Avista Corp.
1411 East Mission P.O. Box 3727
Spokane, Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

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November 8, 2019

VIA – Commission Web-Portal

Mark L. Johnson
Executive Director and Secretary
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Dear Mr. Johnson,

Attached for filing with the Commission is an electronic copy of Avista Corporation's dba Avista Utilities ("Avista" or "the Company") proposed modifications to its Tariff Schedule 95 "Optional Renewable Power Rate." The proposed additions are included in the following tariff sheets, WN U-28:

Third Revision Sheet 95	Canceling	Sub Second Revision Sheet 95
First Revision Sheet 95A	Canceling	Sub Original Sheet 95A
Original Sheet 95B		

I. INTRODUCTION

Avista Utilities is proposing to modify its voluntary renewable energy program (program) in an effort to effectively manage costs, provide customers with greater choice, and to support renewable energy within our region. During 2019, Avista evaluated the Company's program by conducting customer research, analyzing program costs and customer participation levels, and reviewing comparable programs at other investor owned utilities. After completing the review, the Company determined that updates to the program are necessary in order to meet the needs of our customers and ensure that funds collected from the program participants are sufficient to cover expenses.

II. BACKGROUND

Beginning in 2002, Avista, per RCW 19.29A.090[1] offered electric customers the opportunity to voluntarily support the development of renewable energy by participating in the Company's "Buck-a-Block" program under Tariff Schedule 95 "Optional Wind Power Rate." Avista Utilities' wind power option was priced in increments, or "blocks", of $1. Each $1 block of wind purchased by customers equaled 55 kilowatt hours (kWhs).

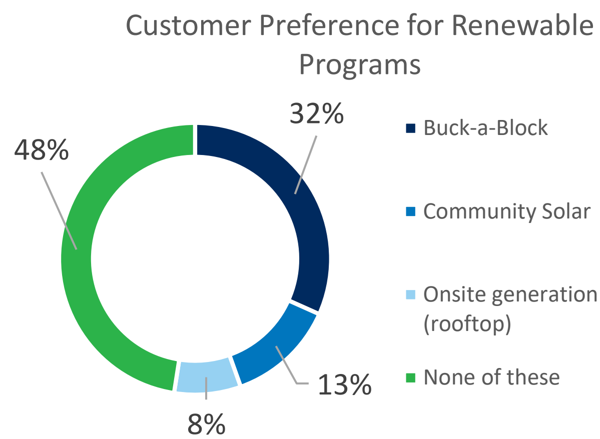
In 2004, the Company filed revisions to the Buck-a-Block program including a change from Optional "Wind" Power Rate to Optional "Renewable" Power Rate. These revisions also reflected a lower wholesale cost of wind power to Avista, and represented the cost of renewable energy certificates (RECs) associated with that resource. The RECs were primarily from wind power generated at the Stateline Wind Energy Center, however they could also come from other "green-e certified" resources.[2] The revised program continued to include voluntary participation in increments of $1 per block. However, each block was modified to be equal to 300 kWh of renewable energy rather than the previous block amount of 55 kWh.

In 2014, the Company filed additional revisions to the program, allowing surplus funds to be used for issuing rooftop solar grants for installations on commercial buildings in Washington and Idaho. This was due to the availability of low-cost RECs in past years and a plateau in subscription levels. The program had surplus revenues that exceeded the costs by approximately $200,000 (Washington and Idaho combined) prompting the Company to offer solar grants using excess funds collected from the program. Since these revisions were approved by the Utilities and Transportation Commission (Commission), the Company has issued $347,000 in grants and funded nine (9) projects in Washington and Idaho.

[1] This legislation required utilities to provide a voluntary option for the retail purchase of qualified alternative energy resources, as specified in this code, beginning on January 1, 2002.

[2] The Green-e Renewable Electricity Certification Program is administered by the non-profit Center for Resource Solutions, based in San Francisco, California.

III. CUSTOMER FEEDBACK

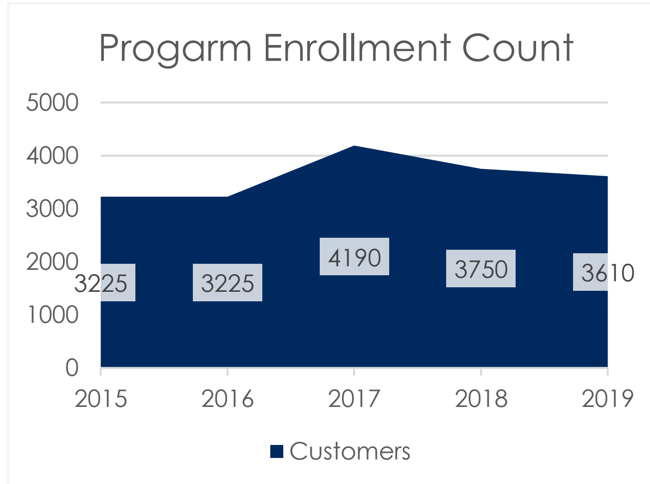


In 2019, the Company conducted customer research in order to better inform revisions to the program.[3] This involved a variety of activities including surveys, customer panels and individual interviews. When customers were presented with several options for renewable programs and asked what option they were most likely to choose, including an option not to participate in any program, 32% of customers selected the Buck-a-Block program. However, less than one percent (1%) of the Company's customers actually participate. In order to understand the difference in actual participation, the Company conducted additional research. Avista discovered that most customers, even active program participants, said that "lack of information" is a problem and they don't understand the value of the program.[4] There is clearly a need to further educate customers on the benefits of the program. Additionally, the Company is seeking to provide additional choices to our customers based on their feedback.

[3] The Company conducted a residential customer research project in 2016 using the Shelton Group, a leading research firm focused exclusively on energy and the environment. Avista also conducted internal research specifically regarding the Buck-a-Block program in 2019.

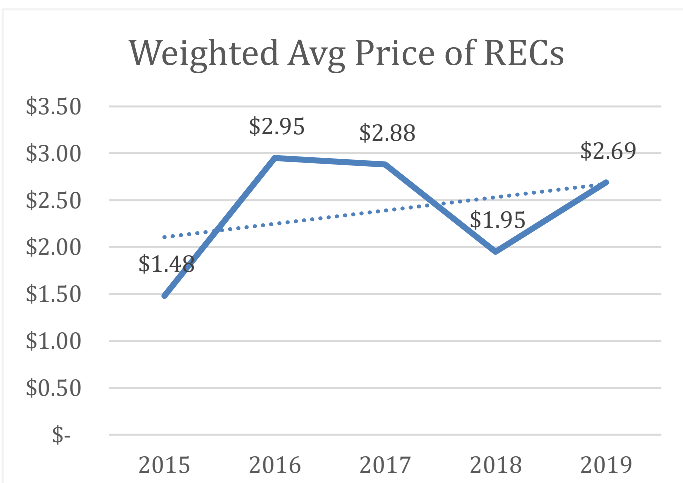
[4] 58% of customers surveyed said that "lack of information" about the program was the largest detractor.

IV. RISING COSTS



In recent years, the cost of RECs has increased and the level of program participants has decreased. The current operating reserves for the program are approximately $38,000, which is well below previous years. The Company is concerned that the program may not be able to cover its costs if these trends continue.

The average cost to administer the current program is approximately 25% of present voluntary customer funding, so under the current pricing structure, the Company must purchase RECs for less than $2.50 in order to cover the cost of the REC, as well as program administration expenses.[5] The average cost to purchase a REC in 2019 (year-to-date) was $2.69, which is higher than the budgeted amount. The cost for RECs is somewhat volatile from year to year, however the Company believes that the increased demand for RECs due to Federal and state regulations, including Washington House Bill 5116, will continue to increase the demand for RECs and therefore the price. In order to prevent the program from losing money due to the increasing costs of RECs, it is necessary to propose a new pricing structure.



[5] Program participants currently pay $1 for a 300kWh "block". RECs are the equivalent of 1000kWh of energy, so it takes just over three blocks to equal one REC. This means the Company can purchase a REC for a maximum of $3.33, not including administration costs.

V. PROPOSED REVISIONS

In order to provide more clarity around the program, mitigate the rising costs of RECs, and provide choices that matter to our customers, the Company is proposing the following revisions to the program. First, Avista is proposing to offer two REC options for customers to choose from, all of which will continue to offer RECs from wind, solar, or other qualified alternative energy sources, as defined in RCW 19.29A.090(3). The price point for each option allows the Company to continue to cover the administrative costs, REC costs, and to provide grant funding. Through the proposed revisions, the Company has sought to establish options at different price points to help sustain the program during volatility in the REC market over the next 5-10 years. Avista will continue to monitor costs and manage the program in a fiscally prudent manner. Second, the Company is proposing to change the name of the program to "My Clean Energy" in an effort to help customers understand the program. The proposed options are listed below and described in more detail throughout this section.

> National Blocks – Participants can purchase 300 kWh "blocks" for $1 under the national option. RECs procured under this option will be sourced from renewable generation anywhere in the United States. This provides customers a low cost option to continue supporting renewable energy.
>
> Regional Blocks – Participants can purchase 100 kWh "blocks" for $1 under the regional option. RECs procured under this option will be sourced from generation located in the Western Interconnection (WECC), with preference given to the Northwest region including WA, ID, OR, CA, MT and BC. This option provides customers an opportunity to support regional renewable energy at a price point that is more reflective of the current REC market.

Offering customers REC options provides a variety of benefits to them, as well as to the Company. The national option provides customers with an opportunity to continue participating in the program at the current price point because the Company anticipates being able to acquire national RECs between $1 to $3. Current participants will be given the option to select any of the two options, but will automatically be defaulted into the national option if they do not specify a different option under the revised program. Offering the regional option at the recommended price point will allow customers to support existing renewable energy projects in our region, while also enabling the Company to continue to offer grants for new projects, further increasing regional renewable generation. Making these options available to our customers allows them to support renewable energy in a way that best aligns with their personal desires and is structured similar to other investor-owned utilities in Washington State.

The Company has structured the prices to account for program administration, which will include increased education for our customers in order to help them understand the program and the value it provides. Avista's research clearly indicated that customers desire more information about the program.

VI. IMPLEMENTATION

Enrollment will remain simple for our customers and can be done online or over the phone, as currently available today. Customers will continue to have the opportunity to participate with no contract required and will have the option to enroll and/or cancel participation at any time in a given month. The ease of enrollment and no contractual obligations have been validated as a customer satisfier in recent surveys and customer feedback sessions. All charges related to the program are in addition to the customer's regular electric charges. Charges will appear on the customers' regular monthly bill as a separate line item and include appropriate taxes.

In order to successfully implement the proposed changes and deliver on customer expectations, Avista will modify the language and positioning on the Company's website to better illustrate the value of the program. This includes the addition of a value calculator, modifications to the online enrollment process to illustrate the program's options, and back-end system changes.

All current program participants will receive a notification of the program changes and will be able to select the option that best suits their needs. Customers who do not respond will automatically be defaulted into the national option, which will ensure their rate (and the level of kWhs) won't change due to the revision. Avista also plans on distributing ongoing communications to our customers in order to promote boarder awareness of the program, as well as regular communications to current program participants that will include information about the renewable projects they help support. These communications are intended to increase program participation and deepen current program participants' engagement by providing increased visibility into the benefits of the program.

VII. METRICS AND PERFORMANCE

The Company has established baseline metrics and will continue tracking performance in an effort to meet our objectives. The three primary metrics for the program will be customer satisfaction, customer awareness, and customer attrition. Customer satisfaction will be measured by an annual Net Promoter Score (NPS) survey on an ongoing basis.[6] The Company will monitor customer awareness through external web traffic to the program page. In 2018, total traffic was 1,088 external visits, the program will seek to boost the number of external visits to 4,000 each year. Finally, the Company expects to see customer attrition decline and will seek to ultimately grow the program from approximately 3,600 active participants to 5,000 participants over the next three years. All three of these metrics will be important as the program strives for higher levels of customer satisfaction and improved sentiment, ultimately driving broader awareness and interest in support of renewable energy.

VIII. CONCLUSION

In conclusion, Avista is confident that the proposed revisions will benefit the Customers as well as the Company by ensuring the revised "My Clean Energy" program will continue to cover its expenses, provide customers with greater choice, and support renewable energy within the Pacific Northwest region. The Company requests the tariff changes become effective on January 1, 2020.

Please direct any questions regarding this filing to me at linda.gervais@avistacorp.com or at 509-495-4975.

Sincerely,

Linda Gervais

Sr. Manager, Regulatory Policy & Strategy
Regulatory Affairs

[6] NPS measures customer experience and customers' overall satisfaction with a company's products or services.