

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	07/21/2009
CASE NO:	UE-090134 & UG-090135	WITNESS:	Jon Powell
REQUESTER:	Public Counsel	RESPONDER:	Jon Powell
TYPE:	Data Request	DEPT:	Energy Solutions
REQUEST NO.:	PC -390	TELEPHONE:	(509) 495-4047
		EMAIL:	jon.powell@avistacorp.com

REQUEST:

Avista witness Mr. Powell states the following at p. 8 of his testimony (JP-1T), lines 5 through 8:

“The Company is undertaking a review and revision of record keeping and reporting processes. Based upon what we have learned during this pilot, we have established improved mechanisms for tracking, documenting and reporting DSM savings with a categorization that better meets the needs of a decoupling mechanism.”

- a. Please identify and describe in more detail what Avista “learned” during the pilot regarding DSM record keeping and reporting.
- b. Please provide an update of the “review and revision” that is referred to in the testimony. In particular, please describe the scope of the review, when it commenced, a list and description of all findings, and when it is expected to conclude. Please provide copies of any and all documents, memos, reports, or analysis produced as part of this review.
- c. Please describe the “improved mechanisms” referred to at p. 8, line 7 of Mr. Powell’s testimony. In particular, please describe each such improvement related to “tracking, documenting and reporting DSM savings,” the objective of each improvement, and the date it was implemented.

RESPONSE:

- a. As a consequence of the decoupling pilot experience and subsequent evaluation, Avista has chosen to review, improve or change the following processes:
 - This process has highlighted the difficulties of maintaining different side-by-side methodologies for the recognition of costs and therm savings for purposes of cost-effectiveness evaluation and reporting. Specifically, the Company has long applied a ‘derated’ methodology to projects that allows for the recognition of costs and benefits as a project moves from the signature of an incentive contract towards completion and verification. This methodology lacks sufficient transparency for many regulatory processes and, as a consequence, was not applied for purposes of this pilot. Maintaining separate tracking systems for the two methodologies is difficult and causes confusion to external evaluators.
 - This pilot highlighted the need to improve protocols for determining and recording within the DSM database the rate class applicable towards individual customers. It has prompted discussions and potential resolutions for the issues faced in assigning individual projects to rate classes, including new construction and major remodel customers where the ultimate rate class is unknown and subject to great uncertainty.

- As a result of a review of randomly selected residential efficiency projects during the verification process, we identified a need for improved project documentation and final recalculations of customer incentives.

b. In regards to reconsideration of the 'derated' methodology and potential alternatives, serious consideration was given to completely revising our policy on these calculations in early 2009. A tentative decision to calculate results based upon both the 'derated' and a 'completed only' methodology was reached in mid-2009. This will be a topic of discussion at the Fall meeting of the External Energy Efficiency board.

Revisions and improvements to the process of establishing rate class identifications within the Company DSM database were originally identified as a need in 2006 as a result of evaluations that lead to the decoupling pilot. This need was further highlighted during the subsequent independent verifications and was particularly evident during the completion of the final Evaluation Report. This effort has taken two directions; (a) the establishment of protocols for assigning rate classes for new construction and remodels and (b) improving the quality of the data contained in the DSM database.

The residential DSM team has been continually improving the process for calculating and documenting individual residential projects since the results of the first independent verification became available in 2007. The improvements originally identified as necessary have been implemented.

c. As previously indicated, the Company has made the tentative decision to transition from a 'derated' to a 'completed only' methodology for purposes of reporting therm savings and cost-effectiveness evaluation. Finalization of this decision is pending a discussion with Avista's External Energy Efficiency board. Steps have been taken to better document the rate class applicable to individual projects when the project is initiated, at contracting and upon verification. A particular emphasis has been placed upon new construction and major remodel customers given the propensity for changes in rate schedule as the project progresses. Finally, as previously mentioned, identified approaches for improving the documentation and calculation of residential customer rebates has been implemented.