Monitoring and Reporting Plan for Residential Time-of-Use Pilot

Background

Avista will pilot a time-of-use rate to a limited number of residential customers to collect data and determine the impacts of introducing time-of-use rates in Washington. This pilot program will become effective on or around June 2023, implemented 9 – 12 months after the effective date, and will be studied for a two-year period with the option of extending an additional two years.

Avista engaged stakeholders and a third-party evaluator to develop this final monitoring and reporting plan.

Pilot Goal

The goal of the pilot is to determine if the Company should offer a time-of-use program to all Washington residential customers, by measuring the value of time-of-use rates for residential customers in a pilot program.

Pilot Objectives

The pricing pilot design encompasses the following four objectives:

1. System cost minimization: reduce costs to serve customers by improving capacity utilization, encouraging economic conservation and peak shaving.
2. Customer choice: Offer customers options to help them manage their energy bills.
3. Equity and accessibility: Design and offer rates and programs that consider needs and effects on low-income/vulnerable populations/highly impacted communities.
4. Integration of Renewables: Investing and integrating renewable resources helps Avista achieve its 100% carbon free goals.

Pilot Outcomes to Measure Value

No specific formula exists for what will constitute a successful pilot, but rather its success or failure will be judged on several measures listed below.

- **Customer Satisfaction**
    - How satisfied are participants with the time-of-use option?
    - Did participants save a meaningful amount on their bills?
    - Was customer information and education about the program adequate?
- **Economic Efficiency**
    - Do participants significantly shift kWh energy usage away from peak hours?
    - Do customers on this rate option pay their cost of service?
    - Do the benefits of the program outweigh the costs?
- **Customer Appeal**
    - Do customers want to sign up for this option?
    - What motivates customers to sign-up for this option?
    - Do participants choose to stay on this option, or do they go back to default rate Schedule 01 or 02?
    - Why do participants choose to go back to their previous rate schedule?

- What do customers value more: the appeal of potential bill savings due to shifting loads or more bill certainty under non-time-varying rates?
    - Are there particular characteristics common amongst customers who remained on the program?
    - Are there common characteristics among customers who dropped out of the program?
- **Equity**
    - Do low-income customers and/or customers from vulnerable populations and/or customers from highly impacted communities participate?
    - Do low-income customers and/or customers from vulnerable populations and/or customers from highly impacted communities benefit from this option?
    - What barriers exist that may prevent low-income customers and/or customers from vulnerable populations and/or customers from highly impacted communities from participating?
    - What barriers exist that may prevent low-income customer and/or customers from vulnerable populations and/or customers from highly impacted communities from benefitting from this option?

Pilot Design and Implementation

- The pilot will be open to a maximum of 500 residential customers on an opt-in, first-come first-served basis.
- A minimum of 100 customers is (+ some to accommodate for churn) needed to be statistically significant
- Usage profiles will be collected from participants.
- Existing data from Schedule 01 or 02 customers will be used as a control to compare to the pilot group. Data from the control group will include load profiles from the residential load research study
- A personalized on-line savings comparison tool will be offered to customers to learn if a TOU rate plan would be beneficial to them over their standard rate option. This tool may be leveraged to provide monthly feedback to enrolled TOU participants comparing rates.
- Customers that enroll in the time-of-use pilot will be provided a 10% bill guarantee for the first year, meaning if a customer's energy charges over the participant's first annual period are 10% greater than what they would have been under the default Schedule 01 or 02 billing, that customer will be refunded the amount over the 10% threshold they paid.
- Customers must be enrolled for 12 months in the TOU rate to be eligible for the 10% bill guarantee.
- Customers may opt-out of the program at any time and return to their default rate. However, they will not be allowed to reenroll in the TOU rate for one year.
- At the end of the participant's first annual period on the program, a notification will be sent to the participant informing them of their net savings or cost relative to default Schedule 01 or 02. Included in that communication will be an invitation to participate in an online survey. To increase the response rate to the survey, an incentive will be offered.
- The Company plans to recruit a statistically appropriate sample size of customers through various outreach and enrollment activities. Education in and enrollment about the program will be made across multiple channels that may include:
    - Bill messaging
    - Website
    - Newsletters
    - Targeted email announcements
    - Targeted direct mail announcements
    - Local media outreach
    - Social media posts

- Outreach through Avista's Energy Assistance Advisory Group, Energy Efficiency Advisory Group, Equity Advisory Group, and other applicable organizations.
- Outreach conducted in languages other than English in line with local customer demographics

Measures

- **Customer Satisfaction**
  - Surveys will be conducted to determine satisfaction with the program
  - Net customer bill savings/cost relative to service under default Schedule 01 and 02 will be tracked for each participant on an annual basis. A distribution of net savings/cost will be examined.
- **Economic Efficiency**
  - An analysis will be conducted to quantify the effectiveness of the pilot.
  - Costs will include, at a minimum:
    - Customer Service
    - Marketing
    - Administration
    - A variant of the cost-benefit analysis will consider the net bill savings (or costs) of participants as a cost
  - Benefits will include, at a minimum:
    - Energy savings
    - Capacity savings
    - Transmission and distribution deferral
  - A cost-of-service study will be conducted under which the time-of-use rate will be put onto its own class within the study to determine if participants pay more or less than their cost of service in the final report.

- **Customer Appeal**
  - Enrollment counts by date will be tracked. Inferences could be made from enrollment timing regarding seasonality and simultaneous timing of program promotions.
  - Retention will be tracked by measuring counts of customers who drop off the program and return to default Schedule 01 or 02 relative to overall enrollment over time.
  - Customer enrollment, retention, satisfaction will be analyzed against available demographic characteristics and load characteristics (e.g., census tract, participants who own EVs, etc.)
  - To what degree participating customers (or customers who have dropped out) place more value on the potential savings from time-varying rates or appreciate reliable/predictable bills based on non-time varied rates (i.e. does the potential for savings due to a new rate structure outweigh the uncertainty of whether or not savings will actually accrue?).

- **Equity**
  - Customer enrollment, retention, satisfaction, and bill savings/cost will be tracked along demographic lines to understand if program experience differs for low income and/or customers from vulnerable populations and/or customers from highly impacted communities.
  - Participation will be tracked by census tract.

The data collected and analysis performed will be used to determine if the pilot should be terminated, expanded, modified, or made permanent.

Reporting

- A preliminary check-in report will be prepared on the results of the first year of the pilot and subsequently filed with the Commission.
- A final report will be filed with the Commission within six months of the end of the pilot's two-year period that will include a full review of the program metrics, conclusions on the successfulness of the program as well as recommendations for the continuation or cancellation of the program.
    - At this time, the Company may recommend a two-year extension of the pilot if more information or tariff changes are necessary. If such an option is exercised, an additional final report will be required within six months of the end of the four-year extended pilot term.
- The tariff for the time-of-use rate will not have an automatic termination date.
- Any changes made to the pilot design will need to be addressed in the reports and efforts made to create accurate comparisons between pre and post change versions of the program.