

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
COMMISSION**

AVISTA CORPORATION REPORT  
CONCERNING ITS 2018-2027 TEN-YEAR  
CONSERVATION POTENTIAL AND 2018-  
2019 BIENNIAL CONSERVATION TARGET

DOCKET NO. UE-171091

**COMMENTS OF PUBLIC COUNSEL**

**December 1, 2017**

**I. INTRODUCTION**

1. Pursuant to the Commission's November 6, 2017, Notice of Opportunity to File Written Comments (Notice), the Public Counsel Unit of the Washington State Attorney General's Office (Public Counsel) respectfully submits these comments in advance of the Commission's December 20, 2017, Recessed Open Meeting. These comments address Avista's (Company) Biennial Conservation Plan (BCP) concerning its ten-year conservation potential and its 2018-2019 biennial conservation target filed with the Commission in compliance with RCW 19.285.040.
2. Avista's BCP proposes a target of 93,760 MWh for the 2018-2019 biennium. The ten year conservation potential is 368,000 MWh with a 20 percent pro rate share as 73,636 MWh.<sup>1</sup> The pro rate share of 73,636 MWh does not include the Behavior Program Savings of 15,386 MWh, Distribution and Street Light Efficiency savings of 749 MWh,

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<sup>1</sup> UE-171091, In the Matter of Avista's 2018-2027 Ten-year Achievable Conservation Potential and Biennial Conservation Plan in Compliance with RCW 19.285 and WAC-480-109-120(1).

or the five percent decoupling commitment of 3,989 MWh that accumulates to the proposed 93,760 MWh.

3. Public Counsel has reviewed the documents associated with this filing, and has been in contact with the Company regarding our concerns. We appreciate the Company's responsiveness to the issues we have raised. However, we believe there are a couple of remaining issues in the Company's filing. Public Counsel does not share any concerns regarding the proposed biennial conservation target of 93,760 MWh; nonetheless, we do have concerns regarding the Company's proposed programs employed to achieve this BCP target.<sup>2</sup>

- ***Behavioral Program Savings:*** We have concerns regarding the Company's proposed Behavioral Program Savings of 15,386 MWh and by what means the Company will achieve the allocated savings, considering it will not be offering the Opower/Oracle program behavioral program.
- ***Termination of Fuel Conversions:*** Public Counsel has concerns regarding Staff's recommendation to terminate the program.<sup>3</sup>
- ***Amendment to Proposed Fuel Conversion Funding:*** Public Counsel does not believe that the Fuel Conversion Program should be funded at its currently proposed level of \$4.9 million given the small electric DSM Residential Portfolio.
- ***Pilot Programs:*** We applaud the Company's effort in creating several new pilot programs centered on hard- to- reach sectors in the Company's service territory.

## II. BEHAVIORAL SAVINGS

4. The Company has committed to achieving 15,386 MWh of behavioral savings in the 2018-2019 Biennium.<sup>4</sup> However, the Company will not be running its Opower/Oracle Home Energy Report (HER) program, which was utilized to develop the estimate of the Behavioral Program Savings in the BCP target. The Company informed Advisory Group

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<sup>2</sup> 2018 DSM Annual Conservation Plan, Appendix A and BCP Appendix A.

<sup>3</sup> Public Counsel has filed cross-answering testimony in UE-170485 and UG-170486 (*Consolidated*) as CAC-1T through CAC-10.

<sup>4</sup> UE-171091, In the Matter of Avista's 2018-2027 Ten-year Achievable Conservation Potential and Biennial Conservation Plan in Compliance with RCW 19.285 and WAC-480-109-120(1) at "Table No. 1: Avista BCP Target Summary" at 2.

members of its proposal to end the HER program in order to begin its Residential Behavioral Pilot Program during the BCP planning process, which Public Counsel supported. Public Counsel informally asked the Company whether it would retain the estimated 15,386 MWh allocated to the Behavioral Program Savings. Also, we asked for a detailed response for how the Company proposed to reach these savings. The Company stated that it has “committed” to achieving these savings, but did not provide a detailed response or strategy for achieving these savings. In response to how they intend to achieve these savings, the Company stated it would “pursue savings first through its Residential Behavioral Pilot Program in 2018 and will adjust accordingly in 2019.”<sup>5</sup> Furthermore, Public Counsel inquired on whether pilot savings will be added toward the BCP savings target and this remains unclear.

5. Public Counsel believes the Company should disperse the 15,386 MWh savings allocated to this Behavioral Savings to other residential and nonresidential programs, instead of relying on possible saving from the pilot program. Additionally, we believe that the Company should provide updates to the Advisory Group throughout 2018 as to whether an adjustment is needed in 2019, as well as the details of its plan to achieve the remaining savings in 2019 associated to the Behavioral Program Savings. Finally, we believe it is misleading to include the Behavioral Program under the Residential Programs, as this program is a pilot.<sup>6</sup>

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<sup>5</sup> Avista Response to Informal Comments on the Draft 2018-2019 BCP (received on Nov. 2, 2017).

<sup>6</sup> UE-171091 Avista BCP Appendix A.

### **III. RESIDENTIAL FUEL CONVERSION**

6. Public Counsel has two concerns with the Fuel Conversion Program. First, we believe the Fuel Conversion should continue to be offered by Avista. Second, while we support the continuance of the Fuel Conversion Program, we do not believe that the program should continue with the allocated funding suggested by the Company.

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

#### **A. Avista Should Offer the Residential Fuel Conversion Program**

7. The Company filed its BCP on November 1, 2017, in Docket UE-171091 after seven months of planning, which including several in-person and webinar meetings. The meetings included discussions about and information regarding Avista's DSM program. Staff revealed on October 23, 2017, through an email to all electric utilities, that they would no longer accept fuel conversions as a DSM program. On October 27, 2017, Staff and intervenor parties filed response testimony in Avista's pending rate case, Dockets UE-170485 and UG-170486 (Consolidated), and Staff raised for the first time the issue of whether Avista's Fuel Conversion Program should end beginning with the 2018-19 biennium. Although Staff raises the issue in Avista's pending general rate case, issues relating to the Fuel Conversion Program are appropriately before the Commission through the BCP proceeding.

#### **1. Avista customers receive benefits from this program**

8. Public Counsel believes that Fuel Conversions benefit Avista customers in several scenarios. First and most importantly, natural gas is a more efficient and cost-effective

method for heating. The costs of heating with electricity can be 1.5 to three times the cost of heating with natural gas. Additionally, on average a customer that switches from electric space heating to natural gas savings 7,485 kWh per year and 3,790 kWh per year after switching from electric water to natural gas water heating (accumulatively 11,275 kWh per year). Furthermore, the extraction and delivery of natural gas has an efficiency of 90 percent compared to electricity's 30 percent efficiency. Consequently, considering that Avista's service territory primarily consists of moderate- to low-income customers, it seems inappropriate to allow only those customers who qualify as low-income to continue to participate in Fuel Conversions and receive the cost saving benefits. Indeed, both Staff and the Company have identified heating with natural gas as more efficient than heating with electricity, and have stated it is a benefit of the fuel-switching program.

9. Second, Avista's electric and natural gas customers would lose direct and indirect benefits provided by the Fuel Conversion Program. Electric customers directly benefit from the Program through its acquisition as a cost-effective resource and the deferral of infrastructure costs such as generation, transmission, and distribution costs. Natural gas customers receive direct benefits of infill opportunity on existing infrastructure and spreading fixed costs across a larger customer base. Avista's electric and natural gas customers also may indirectly benefit from a reduction in particulate matter 2.5 (PM<sup>25</sup>), associated with wood burning emissions.

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

with previous plans:

All of the Council's prior analysis found that while direct use of natural gas is often more thermodynamically efficient than using electricity generated from natural gas, its economic efficiency (i.e., whether direct use of natural gas is lower cost) depends on the specific situation with respect to the relative price of natural gas and electricity, space and/or water heating energy use, the cost and efficiency of space and water heating systems, and access to natural gas service.<sup>7</sup>

Considering Avista's climate and customer demographic, we believe that residential Fuel Conversions may be offering a cost-effective solution.

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

## **2. Unknown effects of ending the program**

12. Public Counsel perceives two foreseeable effects of ending the Fuel Conversion Program. First, we believe that there may be a possibility of confounding effects caused by the presences of recent changes in the Fuel Conversion Program, as well as the addition of the Line Allowance Extension Program (LEAP) pilot program. The following is a chart provided by the Company regarding participation rates and expenditures for the Fuel Conversion Program from 2009 to 2017.

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<sup>7</sup> Northwest Power Council Seventh Power Plan, Appendix N.

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

\*2009-2014 Non-Residential data are un-evaluated and are to be considered approximate.

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

14. Second, related to the previous argument, are the possible short- and long-term effects of the discontinuance of the Fuel Conversion Program even with the continuation of the LEAP pilot. As previously stated, we are unaware of the individualized effects of

the Fuel Conversion given the recent changes in incentive prices as well as the LEAP pilot program. The termination of the Fuel Conversion Program may cause a reduction in customers' ability to convert to natural gas. This may result in the following effects:

- Higher electricity prices;
- Earlier investments in generation, transmission, and distribution projects;
- Infrastructure investments for capacity; and
- Higher natural gas distribution prices.

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

**3. Advisory group should be given the opportunity to discussion this issue**

15. Considering the short time period in which Staff stated its position on Fuel Conversions, the filing of the BCP, and the filing of Staff's response testimony in Avista's general rate case, Public Counsel believes that this issue should be further discussed within the context of the Advisory Group before recommendations of termination should be determined. The Company initiated the first of what we presume are several discussions regarding the Fuel Conversion program. Under WAC 480-109-110, the Advisory Group is to advise the utility on conservation issues, and it has not had an opportunity yet to fully serve that function on this issue.

Public Counsel looks forward to the discussion with the Commission, Staff, the Company, and other interested Stakeholders on the Company's Fuel Conversion Program.

**B. Public Counsel Recommends the Funding for the Fuel Conversion Program Should Decrease Given the Current Residential Portfolio**



16. The Company has included fuel conversions in all sectors of its conservation offerings. However, Public Counsel focuses our comments on the Residential Fuel Conversion Program. The Residential Fuel Conversion Program consists of a budget of \$4,942,900 with an associated estimated savings of 25,022 MWh, out of an overall Residential Portfolio budget of \$8,156,832 and an estimated savings of 66,657 MWh. However, this overall savings of 66,657 MWh contains the savings related with the electric to natural gas fuel conversion program, which are not applicable toward the BCP savings target. As a result, the cumulative Residential Portfolio is 41,635 MWh with a budget of \$8,156,832.
17. As previously noted, Public Counsel does support the continuation of the Residential Fuel Conversion Program. Nevertheless, we cannot support the Residential Fuel Conversion Program in its current state. The Company's proposed Residential Portfolio contains only two programs, Residential Prescriptive and Simple Steps, with a combined budget of \$3,213,932 with 26,249 MWh savings that are attributable to the BCP savings target. The Residential Fuel Conversion program has a higher budget (\$1,728,968 more) than those programs used to meet the BCP savings target.
18. Thus, Public Counsel cannot support a DSM program that constitutes over half the funds for residential programs and does not offer savings used toward the BCP savings target.

#### **IV. PILOT PROGRAMS**

19. The Company is offering several pilot programs in the 2018-2019 Biennium. These pilots include the Residential Behavioral Pilot, the Multi-family Hard to Reach Program, Residential Wall Insulation Pilot, Ecova Commercial Building Operation

Simulation Pilot, and the Low-Income Multifamily Pilot Program.<sup>8</sup> Public Counsel is extremely pleased to see the Company offering not only future- looking programs that may utilize AMI and Smart Grid capabilities, but also more pilot programs geared toward residential customers. We hope to see robust updates and participation in these programs, in order to expand these offerings into full programs for inclusion in the residential portfolio. Furthermore, we hope to see Avista diversifying their programs and extending its offerings to more of their customers

## V. CONCLUSION

20. Public Counsel appreciates the opportunity to comment on Avista’s proposed 2018-2019 biennial conservation target and ten- year potential. We anticipate further discussion on these issues with Avista and other interested stakeholders. We look forward to reviewing the comments submitted by other parties, as well as additional information to be provided by Avista, and addressing these issues at the Commission’s December 20, 2015, Open Meeting.

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<sup>8</sup> 2018 Electric Demand-Side Management: Annual Conservation Plan, BCP Appendix B.