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July 27, 2015

VIA COMMISSION'S WEB PORTAL
Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
Olympia, WA 98504-7250

Re: Avista Proposed Revisions to Schedule 91, Electric DSM Tariff Rider
Docket UE-151148

Dear Mr. King:

Public Counsel respectfully submits these comments in advance of the Commission's July 30, 2015, Open Meeting.

Background.
Electric budget. Avista's proposed Schedule 91 electric DSM rate reflects an annual revenue requirement of $11.7 million. This is a rate decrease of about $3.4 million, or 0.7 percent of overall billed rates. A major driver of the decrease is that a large unrecovered balance from two years ago has now been recovered. However, Avista has recently informed its Advisory Group that the company is considering new programs to ensure it meets its 2014-2015 biennial conservation target, which may require a subsequent adjustment to the Schedule 91 rate.

Gas budget. Avista did not make a filing to adjust the Schedule 191 natural gas DSM rate. Workpapers were provided to the Advisory Group in early June as support for maintaining the current Schedule 191 rate. Those workpapers projected the Washington natural gas DSM account would be underfunded by $353,916 at the end of June, 2015. However, a July, 2015 newsletter to the Advisory Group reported the account was underfunded by $1.2 million as of June. Because of the large underfunded balance, which is about 40 percent of the 2015 annual gas DSM budget, we have ongoing concerns that an adjustment to the Schedule 191 rate may be necessary. Avista should re-file its workpapers to determine if an adjustment is needed.

Public Counsel Recommendation

Public Counsel supports the Staff recommendation to allow Avista's proposed Schedule 91 tariff filing to take effect on a temporary basis, subject to revision, and to issue a complaint and suspend the tariff filing and set for prehearing conference. This will allow for additional investigation of issues identified during the review conducted by Staff and Public Counsel, including the hiatus of the Opower program. Avista should also re-file its gas DSM workpapers to determine if an adjustment to the Schedule 191 rate is needed.

Opower program hiatus.
Avista informed its Advisory Group on May 1, 2015 that due to the implementation of a new customer information system, the 'home energy reports' (HER) sent every two months as part of this behavior program, had not been sent after December, 2014. This program was the largest residential measure in 2014, with savings of 8,131 Mwh (19 percent of overall portfolio), so certainly this is a significant development. Avista is responsible for the coding error that has caused this hiatus. The company now anticipates sending HER reports in late August.[1]

Public Counsel has multiple concerns with the Opower program hiatus. First, we share Staff's concern that expenditures to Opower of over $300,000 were incurred, while the program was not operating and thus was not 'used and useful.' Second, we are also concerned with total program savings, due to potential decay in savings caused by the now eight month program hiatus. Evaluations of Opower programs indicate that there is typically a gradual ramp up in savings, where savings increase gradually and then level off after three years.[2] Lastly, we are troubled that the company failed to inform its Advisory Group of this issue in a timely manner. This is a violation of the Commission's Order 01 in Docket UE-132045, which calls for "a high degree of transparency, and communication and consultation with external stakeholders," including the Advisory Group.[3] We agree with Staff that this issue warrants further investigation and potential disallowance.

Review of DSM Expenditures.
Staff and Public Counsel conducted an on-site review on July 7, 2015. In advance of the visit we selected certain expenditures for review, and requested all relevant documentation and support for those expenses. As described below, two issues were identified that have a revenue impact.

Misallocation of WSU Reimbursements. Avista offers a combined electric and natural gas program in partnership with Washington State University (WSU) to provide duct sealing in mobile homes. Some reimbursements from WSU to Avista, totaling $311,153, were mistakenly allocated to the electric program but instead should have been credited to the gas program. Public Counsel understands the company is correcting this error, and will also file revised Schedule 91 tariffs.

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[1] In early June, 2015, Avista informed its Advisory Group that HER reports would be issued in July.
[2] Cadmus. *Long-Run Savings and Cost-Effectiveness of Home Energy Report Programs.* M. Sami Khawaja and James Stewart, Winter 2014/2015, Figure 1 (analyzing programs running four years and three years).
[3] Docket UE-132045, Order 01, Order Approving Avista Corporation's 2014-2015 Achievable Conservation Potential and 2014-2015 Biennial Conservation Target, Subject to Conditions, December 19, 2013, Attachment A, ¶2. *See also* ¶3 regarding Advisory Group consultation.

NWEC Sponsorship. Avista sponsored an evening reception in Seattle for $2,500. This was a fundraising event for the Northwest Energy Coalition (NWEC) where four individuals were honored as 'Four Under Forty.' We do not believe this is an appropriate use of DSM rider funds, and are pleased Avista has agreed to remove this expense and book it below the line. Our expectation is that this adjustment will also be reflected in the company's revised tariff filing.

During our review we also identified some operations issues that would benefit from further investigation to clarify existing practices and consider any opportunities for improvement or modification. The first issue pertains to the residential weatherization program, where Avista's program eligibility requirements state that contractor certification of existing condition is required (e.g. window u-factor, insulation R-value), but the samples reviewed indicate the company is relying instead on customer provided information on the rebate form.[4] A second issue pertains to a large non-residential new construction project that included HVAC controls, with an incentive of $482,020. The verification report stated that the controls were in place but were not yet fully programmed. However, the project was considered installed and completed, and the incentive was paid.[5] The larger issue raised here is at what point should measures such as these controls, which require programming, be considered 'fully installed and verified,' and qualify for incentive payment. The third issue is whether Avista's procedures for authorizing expenditures should be modified to require not just a signature of the appropriate person (e.g. manager, director, or officer) but also the date that such authorization is provided.[6]

In closing, Public Counsel supports the Staff recommendation to allow Avista's proposed Schedule 91 rates to take effect on a temporary basis, subject to revision, and to suspend the tariff filing. I will be at the July 30, 2015 Open Meeting and am happy to address any questions regarding these comments.

Sincerely,

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[4] Avista Utilities, *Washington Residential Rebate Eligibility and Guidelines;* available at: https://www.avistautilities.com/savings/rebates/Pages/WashResidentialRebateInfo.aspx

[5] The company has explained that the controls were not fully programmed because the building was not yet fully occupied, and that the measure had the capacity to deliver the projected savings.

[6] Public Counsel confirmed that this is PSE's standard practice, for example. Avista has stated the company is willing to consider this modification to company procedure.