

December 1, 2017

Steven V. King  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 Evergreen Park Drive SW  
Olympia, WA 98504-7250

*Re: Docket No. UE-171091, Avista Ten-Year Achievable Conservation Potential, Biennial Conservation Target, and Biennial Conservation Plan for 2018-2019, pursuant to RCW 19.285.040 and WAC 480-109-120*

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The NW Energy Coalition (NWECC or Coalition) appreciates the opportunity to comment on Avista Corporation’s (Avista or the Company) 2018-2019 Biennial Conservation Target and Biennial Conservation Plan (BCP). NWECC is a member of the Avista DSM Advisory Group. We appreciate Avista’s willingness to discuss ideas for enhancements and improvements to best serve their customers and acquire cost-effective conservation.

Our concerns with the BCP as proposed are focused on two main areas: Avista’s aggressive fuel conversion programs and its limited electric residential portfolio. We also offer a few additional suggestions for other areas of the BCP.

### Avista’s Fuel Conversion Programs

Avista proposes three fuel conversion programs through the BCP, which are described briefly below. Below is a summary of Avista’s 2018-2019 proposed budget and a notation of how much of each program budget is dedicated to fuel conversion, as taken from Appendix A of the BCP. Particularly in the case of the residential program, fuel conversions make up a substantial part of the electric budget.

	2018-19 Electric Budget	2018-19 Fuel Conversion Budget
<i>Low Income Programs</i>	\$2,362,517	\$296,672 (12.6%)
<i>Residential Programs</i>	\$8,156,832	\$4,942,900 (60.6%)
<i>Non-Residential Programs</i>	\$10,737,426	\$3,794,000 (35.3%)
<b>Subtotal Program Funding</b>	<b>\$21,256,775</b>	<b>\$9,033,572 (42.5%)</b>
<i>NEEA Funding</i>	\$2,800,000	
<i>Portfolio Support</i>	\$7,480,165	
<b>Total</b>	<b>\$31,536,939</b>	

### Summary of Fuel Conversion Programs

#### 1. Residential Fuel Conversions

Avista offers a residential fuel conversion (also known as “fuel switching” or “fuel efficiency”) incentive to its customers. To receive this incentive, a customer switches from an electric-

powered appliance (e.g., electric resistance heat, electric water heater) to a natural gas appliance.

In the 2018-2019 BCP, Avista proposes three residential fuel conversion incentives:

- From an electric resistance heater to a natural gas furnace: \$1,500
- From an electric resistance heater and water heater to a natural gas furnace and natural gas water heater: \$2,250
- From an electric resistance heater to a natural gas direct vent wall heat unit: \$1,300

Receiving the conversion incentive does not require that a customer install equipment that is more efficient than standard; an additional incentive funded from the gas conservation rider incents that upgrade. Communications from Avista staff indicate that 94% of customers install high efficiency equipment as part of the fuel conversion program.<sup>1</sup>

This conversion incentive is funded from the electric conservation rider. Prior to September 2014, Avista was only able to fund residential fuel conversions at between \$0.01 and \$0.07 per kWh diverted, compared to the \$0.08 to \$0.20 per kWh saved at which electric efficiency projects could be funded. In September 2014, under docket UE-143081, Avista proposed changing the fuel conversion incentive to be the same as electric efficiency projects, and the proposal was allowed to take effect. Before the tariff revision, the Avista incentive for a conversion to a natural gas furnace, for example, was \$1,000 or less. After the tariff revision, the incentive for conversion to a natural gas furnace has ranged between \$1,500 and \$2,300; the current and proposed incentive is for an incentive of \$1,500.

Since the tariff was revised in 2014, the number of fuel conversion projects that has been funded by Avista under this rider has increased dramatically. Below is a brief summary of fuel conversion projects funded under this rider since 2010, as provided by the Company.<sup>2</sup>

<b>Year</b>	<b>Residential Fuel Conversion Projects (WA)</b>
2010	177
2011	143
2012	149
2013	134
2014	191
2015	422
2016	811
2017 (Jan-Oct 2017)	1546
2018 (forecast)	1255

<sup>1</sup> Email communication from Amber Gifford, Avista, on November 2, 2017.

<sup>2</sup> Presentation by Avista, November 30, 2017.

Avista has another program that can provide incentives for residential fuel conversion, the Line Excess Allowance Program (LEAP) pilot, which began in 2016 and is likely contributing to the recent large increase in fuel conversions. Under this program, the Company gives a new natural gas residential customer an allowance of \$4,482 to cover the cost of the natural gas line extension to the property. If the cost to connect to the system is less than the allowance amount, any excess can be applied toward an efficient natural gas furnace, boiler, and/or water heater. The average customer receives an excess allowance rebate of \$2,805<sup>3</sup>; this incentive is additional to the fuel conversion incentive and to the natural gas efficiency incentive. While this program is not discussed as part of the BCP and is not funded by the conservation riders, it obviously has some impact on the desirability of natural gas direct use versus efficient electric uses for residential customers. In 2016, 531 customers participated in the LEAP pilot and, in 2017, 1142 customers had participated as of September 2017.<sup>4</sup>

## *2. Low Income Fuel Conversion*

Community Action Partner (CAP) agencies are able to fund fuel conversions for low-income customers with Avista funding. In Avista's 2018 Annual Conservation Plan, electric resistance heaters to natural gas furnace conversions through the CAP agencies are fully funded (\$5,196.30) by Avista and electric to natural gas water heating is rebated at Avista's avoided cost of energy (\$586.78).

## *3. Non-Residential Fuel Conversions*

Finally, since 2008, Avista has offered a "multi-family market transformation program," which the Company notes in the current BCP filing is "intended to increase the availability of natural gas space and water heating in multi-family residential rentals, larger than a 5-plex." New multi-family construction can receive \$3,500 per unit for the installation of natural gas or water heating (as written in the BCP and in program materials, it does not seem that the equipment installed has to be more efficient than standard to receive the incentive).

Other fuel conversions may happen as part of the site-specific non-residential program, but these incentives and electricity savings are not specifically called out in the 2018-2019 BCP budget.

## [Future of Avista's Fuel Conversion Programs](#)

In written email comments to the three Washington electric Investor-Owned Utilities (IOUs) on October 23, 2017, UTC Staff expressed that fuel conversion programs should be removed from conservation programs.<sup>5</sup> In filed testimony in the current Avista General Rate Case, Staff further explained that they are of the view that Avista should discontinue its fuel conversion program, beginning with the 2018-2019 biennium.<sup>6</sup> In short, Staff's testimony related to the fuel conversion program was that:

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<sup>3</sup> UE-170485, Exhibit JES-2.

<sup>4</sup> *Ibid.*

<sup>5</sup> Email provided to Avista DSM Advisory Group, dated October 23, 2017.

<sup>6</sup> UE-170485, Testimony of Jennifer Snyder.

- It is unfair that electric ratepayers pay for the administration and incentives for conversion to natural gas.
- Fuel conversion is not conservation as defined by the Northwest Power Act or Washington State.
- While other IOUs have funded non-conservation programs under conservation riders, these programs have usually been small in scope, in the public benefit, and unlikely to be supported by the utility without this cost recovery. These characteristics do not apply to the fuel conversion program.
- Avista’s fuel conversion programs and incentives together (LEAP excess allowance, fuel conversion incentive, and natural gas efficiency incentive) bias customers toward natural gas.
- Low income fuel conversions can continue “in cases where it is in the best interest of the low-income customer.”<sup>7</sup>

### NWEC Fuel Conversion Program Comments

NWEC agrees with Staff that Avista’s fuel conversion programs are not conservation and should therefore not be included as part of the BCP or be funded from the conservation rider. To the above points from Staff, we add the following points and make a recommendation regarding low-income fuel conversions.

1. The Northwest Power Act and Washington State defines conservation as “any reduction in electric power consumption as a result of increases in the efficiency of energy use, production, or distribution.”<sup>8,9</sup> The Northwest Power and Conservation Council additionally clarifies in the 7<sup>th</sup> Power Plan that “fuel switching is not conservation under the Northwest Power Act,” and further concludes that, “fuel choice markets are reasonably competitive and that those markets should be allowed to work without interference”<sup>10</sup>—that is, incentives that encourage fuel switching are not necessary.
2. In Avista’s Integrated Resource Plan (IRP) process, fuel conversions are included in the load forecast in the Company’s Integrated Resource Plan, with the forecast being based on historical data. Fuel conversions are not included as a measure in the Conservation Potential Assessment to “compete” against other conservation measures on the supply-side—further confirming that the fuel conversion is not “conservation” as other efficiency measures are considered.
3. The Company contends that, because of Avista’s current fuel mix, converting to direct use of natural gas is less greenhouse gas emissions intensive than using electric appliances.<sup>11</sup> However, we can expect Avista’s electricity fuel mix to become cleaner and less emissions intensive over time as Avista works toward meeting its renewable targets under Washington’s Energy Independence Act, as coal plants retire, and as other energy

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<sup>7</sup> *Ibid.*

<sup>8</sup> 16 USC 839a, Sect. 3(3) <https://www.gpo.gov/fdsys/pkg/STATUTE-94/pdf/STATUTE-94-Pg2697.pdf>

<sup>9</sup> RCW 19.285.030 (6) <http://app.leg.wa.gov/RCW/default.aspx?cite=19.285.030>

<sup>10</sup> Seven Northwest Conservation and Electric Power Plan, Appendix N: Direct Use of Natural Gas. [https://www.nwccouncil.org/media/7149904/7thplanfinal\\_appdixn\\_duofnatgas.pdf](https://www.nwccouncil.org/media/7149904/7thplanfinal_appdixn_duofnatgas.pdf)

<sup>11</sup> Company presentation to UTC Staff, as provided to the Avista DSM Advisory Group on October 26, 2017.

policy continues pushing the electric grid toward a cleaner future. Any assessment of a program's impacts on greenhouse gas emissions must be long-term in nature. Locking a significant amount of new customers into natural gas infrastructure at this time may not result in a long-term beneficial greenhouse gas reductions over the alternative of relying more on the electrical system.

4. The Company also contends that conversion to natural gas is the least cost to customers.<sup>12</sup> However, switching customers to natural gas use exposes customers to any future price volatility in the natural gas markets and to price risk due to any future carbon pricing. We highlight that Puget Sound Energy has discontinued its fuel conversion program for the 2018-2019 biennium, noting that, "Key rationale included a potential carbon tax (making the conversion from electric to natural gas potentially not economic for participating customers, and create the perception of an unwise investment for PSE customers in the long-term)."<sup>13</sup> Actively encouraging natural gas uptake and infrastructure build-out as Avista is doing through its programs is not in the best long-term interests of customers.
5. For low-income fuel conversions, because of these above points, the Coalition recommends that more research be done by the Company and reviewed by the advisory group and the UTC to determine exactly when fuel conversion projects would be in "the best interest of the low-income customer" versus upgrading to more efficient electric equipment.

## Other Residential Conservation Programs

The remainder of Avista's electric residential efficiency portfolio is limited: the Company funds Simple Steps, a retail buy-down program for lighting, showerheads, and clothes washers; and it has a small residential prescriptive program, which accounts for about 4% of the residential electric budget for 2018-2019 and 4% of the expected residential electricity savings. The Oracle/OPower Home Energy Reports program will be discontinued as of the end of 2017, to be replaced in 2019 with a behavioral pilot program.

We urge the Company to take a harder look at other opportunities for residential conservation. We would also like to see a more thorough explanation of how the Company plans to achieve the savings that they are guaranteeing to meet after the discontinuation of the Oracle/OPower Home Energy Reports Program.

## Residential Program Opportunities

Avista's Conservation Potential Assessment (CPA), prepared for the 2017 Integrated Resource Plan (IRP), includes a table listing the top residential measures with the highest conservation potential in Washington over the 20-year horizon. Weatherization measures, such as infiltration

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<sup>12</sup> *Ibid.*

<sup>13</sup> 2018-2019 Biennial Conservation Plan Overview, Puget Sound Energy, as filed on November 1, 2017 in UE-171087.

control (e.g., air sealing) and insulation, were some of the highest-rated measures.<sup>14</sup> However, Avista's 2018-2019 BCP only lists two incentives in the area of the residential building envelope—storm windows and windows.

The Company is proposing two pilot programs that would touch on the area of the residential envelope – (1) a direct install program that would install lightbulbs and water efficiency measures but also have a contractor assess a home's attic and/or crawl space insulation and recommend efficiency measures; and (2) a residential wall insulation pilot to encourage building envelope improvements when a customer is upgrading siding. NWEC is supportive of both of these pilots and hopes the Company will consider ways to incentivize or otherwise encourage participating customers to maximize their weatherization opportunities when they are already interacting with the Company or its contractor.

In addition to weatherization, the CPA highlights conservation opportunities in the areas of heat pumps. Avista does have an incentive for an air source heat pump and for a ductless heat pump (\$700 and \$500, respectively), but indicates that the Company is not expecting much uptake for these incentives in the 2018 DSM Annual Plan (57 and 80 projects, respectively, compared to 2,800 expected natural gas furnaces or boilers).<sup>15</sup>

NWEC encourages Avista to consider creative ways to achieve the conservation opportunities highlighted in the CPA and to bring ideas and questions to the DSM advisory group. NWEC also echoes a request made during the Fall Advisory Group meeting that the Company present a webinar or other information to the advisory group about how the Company sets its prescriptive incentive levels.

### Home Energy Report Savings

The Company is transitioning away from its OPower/Oracle Home Energy Report and will be launching a smart thermostat pilot in 2018 and eventually a behavioral pilot program that works with its AMI. However, the Company has committed to the estimated savings that would have been realized by the OPower/Oracle Home Energy Reports, or 15,386 MWh for the biennium. NWEC would appreciate more clarity in the BCP of how the Company plans to achieve the conservation that would have come from the Home Energy Reports.

### Other Comments

*NEEA Savings:* In UTC staff comments emailed to the Company on October 23, 2017, Staff expressed that IOUs should include NEEA forecast savings within their biennial target. NWEC looks forward to further discussions with Staff and the Company about this issue, how decoupling commitments should be calculated, and ensuring a common approach by all IOUs.

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<sup>14</sup> 2017 Electric IRP Appendices, Table 5-6, Page 612. <https://www.myavista.com/-/media/myavista/content-documents/about-us/our-company/irp-documents/2017-electric-irp-appendices-final.pdf?la=en>

<sup>15</sup> ACP Appendix A, Table 1, as filed in Docket.

*Pilot Programs:* The Coalition is generally supportive of the pilot concepts outlined in the 2018 Annual Conservation Plan and discussed at the Fall Advisory Group meeting and we look forward to discussing them further as the pilots get underway. However, we would like to see more details in the BCP on how the Company will measure success of these pilots. We also encourage the Company to move quickly to a full program offering if a pilot is showing that it is successful.

*Residential Financing:* In Avista's 2017 Annual Conservation Plan, the Company said that they were exploring on-bill repayment options for its customers. In this filing, the Company has reported that, while on-bill repayment could be beneficial to its customers, the "additional complexity, monitoring, and administrative burden outweighs those benefits." NWECA asks that the Company brief its Advisory Group further to explain this burden. NWECA also encourages the Company to research and explore whether there are other opportunities to promote customer access to financing, such as interest buy-downs or credit reserves that would allow more customers to qualify for and take advantage of third-party financing.

*Non-residential pay-for-performance:* Other Washington utilities are beginning to explore and pilot non-residential pay-for-performance programs. NWECA encourages Avista to observe and learn from these programs and implement a pay-for-performance pilot in Avista's non-residential sector.

Respectfully submitted,

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