

**BEFORE THE**  
**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND	)	DOCKETS UE-160228 and
TRANSPORTATION COMMISSION	)	UG-160229 ( <i>Consolidated</i> )
	)	
Complainant,	)	
	)	
v.	)	
	)	
AVISTA CORPORATION d/b/a	)	
AVISTA UTILITIES	)	
	)	
Respondent.	)	

---

**EXHIBIT NO. RRS-9C**  
**ICNU DSM PROPOSAL**  
**(REDACTED VERSION)**

**AUGUST 17, 2016**

# ICNU's DSM Proposal to Resolve Schedule 91 Equity Issues (Redacted)

# Overview

- ICNU has identified a DSM benefit-to-cost disparity among rate classes
- ICNU believes Avista's Schedule 91 DSM tariff rider should be modified to rectify this disparity
- ICNU provides near-term and long-term proposals to address the issue

# Demonstration of Inequity

<b>Schedule 91 Contributions vs. Direct Incentives Received Since 2005</b>				
<b>(\$ in Millions)</b>				
<u>Line</u>	<u>Description</u>	<u>Sch. 91 DSM Contributions</u> (1)	<u>Direct Incentives Received</u> (2)	<u>Direct Incentives as % of Contributions</u> (3)
1	Sch. 25	\$ 16.27 <sup>1</sup>	\$ 6.17 <sup>3</sup>	37.94%
2	Total Company (Washington)	\$ 130.71 <sup>1</sup>	\$ 83.66 <sup>4</sup>	64.00% <sup>6</sup>
3	Largest ICNU Member	██████████ <sup>2</sup>	██████████ <sup>5</sup>	██████████

**Sources**

<sup>1</sup> Avista's Response to ICNU DR 36. (2005 - 2015)

<sup>2</sup> Per Avista's response to ICNU DR 57C, ICNU Member provides ██████████ of Sch. 91 DSM funding collected from Sch. 25 customers. (= \$16.27 x ██████████ )

<sup>3</sup> Avista's Response to ICNU DR 10. (2005 - 2016)

<sup>4</sup> = \$130.7 x 0.64

<sup>5</sup> Avista's Response to ICNU DR 10C. (2005 - 2016)

<sup>6</sup> Re Avista, Docket UE-152076, Biennial Conservation Plan for 2016-2017, App. B: Rev. 2016 DSM Business Plan at 29, Table 4.

# Alternatives Considered

- Opt Out – No obligation to participate in utility DSM programs
  - Schedule 25; or
  - Largest ICNU member only
- Self Direct – Customer funding reserved for own DSM expenditures
  - Schedule 25; or
  - Largest ICNU member only
- Reduce collections from Schedule 25 energy blocks

# ICNU's Proposal

## Near-Term Proposal

- Apply the Schedule 91 DSM funding rate to Blocks 1 and 2 of Schedule 25 only
- Spread revenues previously collected under Block 3 of Schedule 25 to all other rate schedules, including Blocks 1 and 2 of Schedule 25, on a uniform percentage of current DSM funding levels

## Long-Term Proposal

- Begin exploration of Self-Direct for Schedule 25 through Advisory Group

## Impact of ICNU's Proposal by Rate Schedule

ICNU's Proposed Allocation of Schedule 91 DSM Contributions and the Resulting Impact by Rate Schedule					
<u>Line</u>	<u>Description</u>	<u>Current Sch. 91 DSM Revenues<sup>1</sup></u> (1)	<u>ICNU Proposed Sch. 91 DSM Revenues</u> (2)	<u>Reallocation of Sch. 25 Block 3 DSM Funding</u> (3)	<u>Increase / (Decrease) from Current Sch. 91 DSM Revenue</u> (4)
1	Schedule 1	\$ 6,225,114	\$ 6,539,931	\$ 314,818	5.1%
2	Schedules 11/12	2,159,269	2,268,468	109,199	5.1%
3	Schedules 21/22	3,892,784	4,089,650	196,867	5.1%
4	Schedules 31/32	404,250	424,693	20,444	5.1%
5	Schedules 41-48	220,649	231,808	11,159	5.1%
	Schedule 25 <sup>2</sup>				
6	Block 1	\$ 216,720	\$ 227,680	\$ 10,960	5.1%
7	Block 2	977,324	1,026,750	49,425	5.1%
8	Block 3	712,871	-	(712,871)	-100.0%
9	Total	\$ 1,906,915	\$ 1,254,430	\$ (652,485)	-34.2%
10	Total Company	\$ 14,808,980	\$ 14,808,980	\$ -	0.0%

### Sources

<sup>1</sup> Current Sch. 91 revenues are based on test year kWh from Exhibit No. PDE-4, page 2 of 5, and Schedule 91 tariff rates, effective August 1, 2016.

<sup>2</sup> Reflects kWh blocks from Avista workpapers contained in the file, "UE-160228 Native Electric Model - 2007 - 2015 WA 2017 Electric.xlsx"

# Revised Demonstration of Inequity

**Schedule 91 Contributions vs. Direct Incentives Received Since 2005  
Had ICNU Proposal Been in Place**

(\$ in Millions)

<u>Line</u>	<u>Description</u>	<u>Sch. 91 DSM Contributions</u> (1)	<u>Direct Incentives Received</u> (2)	<u>Direct Incentives as % of Contributions</u> (3)
1	Sch. 25	\$ 10.71 <sup>1</sup>	\$ 6.17 <sup>4</sup>	57.68%
2	Total Company (Washington)	\$ 130.71 <sup>2</sup>	\$ 83.66 <sup>5</sup>	64.00% <sup>7</sup>
3	Largest ICNU Member	██████████ <sup>3</sup>	██████████ <sup>6</sup>	██████████

**Sources**

<sup>1</sup> Assumes 34.2% reduction in Sch. 25 DSM contributions from amount shown on Page 3. The 34.2% reduction was developed on Page 6.

<sup>2</sup> Avista's Response to ICNU DR 36. (2005 - 2015)

<sup>3</sup> Based on data contained in Avista's response to ICNU DR 57C, under ICNU's proposal, ICNU Member would provide ██████████ of Sch. 91 DSM funding collected from Sch. 25 customers. (= \$10.71 x ██████████)

<sup>4</sup> Avista's Response to ICNU DR 10. (2005 - 2016)

<sup>5</sup> = \$130.7 x 0.64

<sup>6</sup> Avista's Response to ICNU DR 10C. (2005 - 2016)

<sup>7</sup> Re Avista, Docket UE-152076, Biennial Conservation Plan for 2016-2017, App. B: Rev. 2016 DSM Business Plan at 29, Table 4.





# Precedent

- Same rate design proposed by ICNU for Schedule 91 was agreed on for Schedule 92 in Avista's 2014 general rate case, Dockets UE-140188 & UG-140189 (consolidated)
- Parties to the agreement included Avista, Staff, Public Counsel and ICNU
- Commission made no specific comment on this rate design in its final order approving the settlement

# Conclusion

- A benefit-to-cost gap between Schedule 25 and other rate classes exists
- Avista indicated that one DSM funding objective is to be fair and reasonable, and that there are a range of designs and outcomes that could be considered to meet this objective (Avista's response to ICNU DR 119)
- ICNU's proposed modification to Schedule 91 revenue allocation is more than fair and reasonable
- The impact to other rate classes is modest
  - Largest ICNU member still would have received only a small percentage of contributions
- Actual, empirical support in opposition to ICNU's proposal has not been presented by others
- ICNU's proposed Sch. 91 design is consistent with that approved for Sch. 92