

Exhibit No. ____ T (DJR-3T)
Dockets UE-090134/UG-090135
and UG-060518 (consolidated)
Witness: Deborah J. Reynolds

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	DOCKETS UE-090134
TRANSPORTATION COMMISSION,)	and UG-090135
)	<i>(consolidated)</i>
Complainant,)	
)	
v.)	
)	
AVISTA CORPORATION, d/b/a)	
AVISTA UTILITIES,)	
)	
Respondent.)	
.....)	
)	
In the Matter of the Petition of)	DOCKET UG-060518
)	<i>(consolidated)</i>
AVISTA CORPORATION, d/b/a)	
AVISTA UTILITIES,)	
)	
For an Order Authorizing)	
Implementation of a Natural Gas)	
Decoupling Mechanism and to Record)	
Accounting Entries Associated With)	
the Mechanism.)	
.....)	

CROSS-ANSWERING TESTIMONY

OF

DEBORAH J. REYNOLDS

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

September 11, 2009

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1 I. INTRODUCTION

2

3 Q. Please state your name and business address for the record.

4 A. My name is Deborah Reynolds. My business address is the Richard Hemstad Building,
5 1300 S. Evergreen Park Dr. SW, Olympia, WA 98504-7250. My e-mail address is
6 dreynold@utc.wa.gov.

7

8 Q. Have you filed testimony in this case?

9 A. Yes.

10

11 Q. What is the purpose of your testimony?

12 A. My testimony responds to the testimony filed by Energy Project witness Ms. Barbara
13 Alexander, Northwest Energy Coalition witness Ms. Nancy Glaser, and Public Counsel
14 witnesses Ms. Mary Kimball and Mr. Michael Brosch.

15

16 Q. Can you summarize your recommendation as described in your pre-filed direct
17 testimony regarding continuation of the decoupling mechanism?

18 A. I recommend the mechanism be phased out over the next year by increasing the Schedule
19 101 basic charge to \$8 per month, decreasing the Schedule 101 usage charge to the
20 amount shown in Staff witness Ms. Joanna Huang’s Exhibit No. ___ (JH-3), page 3, and
21 decreasing the Schedule 159 margin rate to \$0.20984 per therm effective January 1, 2010.
22 Effective January 1, 2011, I recommend increasing the basic charge to \$10 per month,

1 adjusting the usage charge using the methodology shown in Ms. Huang's Exhibit No. ___
2 (JH-3), and discontinuing the decoupling deferral.

3 In the alternative, if the Commission wishes to continue the decoupling
4 mechanism, the following modifications should be made:

- 5 • Remove the new customer adjustment.
- 6 • Add the Schedule 101 and Schedule 111 migration adjustment as
7 described by the Company.

8
9 **Q. Do you recommend any changes in Commission oversight of Company conservation**
10 **programs regardless of whether the decoupling mechanism is continued?**

11 A. Yes. I recommend the Commission direct the Company to convene meetings with Staff
12 and interested parties to design conservation reporting and stakeholder involvement
13 protocols, including expansion of the Company's evaluation standards. The results of
14 these meetings should be filed with the Commission within 12 months of the final order
15 in this docket.

16
17 **II. DECOUPLING MECHANISM**

18
19 **Q. Do you agree with Ms. Alexander's description of the intent of the decoupling**
20 **mechanism?**

21 A. No. Staff disagrees with Ms. Alexander that the decoupling mechanism "is intended to
22 reflect the potential for lost revenues due to the implementation of efficiency programs."

23 See Exhibit No. ___ (BRA-1T), page 5. The intent of the decoupling mechanism was to

1 increase investment in conservation, and the decoupling mechanism, as designed,
2 recovers all reductions in usage other than weather. See Docket UG-060518, Order 04,
3 Paragraphs 17-29. These reductions may be the result of a number of things. Pages 13
4 and 14 of the testimony of Mr. Brosch provide a thorough description of the possible
5 causes of declines in per customer usage.
6

7 **Q. Do you agree with Mr. Brosch’s suggestion that the impact of the decoupling**
8 **mechanism punishes ratepayers?**

9 A. No. Staff disagrees with Mr. Brosch’s suggestion that the impact of the decoupling
10 mechanism “punishes” ratepayers. See Exhibit No. ____ (MLB-1T), page 33. Staff’s bill
11 analysis shows that the impact of the decoupling mechanism is negligible, and has very
12 little impact on the individual customer’s decisions. See Exhibit No. ____ (DJR-2).
13

14 **Q. Do you agree with Ms. Glaser’s discussion of how decoupling overcomes**
15 **disincentives to conserve energy that are embedded in traditional regulation?**

16 A. No. Ms. Glaser generalizes about decoupling mechanisms, and some of her comments do
17 not apply to the specific decoupling mechanism in this case. Specifically, Staff disagrees
18 with Ms. Glaser that the decoupling mechanism removes the utility’s incentive to
19 increase sales. See Exhibit No. ____ (NLG-1T), page 7, lines 13-14. The Company’s
20 decoupling mechanism is specifically designed to retain the Company’s incentive to seek
21 more customers, thus increasing sales.

22 Staff disagrees with Ms. Glaser’s testimony that increasing fixed customer
23 charges disproportionately affects low-income customers. See Exhibit No. ____ (NLG-

1 1T), page 7, lines 24-25. In fact, as Ms. Glaser uses the term, any rate increase
2 disproportionately affects low-income customers, because their energy bill takes up more
3 of their disposable income. However, this is not the relevant point. Only low-income
4 customers who are also water-heat-only customers will see a greater increase in their bill.
5 Either of these effects would be ameliorated by Staff's proposal to implement a reduced
6 monthly charge for low-income customers. See Exhibit No. ____ (DJR-1T), page 27.

7 Staff disagrees with Ms. Glaser that increasing fixed customer charges seriously
8 erodes the ratepayers' economic incentive to invest in energy efficiency. See Exhibit No.
9 ____ (NLG-1T), page 7, lines 25-26. As Staff's bill analysis model shows, the fixed
10 charge can be increased without materially impacting an individual customer's incentive
11 to conserve. See Exhibit No. ____ (DJR-2).

12
13 **Q. Do you agree that Ms. Glaser's decoupling modifications provide an incentive for**
14 **high performance?**

15 A. While Staff generally supports the kind of modifications to the Decoupling Mechanism
16 proposed by Ms. Glaser if it is retained, Staff disagrees with Ms. Glaser that her
17 modifications provide an incentive to encourage high performance. See Exhibit No. ____
18 (NLG-1T), page 16. The Company typically establishes two targets, one in its Integrated
19 Resources Plan (IRP) and one in its business plan. The business plan target is routinely
20 20 percent higher than the IRP target. Because the proportion of deferral available for
21 recovery is directly related to the proportion of the conservation target achieved by the
22 Company, Ms. Glaser's proposal actually encourages the Company to continue
23 establishing low IRP targets so that it can recover as much deferral as possible. Staff

1 believes a direct incentive approach as suggested by Public Counsel witness Mr. Brosch
2 would be the best way to increase the Company's investment in conservation. See
3 Exhibit No. ____ (MLB-1T), page 41.

4 5 **III. REVIEW OF DECOUPLING EVALUATION**

6
7 **Q. Do you agree with Ms. Alexander that the Evaluation Report did not confirm**
8 **claimed energy savings?**

9 A. Yes. Staff agrees with Ms. Alexander that the Evaluation Report was "unable to actually
10 confirm that the claimed energy savings have occurred based on a statistically valid
11 analysis of customer bills and usage analysis." See Exhibit No. ____ (BRA-1T), page 5.
12 This is largely because the DSM Verification Report supporting the Evaluation Report is
13 a process evaluation, not an impact evaluation. The verification consultant retained by
14 the Company, Research Into Action, specializes in process evaluations. Staff also found
15 it troubling that Avista refused an impact evaluation by the evaluation consultant. See
16 Docket UG-060518, Exhibit No. ____ (BJH-2), Evaluation Report, page 5.

17
18 **Q. Do you agree with Ms. Kimball that the DSM Verification results are wrong?**

19 A. No. Staff disagrees that the DSM Verification adjustments to the total savings claimed
20 are wrong. See Exhibit No. ____ (MMK-1T), page 22. The DSM Verification
21 adjustments to the total savings claimed are based on statistical analysis, and are accurate
22 for the purposes of evaluating the Company's processes for recording and claiming
23 savings. They are not an impact evaluation, nor are they represented as such. Staff does

1 believe the Company should have contracted for an impact evaluation, not a process
2 evaluation.

3
4 **Q. Do you agree that the changes to rebates and savings estimates during the pilot
5 period are troubling?**

6 A. Yes. Staff agrees with two witnesses that the rebate increases and savings estimates
7 increases during the pilot project are troubling. See Exhibit No. ____ (BRA-1T), pages
8 20-21. See Exhibit No. ____ (MMK-1T), Section IV, pages 31-40. Staff believes that
9 savings estimates should not change during the pilot period, and therefore believes the
10 Company's savings should be reduced as shown in Ms. Kimball's Table 1. See Exhibit
11 No. ____ (MMK-1T), page 33. Furthermore, whether the decoupling mechanism is
12 retained or not, Staff's recommendation about formalizing the Triple E Board should be
13 adopted by the Commission. See Exhibit No. ____ (DJR-1T), page 8.

14
15 **Q. Do you find anything troubling in Ms. Kimball's analysis?**

16 A. Yes. Staff believes the analysis provided by Ms. Kimball, while interesting, is one-sided.
17 See Exhibit No. ____ (MMK-1T), Pages 17-23. She looks only at very high savings, not
18 low savings. Staff does support additional rigor from the Company to address these
19 kinds of concerns. Staff also disagrees with the general principle that empty buildings
20 should not get energy efficiency investment. See Exhibit No. ____ (MMK-1T), pages 17-
21 18. The savings that are recorded are only first year savings. While it is true that the
22 savings may not occur in the first year, there would be unintended consequences if the
23 Commission were to require full savings for any investment. This would mean that new

1 buildings, which may often have partial occupancy in the first year, would be ineligible
2 for rebates. This may result in reduced investment, and when the building is finally fully
3 occupied, it would be too expensive to retrofit. This is a classic case of lost opportunity,
4 and should be avoided.

5
6 **Q. Do you agree with Ms. Alexander that the limited income DSM program increases**
7 **were not caused by decoupling?**

8 A. Yes. Staff agrees with Ms. Alexander that “the limited income DSM program increases
9 are a direct reflection of negotiations and agreements that typically occur in the context of
10 base rate cases or other regulatory proceedings.” See Exhibit No. ____ (BRA-1T), page
11 14. Staff also finds it troubling that the Company allowed the ratio of limited income
12 DSM program to residential DSM program dollars to decline during the pilot period.
13 Staff believes the one in six ratio of limited income DSM program to residential DSM
14 program dollars should be established as a minimum target for the residential DSM
15 program in the future.

16
17 **Q. Does this conclude your testimony?**

18 A. Yes.