

BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION

Conservation Incentive Inquiry

DOCKET NO. U-100522

**ADDITIONAL COMMENTS OF PUBLIC COUNSEL
IN RESPONSE TO NOTICE
July 14, 2010**

I. INTRODUCTION

1. The Commission's Notice of Opportunity to File Written Comments issued on July 2, 2010, requests additional comments from interested persons on a select set of issues. Specifically, the Commission requests that parties indicate whether they support, oppose, or are neutral to each of the policy issues listed below for both gas and electric utilities. These comments seek to concisely address these questions, and where appropriate, reference additional discussion in Public Counsel's past comments in this proceeding.

II. COMMENTS

- 1) *Full decoupling, including all declines and all increases in sales from any source.*
2. **Oppose.** Full decoupling does not encourage conservation, rather it is a revenue stabilization mechanism which fundamentally alters utility ratemaking and dramatically shifts risk away from shareholders and to utility ratepayers.¹ Full decoupling, when based on

¹ See Reply Comments of Public Counsel, June 18, 2010, p. 11.

authorized revenue, completely insulates a utility's revenue collections from any deviation of actual sales from expected sales, improperly creating a guarantee that all authorized revenue will be recovered regardless of actual sales. Full decoupling would significantly reduce or even eliminate a utility's incentive to control costs.² Utilities that wish to pursue decoupling can already do so in the framework approved in the recent Avista decoupling order.³

2) *Lost margin adjustment for declines in sales due only to company sponsored conservation efforts.*

3. **Oppose.** Cost recovery for lost margins due to declines in sales from Company sponsored conservation efforts is already managed through the rate case process and therefore lost margin adjustments are not necessary.⁴ Public Counsel is opposed to any blanket approval for lost margin adjustments on both the gas and electric side. For gas operations, lost margins have been demonstrated to be very small in comparison to the utilities overall sales.⁵ In addition, for electric utilities, it is not a foregone conclusion that there is a problem with lost margins. It appears electric sales are generally increasing, both overall and on a per customer average basis.⁶ There are some found margins from increased use.⁷ There are also a number of offsets to any lost margins. There is a risk reduction for the utility inherent in pursuing conservation as opposed to other supply-side resources, which

² See Reply Comments of Public Counsel, June 18, 2010, p. 3.

³ *WUTC v. Avista*, Docket Nos. UE-090134 &UG-090135, consolidated with UG-060518, Order 10, December 22, 2009, ¶¶ 289-303.

⁴ See Reply Comments of Public Counsel, June 18, 2010, pp. 7-8.

⁵ See Comments of Public Counsel, June 4, 2010, p. 14.

⁶ See Reply Comments of Public Counsel, June 18, 2010 pp. 3-4.

⁷ See Comments of Public Counsel, June 4, 2010, p. 21-22.

provides economic value.⁸ There also exists the opportunity for the utility to make off-system electric sales which offers the possibility of earning offsetting revenue.⁹ Finally, for both electric and natural gas utilities, the measurement of lost margins is still difficult to determine due to the evolving nature of evaluation, measurement and verification efforts for gas and electric savings. Any blanket approval of lost margins should not be implemented until accurate measurement protocols have been developed.¹⁰

3) *Attrition adjustment based on the results of an attrition study.*

4. **Neutral.** Public Counsel is neutral to an attrition adjustment since this is a regulatory tool that already exists, albeit one little used in recent history. Any attrition adjustment proposal should be evaluated on a case-by-case basis and should only be granted on a showing of serious financial distress by the utility. Further, any attrition study should be performed by a third-party entity; preferably retained by the Commission. As a practical matter, however, in the current regulatory environment the function of an attrition study is duplicated by the pattern of nearly continuous rate case filings, rendering such studies unnecessary.¹¹

⁸ See Comments of Public Counsel, June 4, 2010, p. 9.

⁹ See Comments of Public Counsel, June 4, 2010, p. 22 and Reply Comments of Public Counsel, June, 18, 2010 p. 12.

¹⁰ See Comments of Public Counsel, June 4, 2010, pp. 39-40.

¹¹ See Comments of Public Counsel, June 4, 2010, pp. 18.

4) *An independent conservation provider (i.e. similar in concept to the Energy Trust of Oregon).*

5. **Neutral.** Public Counsel supports exploring the concept of an independent conservation provider but does not at this time endorse pursuing this form of conservation administration without a comprehensive review of the rate impact and other ramifications of such a proposal.¹² We encourage the Commission to examine this concept and would expect to participate in the process as resources permit. As the Commission is aware, the first pilot for administration of DSM programs through such a model is ongoing in Washington. The Energy Trust of Oregon is currently delivering DSM programs for Northwest Natural Gas in the Company's Washington service territory. The culmination of the pilot will be accompanied by a report which will include the cost-effectiveness of ETO-delivered programs and a benchmarking study comparing the costs and savings associated with the program compared to other in-house DSM programs delivered by the other Washington gas utilities. The results of this pilot should help to inform the discussion regarding costs and success of third-party administration of DSM programs, as compared to the current Washington model of in-house delivery of programs.

III. CONCLUSION

6.. Public Counsel appreciates the opportunity to comment on these important issues.

¹² See Comments of Public Counsel, June 4, 2010, pp. 6-7.