

**Exh. JES-12T  
Dockets UE-170485/UG-170486  
Witness: Jennifer E. Snyder**

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

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

**Respondents.**

**DOCKETS UE-170485 and  
UG-170486 (*Consolidated*)**

**CROSS-ANSWERING TESTIMONY OF**

**Jennifer E. Snyder**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

***Schedule 91 Rate Design and Demand Response Program***

**December 1, 2017**

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1 **I. INTRODUCTION**

2

3 **Q. Are you the same Jennifer Snyder who testified previously in this case?**

4 A. Yes.

5

6 **Q. What topics will you be discussing in your cross-answering testimony?**

7 A. I am responding to proposed changes to Schedule 91 and the proposed demand  
8 response program presented by ICNU witness Robert Stephens.

9

10 **Q. Overall, what are your recommendations regarding the proposed changes to**  
11 **Schedule 91 and the demand response program?**

12 A. I recommend the Commission reject the proposed changes to Schedule 91. Lastly, I  
13 recommend the Commission not require Avista to implement a demand response  
14 program in the present docket.

15

16 **II. SCHEDULE 91**

17

18 **Q. Please describe ICNU's witness Robert Stephens's proposed changes to**  
19 **Schedule 91.**

20 A. Mr. Stephens's preferred proposal is to allow certain customers to opt-out of funding  
21 conservation through Schedule 91, Avista's conservation rider.<sup>1</sup> As an alternative,  
22 Mr. Stephens suggests a self-direct option for Schedule 25 customers. Under this

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<sup>1</sup> Stephens, Exh. No. RRS-1CT at 40:11 - 41:2.

1 option, the current conservation rider funding from Schedule 25 customers would be  
2 reduced and redirected into individual “reserve” accounts that Schedule 25  
3 customers would use for energy efficiency or demand response programs.<sup>2</sup>  
4

5 **Q. What is Mr. Stephens’s rationale for both of these proposals?**

6 A. Mr. Stephens presents these proposals to address the “clear disparity among the rate  
7 classes in the relationship of benefits to costs associated with the Schedule 91  
8 collection.”<sup>3</sup>  
9

10 **Q. Do you agree with this rationale?**

11 A. No. The analysis provided by Mr. Stephens is fundamentally flawed and should be  
12 disregarded. Mr. Stephens’s analysis fails to include the indirect benefits of energy  
13 efficiency measures. Ultimately, Mr. Stephens asks the Commission to ignore any  
14 benefits that accrue to Schedule 25 customers beyond the direct incentive payments  
15 Schedule 25 customers receive from Avista. This is inaccurate and inappropriate.

16 It is important to recognize that when Avista provides its customers with  
17 energy efficiency incentive payments, it does so for reasons beyond simply  
18 redistributing Schedule 91 funds. When Avista makes an energy efficiency incentive  
19 payment, it is making an investment in a system resource that benefits all ratepayers  
20 and not only the customer that receives the direct incentive payment. Critically, the  
21 energy efficiency investment allows utilities to avoid or defer investment in other  
22 types of capacity resources, like natural gas peakers. The deferral of generation

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<sup>2</sup> Stephens, Exh. No. RRS-1CT at 43:1-14.

<sup>3</sup> Stephens, Exh. No. RRS-1CT at 39:10-11.

1 capacity provides real value to Avista’s ratepayers in the form of avoided rate  
2 impacts; and just as any investment in generation capacity is spread to all rate  
3 classes, so too are the avoided investments. Indeed, when the Commission assesses  
4 the cost effectiveness of energy efficiency measures, it implicitly includes the value  
5 of deferred generation capacity needs.<sup>4</sup> With the analysis Mr. Stevens presents,  
6 ICNU again asks the Commission to ignore these capacity benefits and instead only  
7 consider redistribution of Schedule 91 funds through direct incentives. This is  
8 fundamentally incorrect, and at odds with Commission standard and rule.<sup>5</sup>

9  
10 **Q. Does Staff believe the direct benefits should be distributed equally among rate**  
11 **classes?**

12 A. Not necessarily. Utilities are obligated to pursue all cost-effective conservation  
13 which may, or may not, be available from all customer classes equally.<sup>6</sup> However,  
14 utilities are required to offer a mix of programs to ensure they are serving all  
15 applicable sectors.<sup>7</sup> Staff has actively encouraged Avista to identify and manage its  
16 program to engage “Hard to Reach Markets” for energy efficiency, as called for in  
17 the Northwest Power and Conservation Council’s 7th Power Plan.<sup>8</sup> If certain classes

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<sup>4</sup> WAC 480-100-238. When identifying cost-effective energy efficiency in the IRP process, Avista evaluates the energy efficiency potential against a wide range of commercially available resources, including capacity resources. WAC 480-109-100(8) instructs utilities to use cost-effectiveness tests for energy efficiency consistent with those used by the Northwest Power and Conservation Council. The Council method includes benefits such as Deferred Generation Capacity Investment, Deferred T & D Expansion, Avoided Periodic Replacement, and Non-Energy Impacts (such as reduced water usage). See Northwest Power and Conservation Council, *7th Power Plan*, Appendix G: Conservation Resources and Direct Application Renewables at G-12 (May 26, 2016) available at [https://www.nwcouncil.org/media/7149911/7thplanfinal\\_appdixg\\_consresources.pdf](https://www.nwcouncil.org/media/7149911/7thplanfinal_appdixg_consresources.pdf)

<sup>5</sup> *Id.*

<sup>6</sup> RCW 19.285.040(1).

<sup>7</sup> WAC 480-109-100(7).

<sup>8</sup> Northwest Power and Conservation Council, *7th Power Plan*, Chapter 4: Action Plan at 4-10 (May 26, 2016) available at [https://www.nwcouncil.org/media/7149934/7thplanfinal\\_chap04\\_actionplan.pdf](https://www.nwcouncil.org/media/7149934/7thplanfinal_chap04_actionplan.pdf).

1 are being consistently underserved, then potential savings are being left on the table.  
2 Staff believes this would be in conflict with the Company's obligation to pursue all  
3 cost effective conservation.

4

5 **Q. Are Schedule 25 customers being underserved?**

6 A. Staff is eagerly awaiting the results of a region-wide effort to identify underserved  
7 customers but, at this time, does not have the proper information to make that  
8 assessment. However, ICNU's argument does not suggest their client is underserved.  
9 Instead, Mr. Stephens' testimony suggests that ICNU's clients have already  
10 undertaken the available energy efficiency measures and, further, that they already  
11 have a strong incentive to pursue measures.<sup>9</sup> In fact, if Avista were to pay incentives  
12 for energy efficiency measures that they know customers would have undertaken on  
13 their own without the need for the incentive payment (often referred to as "free  
14 riders"), it may actually constitute an imprudent use of ratepayer funds.

15

16 **Q. Does Staff find the first proposal, allowing certain customers to opt-out of**  
17 **purchasing energy efficiency through the conservation rider, appropriate?**

18 A. Absolutely not. The energy efficiency Avista acquires through the conservation rider  
19 is identified through the Company's integrated resource plan (IRP) process as a least  
20 cost resource. In the Company's 2017 IRP, energy efficiency is expected to serve  
21 53.3 percent of future load growth.<sup>10</sup> Customers do not get to pick and choose which

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<sup>9</sup> Stephens, Exh. No. RRS-1CT at 41:22 - 42:15.  
<sup>10</sup> Docket UE-161036, Avista 2017 Integrated Resource Plan, Executive Summary, 1-3 (Aug. 31, 2017).

1 utility resources they pay for, especially when the resource is an emissions-free  
2 resource that the utility is obligated to purchase.<sup>11</sup>

3

4 **Q. Currently, do any customers of investor-owned utilities in the State of**  
5 **Washington opt-out of conservation programs?**

6 A. No. Mr. Stephens is incorrect when he states that “the loads of such customers who  
7 have opted-out are not counted against a utility’s requirement for DSM programs or  
8 energy savings.”<sup>12</sup> The load of any customer that has electricity delivered by an  
9 investor-owned utility will count towards the utility’s (in this case, Avista’s)  
10 requirements under the Energy Independence Act.<sup>13</sup> There is no opt-out provision in  
11 the law.<sup>14</sup>

12

13 **Q. Regarding the second proposal, does Staff elect to address a self-direct option in**  
14 **this proceeding?**

15 A. No. Staff knows that in some circumstances well-structured self-direct programs can  
16 be an effective way for a utility to procure cost-effective conservation while meeting  
17 unique customer needs.<sup>15</sup> The discussion to determine if the appropriate  
18 circumstances currently exist for Avista to craft a self-direct program is properly

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<sup>11</sup> See WAC 480-109-100(1)(a).

<sup>12</sup> Stephens, Exh. No. RRS-1CT at 40:18-19.

<sup>13</sup> RCW 19.285.030(14). The calculation of load is an average of the two previous years, so it would take three years for the load to work its way out of the utility’s target.

<sup>14</sup> Mr. Stephens may be referring to direct service industrial customers, whose load is served at wholesale rates by Bonneville Power Administration. These customers have been served directly from the transmission grid for decades, and were never included in the Energy Independence Act. As an example, under the Commission’s standard practices, large wheeling customers of Puget Sound Energy have participated in the conservation programs through self-direct programs.

<sup>15</sup> *Self-Direct Programs for Large Energy Users*, American Council for an Energy-Efficient Economy, <http://aceee.org/sector/state-policy/toolkit/industrial-self-direct>, accessed Nov. 14, 2017.

1 held with Avista's Energy Efficiency Advisory Group. Staff recommends that ICNU  
2 actively and regularly participate in the Advisory Group. If ICNU wishes to propose  
3 any pilot or program dealing with energy efficiency, that proposal should be brought  
4 to the Advisory Group. Issues, like its proposals for a self-direct option and a  
5 demand response program, should only be brought before the Commission after  
6 ICNU has utilized all avenues of communication with the Company and the  
7 Advisory Group.

### 9 III. DEMAND RESPONSE

10  
11 **Q. Please describe ICNU witness Robert Stephens's Demand Response Proposal.**

12 A. Mr. Stephens proposes a new schedule: Schedule 78 – Large Customer Demand  
13 Response Pilot Program. His proposed schedule is designed for customers that have  
14 at least 25 MW of demand response capability and are currently served under  
15 Schedule 25. Load reduction events are limited to no more than 100 hours per year  
16 for each customer, with certain restrictions on the timing between load reduction  
17 events based on the type of event.<sup>16</sup>

18  
19 **Q. How many customers would meet the criteria for inclusion in Mr. Stephens's  
20 proposed Schedule 78?**

21 A. One.  
22

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<sup>16</sup> Stephens, Exh. RRS-10.



1 **Q. Has Avista evaluated the potential for demand response?**

2 A. Yes. In the 2017 IRP, Avista contracted with Applied Energy Group (AEG) to study  
3 the potential for commercial and industrial (C&I) demand response programs for the  
4 20-year planning horizon of 2018-2037. The technical potential of these demand  
5 response programs was modeled against other resource options and was found to  
6 meet future needs at the least cost. Avista's Preferred Resource Strategy includes  
7 acquiring 44 MW of total winter peak reduction from demand response, acquired  
8 from 2025 through 2037.<sup>17</sup>

9

10 **Q. If Avista has identified demand response as a preferred resource, should the**  
11 **Company implement ICNU's proposed tariff?**

12 A. Not necessarily. Although Avista does not identify a peaking resource need for seven  
13 years, there may be reasons for the Company to implement a demand response pilot  
14 program sooner than 2025.<sup>18</sup> Since Avista has identified a preferred resource with  
15 which it has little experience, a pilot program designed to answer technical questions  
16 concerning demand response may be a worthy endeavor.

17

18 **Q. Does ICNU's proposed pilot seem well-suited to prepare Avista for a full-**  
19 **fledged demand response program?**

20 A. No. Staff is unsure why ICNU chooses to classify the proposed tariff as a pilot. The  
21 program is overly limited in scope (only one customer qualifies), therefore the

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<sup>17</sup> Docket UE-161036, Avista 2017 Integrated Resource Plan, Executive Summary, 1-4 (Aug. 31, 2017).

<sup>18</sup> For example, pilot program data may be needed to explore the demand response capabilities of the company's new advanced metering infrastructure. *See* Docket UE-161036, Staff Comments, 7 (Oct. 31, 2017).

1 lessons learned from this tariff are unlikely to transfer to a broader demand response  
2 program. For such a narrowly tailored proposal, the customer in question should  
3 work with Avista to implement a demand response program via special contract.  
4

5 **Q. Is this docket the appropriate forum to develop and implement the demand**  
6 **response program as proposed by INCU?**

7 A. No. The proposed demand response program proposed by ICNU should not be a  
8 tariffed service because the proposal is narrowly tailored to target a specific  
9 individual customer. If ICNU wishes to propose a *pilot* demand response program  
10 that applies to multiple customers, Staff suggests that the pilot proposal could be  
11 discussed with the Energy Efficiency Advisory Group. Doing so would allow  
12 stakeholders and interest groups with the appropriate expertise to evaluate and  
13 comment on the proposal. If a *pilot* program is not what ICNU is seeking, direct  
14 negotiations for a demand response special contract could, instead, be carried out  
15 with the Company.  
16

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

18 A. Yes.