

April 22, 2013

VIA ELECTRONIC FILING

Steve King
Acting Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
P. O. Box 47250
Olympia, WA 98504-7250

Re: **Avista Petition to Suspend Natural Gas DSM Programs**
Docket UG-121119
Avista Natural Gas Tariff Rider
Docket UG-120790

Dear Mr. King:

Public Counsel submits these comments in advance of the Commission's April 25, 2013 Open Meeting. We appreciate that the decision to temporarily suspend Avista's natural gas energy efficiency programs is not one to be taken lightly, as we've stated previously. Public Counsel previously filed written comments in Docket UG-121119. We continue to support our earlier recommendation, and incorporate those comments here by reference. However, while we stand by our original recommendation, in light of the Commission's stated preference for continuation of Avista's natural gas conservation programs, we offer an alternative recommendation, described below.

Public Counsel Recommendation

Public Counsel supports Avista's tariff filing in UG-121119 and we recommend that it be allowed to take effect, with one exception. In recognition of the broad consensus in the natural gas conservation programs rulemaking that low income energy efficiency programs raise unique policy issues and have objectives beyond traditional energy efficiency programs, Public Counsel believes that an exception to allow those programs to continue is reasonable.

If the Commission disagrees, and instead orders Avista to continue to operate natural gas programs that are no longer cost-effective according to the Total Resource Cost (TRC) test, we strongly encourage the Commission to grant such waiver on a temporary basis, for up to two years. This would allow for updated analysis of the long-term prospects for the natural gas market, as well as incorporation of policies and procedures resulting from the policy docket (UG-121207).

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Discontinuation of Avista's Natural Gas Energy Efficiency Programs

On December 17, 2012 Public Counsel filed written comments, recommending that Avista's proposed tariffs be allowed to take effect, with the exception that low income efficiency programs be allowed to continue. To summarize, the issues we raised earlier are as follows:

- Avista's filing is well supported, with extensive analysis shared with Staff and stakeholders.
- A cornerstone of energy efficiency policy and planning in Washington is that utility DSM programs should be cost-effective at the portfolio level. All utilities know they are expected to manage and modify their programs as necessary to ensure the portfolio is cost-effective.
- The TRC is used region-wide and has long been recognized by the Commission as the primary cost effectiveness test. We reiterate comments Public Counsel filed in the natural gas rulemaking proceeding, that the TRC is the appropriate cost-effectiveness test because it considers utility *and* ratepayer costs for efficiency measures.¹
- Continuing non-cost effective programs has a real impact on ratepayers. Avista's gas programs have had an annual budget of about \$4-5 million per year. It is inappropriate to continue to spend ratepayer funds on programs that are clearly not cost-effective.
- Gas DSM does not perform a significant hedging function for Avista.
- Conservation will still occur, such as through upgrades to codes and standards.

Public Counsel continues to support our earlier recommendation.

If Programs Continue – Public Counsel Recommends a Temporary Waiver

Based upon discussion at the Commission's April 11, 2013 Open Meeting,² we understand that the Commission is considering adopting new cost-effectiveness standards for natural gas energy efficiency programs. Specifically, the Commission appears to be considering moving away from the Total Resource Cost (TRC) test, toward a Utility Cost Test (UCT). At this time, the Commission Investigation into Natural Gas Conservation is not complete, and no draft policy statement or proposed rule has been issued to establish the UCT as the appropriate cost test.

¹ Docket UG-121207, Second Comments of Public Counsel, October 5, 2012, pp. 4-7.

² The Commission Investigation into Natural Gas Docket Conservation Programs (Docket UG-121207) was the only item discussed at the May 11, 2013 Open Meeting. Participating parties engaged in a roundtable discussion with the Commission regarding issues raised in the March 22, 2013 Notice in that docket.

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We also understand from the May 11 open meeting, as well as recent discussions with Commission Staff and Avista, that the Commission may order Avista to operate its gas efficiency programs under the Utility Cost Test (UCT), rather than the Total Resource Cost (TRC) test, thereby allowing Avista's natural gas DSM programs to continue.³ As stated in our earlier comments, cost-effectiveness is the cornerstone of utility-sponsored energy efficiency policy and planning, and both customers and the utility are best served by analysis under the TRC rather than the UCT.

If the Commission believes Avista should continue to operate certain natural gas energy efficiency programs, we strongly encourage the Commission to do so by granting a waiver from the long-held TRC requirement, for up to two years. Because of the importance of the cost-effectiveness analysis of these programs, the Commission should not rush to adopt new policies and requirements. Public Counsel believes are many issues to be explored with consideration of possible adoption of a new cost test. For example, what are the implications of changing to the UCT for natural gas conservation, and not for electric? Electric conservation is deeply rooted in the TRC given that the Energy Independence Act requirements that utilities comply with the Northwest Power and Conservation Council policies, and the Council relies upon the TRC. Other issues to consider are whether current gas prices will continue so as to necessitate such a any change to cost effectiveness analysis on a permanent basis, if there are risks associated with moving to the UCT, and whether a new UCT test should be used on a net or gross basis.⁴

In Docket UG-121207, Avista provided four possible means of continuing its natural gas DSM programs, one of which was a temporary exemption to cost-effectiveness tests.⁵ We believe this temporary solution, which will apply to Avista alone, is a more reasonable option at this time, and is preferable to permanently changing the cost-effectiveness test used for analysis of *all* natural gas conservation programs.

In closing, we reiterate our prior comments that in Public Counsel's view, the TRC remains the most appropriate cost-effectiveness test. To the extent the Commission believes it could be

³ Public Counsel has not seen a draft order or any proposed language on this matter as of the time of this letter. It is our understanding that, as of this time, the parties to Docket UG-121207 have not received any similar information.

⁴As Public Counsel has stated earlier, in our view the UCT must be determined using net savings, consistent with the National Action Plan on Energy Efficiency (NAPEE) guide. This would mean that a shift to the UCT should then also require utilities to undertake net-to-gross analyses. Docket UG-121207, Second Comments of Public Counsel, filed October 5, 2012, p. 5; NAPEE 2008, *Understanding Cost-Effectiveness of Energy Efficiency Programs*, Table 2-2.

⁵ Docket UG-121207, Comments of Avista Utilities, filed April 8, 2013, p. 4.

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improved, such as through greater recognition and quantification of various benefits of energy efficiency, that could also be explored in the rulemaking docket.

Public Counsel plans to have a representative available for any questions regarding these comments at the Commission's April 25, 2013, Open Meeting, either in person or via the bridge line.

Sincerely,

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