

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of)	
)	DOCKET NOS. UE-170485 and UG-170486
Washington Utilities and Transportation)	(Consolidated)
Commission v. Avista Corporation, d/b/a)	
Avista Utilities)	COMMENTS OF AVISTA ON
_____)	Multi-Family Fuel Conversions

I. BACKGROUND

1 Avista Corporation, doing business as Avista Utilities (“Avista” or “Company”), responds to the Commission’s “Notice of Intent to Address Fuel Conversion Program in Pending General Rate Case Proceeding” dated January 5, 2018. In that Notice, the Commission:

...prefers to address Avista’s fuel conversion program in the GRC proceeding, and intends to allow parties who wish to present additional testimony on the multi-family new construction portion of the program to do so orally at hearing. Parties and other interested persons are invited, but not required, to file written comments related to this issue in the GRC dockets, and the Commission will admit into the evidentiary record Staff’s Open Meeting Memo, as well as comments previously filed by all parties in the BCP docket.

2 In Commission Staff’s memo in Docket No. UE-171091 (the Company’s 2018-2019 Biennial Conservation Plan), dated December 20, 2017, Staff questions why incentives for the multi-family new construction fuel conversion program are still being offered, and that in a response to a Staff request, the Company had estimated “that 28 percent of the eligible multifamily construction market chose natural gas, while during 2004-2008, less than 15 percent chose natural gas.”¹ It went on to say that, “Staff believes this program is beyond its intended pilot stage and is not a market transformation program.”² Further, in Mr. Jon Powell’s comments, he asserts that the

¹ Commission Staff Memo, Docket No. UE-171091, p. 5.

² Ibid.

“program lacks the key elements that distinguish a market transformation program from traditional efficiency.”³ Avista appreciates the opportunity to provide the following response to Commission Staff and Mr. Powell regarding the limited issue of multi-family new construction fuel conversion program:

II. AVISTA COMMENTS

3 The Company launched its multi-family new construction fuel conversion program as an attempt at “market transformation” in 2008, in order to increase the availability of natural gas space and water heating in multi-family residential developments. The program, at the time, included a total incentive for space and water heating of up to the \$2,000 per unit. While the Company had success with a few local builders, as it relates to the installation of natural gas in multi-family dwellings, the majority of builders indicated that the incremental cost of natural gas space and water heating equipment and installation continued to remain the barrier to adoption, and that the up to \$2,000 incentive offered under the program was too little.⁴

4 As Staff noted in their memo, only 15% of the multi-family dwelling market chose natural gas from 2004-2008. In 2014, it was estimated that only 28% of the market had been reached, leaving 72% of multi-family new construction still choosing electric space and water heating.

5 In consultation with Avista’s Energy Efficiency Advisory Group (“Advisory Group”), the Company, in 2015, revised its program incentive to up to \$3,500 per unit. The Company’s 2018 Annual Conservation Plan provides up to \$3,500, which reduces to \$3,000 in 2019 for natural gas space and water heating in multi-family residential developments. This program continues to be

³ Commission Staff Memo, Docket No. UE-171091, p. 8.

⁴ Initial incremental costs were primarily focused on estimates of the difference in natural gas equipment compared to electric baseboard along with estimates for additional equipment, timing/coordination, labor and carrying costs associated with penetrating building envelopes.

cost-effective under both the Total Resource Cost and the Utility Cost Test of 1.01 and 1.23 respectively.⁵

6 With respect as to whether the program is still necessary as a “market transformation” program, or viewed as traditional energy efficiency, we understand that certain metrics need to be developed. Avista proposes taking the issue of whether the multi-family new construction program is indeed “market transformational” to its Advisory Group, which includes Staff, to determine an agreeable approach and to develop metrics for better evaluation. The sudden removal or discontinuation of the multi-family new construction fuel conversion program could greatly impact customers, and we believe that more dialog is needed before a decision is made. In the event that it is the desire of the Commission to have the Company discontinue its multi-family new construction fuel conversion program, Avista will need to honor contracts with developers that currently extend through December 31, 2019, in any event.⁶

7 Again, the Company appreciates the opportunity to provide these comments related to its multi-family new construction fuel conversion program.

DATED at Spokane, Washington, this 12th day of January 2018

AVISTA CORPORATION

By: 
Kevin J. Christie
Vice-President, Avista Corp.

⁵ 2018 Annual Conservation Plan – Appendix A: Program Plans.

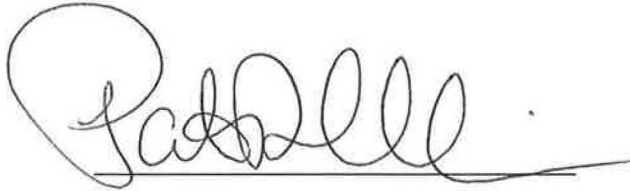
⁶ When a developer makes a decision on heating choices it has to be made very early in the design phase. Design timing can be as long as a year or more, especially when financing or purchase of land is involved. To build a natural gas HVAC system takes an extra 30-45 days with added inspections and the timing to install piping and venting. On a small single six-plex, build time might be approximately 4-9 months. On larger project or multiple six-plexes to high rise, it could be a one to two year build time.

VERIFICATION

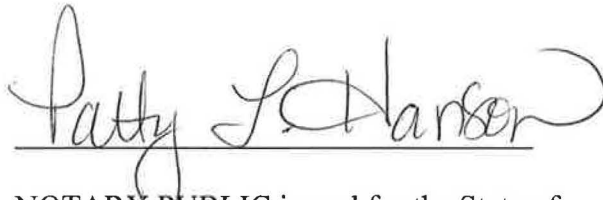
STATE OF WASHINGTON)
)
County of Spokane)

Patrick D. Ehrbar, being first duly sworn on oath, deposes and says: That he is a Director of Avista Corporation and makes this verification for and on behalf of said corporation, being thereto duly authorized;

That he has read the foregoing Comments, knows the contents thereof, and believes the same to be true.



SIGNED AND SWORN to before me on this 12th day of January 2018



NOTARY PUBLIC in and for the State of Washington, residing at Spokane.

Commission Expires: 11/23/2021