draft BCP Review Presentation:
“Natural Gas & Fuel Conversions”

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I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Carla A. Colamonici and my business address is 800 Fifth Avenue, Suite 2000, Seattle, Washington 98104. I am employed as a Regulatory Analyst with the Public Counsel Unit of the Washington State Attorney General’s Office (Public Counsel).

Q: Please state your qualifications.

A: I have a B.A. in Philosophy and a B.S. in Psychology from Loyola University Chicago, as well as a Master of Public Policy also from Loyola University Chicago. Prior to joining Public Counsel, I was a Consumer Rights Counselor and a Policy Intern at Citizens Utility Board (CUB) in Chicago, Illinois. In my duties as a Consumer Rights Counselor, I assisted ratepayers in understanding their rights under the Illinois Public Utilities Act, filed informal cases with investor-owned utilities, and conducted billing analysis. As a Policy Intern, I represented CUB at Stakeholder Advisory Group monthly energy efficiency meetings and in negotiations on their Energy Efficiency Portfolio Standard Plans. Additionally, I worked on issues and cases related to Smart Grid deployment, distributed generation, and consumer protections related to electricity deregulation. Since joining Public Counsel in August 2016, I have worked on a wide range of energy issues and cases, including the review and analysis of utility conservation programs, low-income assistance programs, and various issues in Avista Corp’s 2016 general rate case (Dockets UE-160228 and UG-160229). Finally, I testified on behalf of Public Counsel in support of the settlements reached in Docket

1 UG-151663 (Puget Sound Energy’s Liquefied Natural Gas proposal) and Docket
2 UE-161123 (Puget Sound Energy Open Access Tariff), and in opposition of the
3 multiparty settlement in Docket UE-170033 and UG-170034 (Puget Sound Energy
4 2017 General Rate Case).

5 **Q: Have you previously filed testimony in this proceeding?**

6 A: No, I have not.

7 **Q: What exhibits are you sponsoring in this proceeding?**

8 A: Yes. The following is a list of exhibits I am sponsoring:

9 Exhibit CAC-2: Avista Supplemental Response to Public Counsel Data Request

10 No. 152

11 Exhibit CAC-3: Commission Staff Response to Public Counsel Data Request No. 1

12 Exhibit CAC-4: Avista Response to Public Counsel Data Request No. 159

13 Exhibit CAC-5: Northwest Power Council Seventh Power Plan, Appendix N

14 Exhibit CAC-6: Avista Response to Public Counsel Data Request No. 156 and

15 Avista Response to Public Counsel Data Request No. 157

16 Exhibit CAC-7: Avista Response to Staff Request No. 174 (without Attachments)

17 Exhibit CAC-8: Commission Staff Response to Public Counsel Data Request No.

18 6 and Avista Response to Public Counsel Data Request No. 154

19 Exhibit CAC-9: Avista Response to Public Counsel Data Request No. 155

20 Exhibit CAC-10: Excerpt of Avista’s October 24, 2017, Draft BCP Review

21 Presentation: “Natural Gas & Fuel Conversions”

22 **Q: What is the purpose of your cross-answering testimony in this proceeding?**

23 A: I will be addressing the response testimony of Commission Staff witness Jennifer

1 Snyder (Exhibit JES-1T). Specifically, I address Ms. Snyder's recommendation to
2 allow the continuation of the Line Extension Allowance Program (LEAP), with the
3 conditions that (1) Avista work with Staff on the measures of success for the
4 program, modify the metrics reported, and update the tariff sheets for
5 programmatic changes, and (2) the Fuel Conversion program be discontinued
6 beginning with the 2018-19 biennium.

7 **Q: Please summarize your testimony.**

8 A: The Commission has potentially two questions to resolve with respect to Avista's
9 Fuel Conversion Program and related DSM issues, as presented by Commission
10 Staff. The Commission must decide whether it will decide these issues in this
11 general rate case or in Avista's pending biennial conservation plan (BCP)
12 proceeding. If the answer is no, the inquiry stops there; however, if the answer is
13 yes, the Commission must decide how the GRC and BCP interact with each other
14 and the scope of decisions being made.¹

15 Public Counsel believes that the issue of whether the Fuel Conversion
16 Program should continue should be decided in Avista's BCP proceeding, not the
17 Company's general rate case. The Company filed its BCP on November 1, 2017,
18 in Docket UE-171091 after seven months of planning, which including several
19 in-person and webinar meetings. The meetings included discussions about and
20 information regarding Avista's DSM program. Staff revealed on October 23,

¹ Public Counsel is also submitting comments in Avista's BCP proceeding, Docket UE-171091, dated December 1, 2017.

1 2017, that they would no longer accept fuel conversions as a DSM program.² Staff
2 and intervener parties filed response testimony in this proceeding on
3 October 27, 2017, and Staff raised for the first time the issue of whether the Fuel
4 Conversion Program should end beginning in the 2018-19 biennium. The Fuel
5 Conversion Program is an issue in the BCP, and as a result, the BCP is the
6 appropriate open proceeding to discuss the Fuel Conversion Program.

7 Additionally, Staff's proposal to associate continuation of Avista's LEAP
8 program with terminating the Fuel Conversion Program is untenable due to the
9 procedural conundrum created by both proceedings occurring on separate
10 schedules. The BCP will presumably resolve relatively quickly, while the rate
11 case hearings are scheduled for January 2018. Asking the Commission to evaluate
12 the same request in two dockets raises the question of what is to be achieved in
13 each docket.

14 Staff appears to be raising a policy question for the Commission with its
15 recommendation on Avista's Fuel Conversion Program. Based on Public
16 Counsel's review of the history of Avista's Fuel Conversion Program, it appears
17 that Avista has offered the program for a number of years with little criticism from
18 stakeholders. The high cost of electric heating, the efficiency of heating with
19 natural gas, the specific penalties for failing to meet electric conservation targets
20 under the Energy Independence Act, and the lack of penalties for meeting natural
21 gas conservation targets have encouraged utilities like Avista to offer fuel

² Staff states that it asked data requests regarding the Fuel Conversion Program beginning in May 2017.

1 conversion programs. Avista's customers are participating in the Fuel Conversion
2 Program, as well as the LEAP program, creating demand for fuel switching. It
3 becomes a policy question of whether fuel switching should be allowed,
4 encouraged, or disallowed as the outcome is not driven by Avista's actions, but
5 rather whether the Commission believes fuel switching provides benefits to
6 Avista's customers. The underlying motivations for the possible policy outcomes
7 are many and Public Counsel will not speculate on what those may be.

8 However, in the alternative, if the Commission decides to determine the
9 future of the Fuel Conversion Program in this proceeding rather than the BCP,
10 Public Counsel recommends that the Commission reject Staff's proposal to
11 terminate the Fuel Conversion Program. While Public Counsel is not advocating
12 for the continuation of the Fuel Conversion Program in the precise form as
13 proposed by the Company in Docket UE-171091, we believe it is premature to end
14 the program at this time without further analysis of the true effects of customer
15 demand for the program, as well as the effects of its termination.

16 Ultimately, Public Counsel believes the discussion of any modifications to
17 the Fuel Conversion Program should occur in the Advisory Group, pursuant to
18 WAC 480-109-110.

19 **II. THE FUTURE OF FUEL CONVERSIONS SHOULD BE DECIDED IN THE**
20 **COMPANY'S BCP FILING**

21 **Q: Please describe the Line Extension Allowance Program.**

22 A: The Company's Line Extension Allowance Program (LEAP) allows a customer
23 who is interested in obtaining residential natural gas service to receive a credit for

1 installing the required natural gas infrastructure. The pilot program also allows the
2 participating customer to use any excess allowance toward high-efficiency natural
3 gas appliances, such as furnaces and water heaters.

4 **Q: Please describe the Fuel Conversion Program.**

5 A: The Fuel Conversion Program is a program that offers rebates to participating
6 customers who switch their electric heating system to natural gas.³ The Company
7 has offered a fuel-switching program since at least 1990,⁴ and has included
8 fuel-switching programs in its electric DSM tariff since it was established in
9 1992.⁵

10 **Q: Does Public Counsel believe Fuel Conversions (i.e., fuel switching or fuel**
11 **efficiency) qualify as electric energy efficiency?**

12 A: No, we do not believe that the Fuel Conversion Program constitutes electric energy
13 efficiency. Conservation is defined as “any reduction in electric power
14 consumption resulting from increases in the efficiency of energy use, production,
15 or distribution.”⁶ While fuel conversions offer customers a more efficient heating
16 source and provides a public good in that participants and non-participants benefit,
17 the program itself does not qualify as traditional electric energy efficiency. Public
18 Counsel informally recommended a reduction to the Fuel Conversions budget

³ Staff believes there is overlapping incentives between the incentives offered through the Fuel Conversion program and those offered through the gas DSM rebates. Public Counsel does not believe this is a relevant overlap since the discussion at hand considers *only* the LEAP excess allowances that can be used for those individuals converting their entire space heating system, not those upgrading same system appliances.

⁴ Colamonici, Exh. CAC-2.

⁵ *In re: Wash. Water Power Co. for approval of new gas and electric tariffs and related accounting treatment for the implementation of new and revised energy efficiency programs for residential, commercial, and industrial customers*, Docket UE-920351-T, UG-920352-P, UE-920353-T, and UG-920354, Order Approving Tariff Revisions, New Tariffs and Authorizing Certain Accounting Treatment (May 21, 1992).

1 during the Company's 2018-2019 BCP drafting process, as it is not a traditional
2 electric energy efficiency program and the savings attributable to the program are
3 not included in the BCP savings target. Additionally, we viewed the Residential
4 Fuel Conversion Program as too large considering the small overall residential
5 offerings. For instance, the Company proposed a \$4.9 million Residential Fuel
6 Conversion Program out of a cumulative Residential Portfolio of \$8.2 million.

7 **Q: Please explain Ms. Snyder's recommendation on the LEAP pilot, as stated in**
8 **her response testimony filed in this proceeding.**

9 A: Ms. Snyder recommends the following regarding the Company's LEAP pilot
10 program:

11 Staff also believes strongly that, while its continuation appears
12 appropriate, the Commission should approve the continuation of
13 the LEAP pilot program subject to the following conditions:

- 14 • Avista works with Staff to identify appropriate measures
15 for evaluating the success of the LEAP;
- 16 • Avista appropriately modifies the metrics reported in the
17 semi-annual reports;
- 18 • Avista updates tariff sheets to reflect programmatic
19 changes; and
- 20 • Avista's electric to natural gas fuel conversion program is
21 discontinued starting with the 2018-2019 biennium.⁷

22 **Q: Does Ms. Snyder explain why she recommends the discontinuation of the Fuel**
23 **Conversion Program in the Company's general rate case rather than in the**
24 **Company's BCP filing?**

25 A: According to Ms. Snyder's response testimony:

26 Staff hopes that, in response to the feedback of its conservation

⁶ WAC 480-109-060(6)

⁷ Testimony of Jennifer E. Snyder, Exh. JES-1T at 2:20-3:7. Staff also recommends that on November 30, 2018, the Company be required to notify Staff of its intent to extend the pilot or modify it, implement it as a permanent program, or discontinue the program.

1 advisory group, Avista will include a voluntarily discontinuation of
2 the program for the 2018-2019 biennium in its BCP filing set for
3 November 1, 2017. But Staff is reticent to wait-and-see whether
4 the Company will take this necessary action voluntarily, and
5 believes it is obligated to bring this issue before the Commission in
6 this general rate case in order to ensure resolution and Commission
7 guidance.⁸
8

9 Additionally, Staff believes that the issues in the LEAP pilot program and Fuel
10 Conversion Program “must be addressed simultaneously” and it is “more efficient
11 and appropriate to confront this issue involving rates” in this general rate case.⁹

12 Furthermore, she recommends that the BCP “should not be approved if
13 Avista includes the Fuel Conversion program as proposed in its draft.”¹⁰

14 **Q: Does Public Counsel agree with Staff’s recommendation?**

15 A: No. Public Counsel believes, and Avista agrees,¹¹ the fate of the Fuel Conversion
16 Program is more appropriately addressed in the Company’s BCP filing,
17 Docket UE-171091.

18 **Q: Please explain why Public Counsel disagrees with Staff’s recommendation.**

19 A: Public Counsel has two primary reasons for rejecting Staff’s recommendation.
20 First, Public Counsel believes it is inappropriate to terminate a DSM program in a
21 general rate case when there is an established venue for addressing issues
22 associated with DSM programs. Moreover, Staff’s rationale on its “obligation to
23 bring this issue before the Commission” is satisfied by the BCP docket because
24 Avista’s BCP docket is currently open for comment and Staff has raised identical

⁸ Snyder, Exh. JES-1T at 22:8-13.

⁹ Colamonic, Exh. CAC-3.

¹⁰ Snyder, Exh. JES-1T at 24:13-14.

¹¹ Colamonic, Exh. CAC-4.

1 arguments in that docket. The Commission will consider whether to approve the
2 Company's BCP at its December 20, 2017, Recessed Open Meeting.

3 Second, Public Counsel does not agree with Staff's application of the Fuel
4 Conversion Program's termination as a conditional obligation for the continued
5 approval of a pilot program. LEAP is a pilot program, which requires semi-annual
6 reporting; thus, the program's progress can be observed through its compliance
7 filings. However, if Staff or any other interested party believes that a pilot
8 program, such as LEAP, requires adjustments or scaling back of incentives, then
9 these recommendations are fittingly addressed in a general rate case. The
10 conditional termination or any related adjustments to the Fuel Conversion
11 Program, which is a DSM program under a separate tariff (not rate base), should
12 be addressed in the corresponding venue, which is the BCP proceeding.

13 **Q: Since the inception of BCPs, has the Commission issued any orders in a**
14 **general rate case regarding programs funded under a DSM tariff?**

15 A: Prior to the enactment of Energy Independence Act and its requirement of filing
16 BCPs, it appears that expenditures and programs were reviewed in general rate
17 cases. Public Counsel has not found a Commission Order in a general rate case
18 issued *after* the inception of BCP filings that contains an examination of a DSM
19 program. The only instances within general rate cases that appear to have an order
20 effecting BCPs are those regarding the conditional requirement of excess
21 conservation through the approval of a decoupling mechanism.¹²

22 However, in Avista's 2016 general rate case, Docket number UE-160228

1 and UG-160229 (*Consolidated*), ICNU proposed a demand response pilot, which
2 the Commission did not reach in its order. Staff’s post-hearing brief qualified
3 demand response as an “option for conservation” to be considered in its
4 Conservation and IRP Advisory groups or as a special contract.¹³ Furthermore,
5 Staff states, “ICNU wants the Commission to impose a demand response program
6 upon Avista in this general rate case. This is not the appropriate process for
7 instituting a demand response program.”¹⁴ Although Staff’s recommendation
8 includes the issuance of a request for proposal (i.e. special contract), Public
9 Counsel perceives this as an example of an analogous situation in which a proposal
10 has been submitted in the incorrect venue.

11 **Q: Please summarize Public Counsel’s recommendation regarding Staff’s**
12 **proposal to terminate the Fuel Conversion Program as a conditional element**
13 **of approving the continuation of the LEAP pilot.**

14 A: Public Counsel believes the discussion regarding the future of the Fuel Conversion
15 Program is better suited for Avista’s BCP filing, UE-171091. Moreover, we
16 believe that the Company’s Advisory Group should be allowed to discuss and
17 address the Fuel Conversion Program as presented in the Company’s filed BCP on
18 November 1, 2017.

19 **Q: Other than the discontinuance of the Fuel Conversion Program, Does Public**
20 **Counsel have any other concerns with Staff’s recommended conditions**

¹² *WUTC v. Avista Corp.*, Dockets UE-140188 & UG-140189 (*Consolidated*), Order 05 (Nov. 25, 2014); *WUTC v. Pacific Power & Light Co.*, Docket UE-152253, Order 12 (Sept. 1, 2016).

¹³ *WUTC v. Avista*, UE-160228 & UG-160229 (*Consolidated*), Commission Staff Post Hearing Brief ¶ 97 (Nov. 7, 2016).

1 **regarding the LEAP pilot.**

2 A: No. Public Counsel is supportive of Staff’s recommendation to identify evaluation
3 measures for the LEAP pilot, modifying the metrics reported in the LEAP’s
4 semi-annual reports, and updating the appropriate tariff to reflect any changes.

5 **III. IF DECIDED IN THE GRC, AVISTA’S FUEL CONVERSION PROGRAM**
6 **SHOULD CONTINUE BUT THE ADVISORY COMMITTEE SHOULD**
7 **DETERMINE MODIFICATIONS TO THE PROGRAM.**

8 **Q: Please describe Ms. Snyder’s recommendation regarding the Fuel Conversion**
9 **Program.**

10 A: Ms. Snyder believes, “it is time to discontinue funding of fuel conversion through
11 the electric conservation rider. Increased access to natural gas is more properly
12 funded through gas rates, as is being done with the LEAP pilot.”¹⁵

13 **Q: Please describe Ms. Snyder’s reasoning for proposing the termination of the**
14 **Fuel Conversion Program.**

15 A: Ms. Snyder provides several reasons for the termination of the Fuel Conversion
16 Program, such as:

- 17 • Overlapping incentives offered in the LEAP pilot, gas DSM incentives, and
18 the electric fuel conversion incentives.¹⁶
- 19 • Electric cross-subsidization of a program that benefits natural gas
20 customers.¹⁷

¹⁴ *WUTC v. Avista*, UE-160228 & UG-160229 (Consolidated), Commission Staff Post Hearing Brief ¶ 95 (Nov. 7, 2016).

¹⁵ Snyder, Exh. JES-1T at 13:4-7 (also at 19:8-11).

¹⁶ Snyder, Exh. JES-1T at 13-15.

¹⁷ Snyder, Exh. JES-1T at 15-16.

- 1 • As presented in Avista’s draft BCP, the Fuel Conversion Program is a large
2 non-conservation program with a sizable impact on the electric rate under
3 the electric DSM tariff.¹⁸
4 • Distortion of inter-fuel competition.¹⁹

5 **Q: Does Staff provide an exemption to the termination of the Fuel Conversion**
6 **Program offered under the electric DSM tariff?**

7 A: According to Ms. Snyder’s testimony, “Staff sees no reason not to allow these
8 agencies to fund low-income fuel conversions in cases when it is in the best
9 interest of the low-income customer.”²⁰

10 **Q: Does Public Counsel agree with Staff’s proposal to discontinue fuel**
11 **conversions except for those qualifying under the low-income program?**

12 A: We do not agree with Staff’s recommendation. Public Counsel believes that the
13 Fuel Conversion Program continues to provide a benefit for all Avista customers,
14 as well as those that wish to switch their heating source from electricity to natural
15 gas. At this time, it remains to be seen whether there will be any negative effects
16 of discontinuing the long-standing Fuel Conversion Program. As a result, we
17 believe it is premature to end the Fuel Conversion Program in its entirety without
18 first analyzing the achievements of the program, the effects of its termination, and
19 potential of funding the Fuel Conversion Program through venues other than
20 Schedule 90.

21 **Q: Please describe the benefit that is provided by Fuel Conversions.**

¹⁸ Snyder, Exh. JES-1T at 18-19.

¹⁹ Snyder, Exh. JES-1T at 19.

²⁰ Snyder, Exh. JES-1T at 24:7-9.

1 A: As stated in the Northwest Power Council’s policy statement on Direct Use of
2 Natural Gas:

3 The Council recognizes that there are applications in which it is
4 more energy efficient to use natural gas directly than to generate
5 electricity from natural gas and then use the electricity in the end-
6 use application. The Council also recognizes that in many cases
7 the direct use of natural gas can be more economically efficient.
8 These potentially cost-effective reductions in electricity use, while
9 not defined as conservation in the sense the Council uses them, are
10 nevertheless alternatives to be considered in planning for future
11 electricity requirements.²¹

12 Public Counsel believes that Fuel Conversions benefit Avista customers in several
13 scenarios. First and most importantly, natural gas is a more efficient and
14 cost-effective method for heating. The costs of heating with electricity can be 1.5
15 to three times the cost of heating with natural gas.²² Additionally, on average a
16 customer that switches from electric space heating to natural gas savings 7,485
17 kWh per year and 3,790 kWh per year after switching from electric water to
18 natural gas water heating (accumulatively 11,275 kWh per year).²³ Furthermore,
19 the extraction and delivery of natural gas has an efficiency of 90 percent compared
20 to electricity’s 30 percent efficiency.²⁴ Consequently, considering that Avista’s
21 service territory primarily consists of moderate- to low-income customers, it seems
22 inappropriate to allow only those customers who qualify as low-income to
23 continue participate in Fuel Conversions and receive the cost saving benefit.
24 Indeed, both Staff and the Company have identified heating with natural gas as
25 more efficient than heating with electricity, and have stated it is a benefit of the

²¹ Colamonic, Exh. CAC-5.

²² Colamonic, Exh. CAC-6 at 1.

²³ Colamonic, Exh. CAC-7.

1 fuel switching program.²⁵

2 Second, Avista's electric and natural gas customers would lose direct and
3 indirect benefits provided by the Fuel Conversion Program. Electric customers
4 directly benefit from the Program through its acquisition as a cost-effective
5 resource and the deferral of infrastructure costs such as generation, transmission,
6 and distribution costs. Natural gas customers receive direct benefits of infill
7 opportunity on existing infrastructure and spreading fixed costs across a larger
8 customer base. Avista's electric and natural gas customers also may indirectly
9 benefit from a reduction in particulate matter 2.5 (PM²⁵), associated with wood
10 burning emissions.²⁶

11 Third, Public Counsel believes that there continues to be a need in the
12 residential sector for assistance provided by the Fuel Conversion Program in
13 overcoming the economic barriers to switching from electricity to natural gas for
14 space heating and water heating. According to the Northwest Power Council
15 Seventh Power Plan and consistent with previous plans:

16 All of the Council's prior analysis found that while direct use of
17 natural gas is often more thermodynamically efficient than using
18 electricity generated from natural gas, its economic efficiency (i.e.,
19 whether direct use of natural gas is lower cost) depends on the
20 specific situation with respect to the relative price of natural gas
21 and electricity, space and/or water heating energy use, the cost and
22 efficiency of space and water heating systems, and access to
23 natural gas service.²⁷

24 Considering Avista's climate and customer demographic, we believe that

²⁴ Colamonic, Exh. CAC-10.

²⁵ Colamonic, Exh. CAC-8.

²⁶ Colamonic, Exh. CAC-9.

²⁷ Colamonic, Exh. CAC-5.

1 residential Fuel Conversions may be offering a cost effective solution.

2 Finally, the Fuel Conversion Program has mitigated the need for (1) more
 3 recent investments in electric distribution, generation, and transmission, (2) higher
 4 electricity prices, (3) higher natural gas prices, (4) higher peak electricity load, and
 5 (5) higher wholesale market prices.

6 **Q: Please explain your statement, “At this time it remains to be seen whether**
 7 **there will be any negative effects of discontinuing the long-standing Fuel**
 8 **Conversion Program.”**

9 A: Public Counsel perceives two foreseeable effects of ending the Fuel Conversion
 10 Program. First, we believe that there may be a possibility of confounding effects
 11 caused by the presences of recent changes in the Fuel Conversion Program as well
 12 as the addition of the LEAP pilot. The following is a chart provided by the
 13 Company regarding participation rates and expenditures for the Fuel Conversion
 14 Program from 2009 to 2017²⁸.

WA Fuel Conversion Project Counts, Incentives, and Savings by Sector 2009-2017										
	Conversions	2009 (Unverified Gross)	2010 (Unverified Gross)	2011 (Verified Gross)	2012 (Unverified Gross)	2013 (Verified Gross)	2014 (Unverified Gross)	2015 (Verified Gross)	2016 (Adjusted Reported Gross)	2017 (Unverified Oct YTD)
Residential	Project Count	139	177	143	149	134	191	422	811	1,546
	Incentives	\$ 92,150	\$ 93,000	\$ 65,000	\$ 69,977	\$ 68,854	\$ 344,100	\$ 1,044,158	\$ 1,845,504	\$ 2,812,843
	Savings (MWh)	955	1,239	815	1,199	990	1,811	3,927	9,767	13,675
Non-Residential	Project Count	4	2	2	5	2	0	4	6	12
	Incentives	\$ 184,300	\$ 107,848	\$ 73,100	\$ 356,000	\$ 107,700	\$ -	\$ 561,367	\$ 632,085	\$ 1,533,387
	Savings (MWh)	652	470	173	2,536	735	0	407	806	3,088
Low Income	Project Count	133	218	236	113	169	102	134	111	81
	Incentives	\$ 345,239	\$ 662,000	\$ 624,000	\$ 354,956	\$ 508,820	\$ 444,368	\$ 309,089	\$ 277,652	\$ 353,852
	Savings (MWh)	1,261	1,450	1,234	686	491	202	599	258	326
Total	Project Count	276	397	381	267	305	293	560	928	1,639
	Incentives	\$ 621,689	\$ 862,848	\$ 762,100	\$ 780,933	\$ 685,374	\$ 788,468	\$ 1,914,614	\$ 2,755,241	\$ 4,700,082
	Savings (MWh)	2,868	3,159	2,222	4,421	2,217	2,013	4,933	10,831	17,090

²⁸ Colamonici, Exh. CAC-2.

1 Although this chart provides useful data on the historical trends of the Fuel
2 Conversion Program, it does not aid in analyzing the reasons for the increased
3 participation. We perceive there were several coinciding factors that may have
4 influenced the increase in participation in recent years. First, in Docket
5 UE-143081, the Company was allowed to raise the incentive level for the Fuel
6 Conversion Program from \$900 to \$2,300. Second, in 2015 the Company was
7 granted permission to begin the LEAP pilot program, which allowed the use of the
8 excess allowance to be applied toward the enhanced rebates offered in the Fuel
9 Conversion Program. Because there were several changes and augmentations
10 associated with fuel conversions since 2014, it is difficult to say which adjustment
11 was the cause for the increase in participation and whether the termination of the
12 Fuel Conversion program would lead to participants unwillingness or inability to
13 participate in the LEAP pilot.

14 Second, related to the previous argument are the possible short- and long-
15 term effects of the discontinuance of the Fuel Conversion Program even with the
16 continuation of the LEAP pilot. As previously stated, we are unaware of the
17 individualized effects of the Fuel Conversion given the recent changes in incentive
18 prices as well as the LEAP pilot program. The termination of the Fuel Conversion
19 Program may cause a reduction in customers' ability to convert to natural gas.

20 This may result in the following effects:

- 21 • Higher electricity prices;
- 22 • Earlier investments in generation, transmission, and distribution projects;
- 23 • Infrastructure investments for capacity; and

- 1 • Higher natural gas distribution prices.²⁹

2 Thus, it is premature to end the Fuel Conversion Program until the true effects and
3 influences of the program can be examined.

4 **Q: Does the LEAP pilot replicate the effects of the Fuel Conversion Program?**

5 A: As stated in Ms. Snyder’s testimony, “Under the current suite of programs, it is
6 difficult to parse out the effect of the LEAP pilot on expanding customer access to
7 natural gas from the effect of other programs.”³⁰ As explained in the previous
8 response, Public Counsel is not yet able to determine whether this is the case or
9 whether both programs used in conjunction with the higher incentive levels for
10 Fuel Conversions, has allowed the Company to reach customers who would not
11 otherwise have been able to afford the switch from electricity to natural gas for
12 space heating. However, we do not believe the solution to this problem is to
13 eliminate one of these programs.

14 **Q: Does Public Counsel have a recommendation for the continuation of the Fuel
15 Conversion Program?**

16 A: Public Counsel recommends the continuation of the Fuel Conversion Program.
17 The advisory group should consider and determine modifications to the Fuel
18 Conversion Program. However, is premature to end the Fuel Conversion Program
19 without a clear understanding of the impact of doing so. Public Counsel suggests
20 that there may be several options for the future of this program. The following are
21 possible alternatives:

- 22 • Continuing the Program in the electric DSM tariff with a smaller budget

²⁹ Colamonic, Exh. CAC-6.

- 1 • Fuel conversion incentives can be placed into the gas DSM tariff
- 2 • A new program outside of the DSM tariff can be created
- 3 • Merging the program with the LEAP pilot.

4 However, Public Counsel believes that it will essential to track and understand the
5 relationship (if any) between the LEAP pilot and fuel conversions.

6 **Q: Please describe your overall recommendation.**

7 A: Public Counsel perceives Staff's recommendation regarding the LEAP
8 program and the conditional termination of the Fuel Conversion Program, as a
9 policy question for the Commission. However, we believe that Staff's
10 recommendation ignores the attention this inquiry should be given.

11 Public Counsel recommends that the Commission reject Staff's
12 recommendation to allow the continuation of the LEAP pilot program with the
13 condition that (1) Avista work with Staff on the measures of success for the
14 program, modify the metrics reported, and update the tariff sheets for
15 programmatic changes, and (2) Fuel Conversion program be discontinued
16 beginning with the 2018-19 biennium. Public Counsel believes this issue should
17 be addressed in the Company's BCP filing, UE-171091.

18 If the Commission decides to address the Fuel Conversion Program in this
19 proceeding, we recommend that the Commission should reject Staff's
20 recommendation to terminate the Fuel Conversion Program. The Advisory Group
21 would then discuss and determine the modification of the program as required by
22 WAC 480-109-110.

1 **Q: Does this conclude your cross-answering testimony?**

2 A: Yes.