

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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 ) ) DOCKET NO. U-100522  
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 ) ) ADDITIONAL COMMENTS OF THE  
 ) ) INDUSTRIAL CUSTOMERS OF  
 ) ) NORTHWEST UTILITIES ON  
 ) ) CONSERVATION INCENTIVES  
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**I. INTRODUCTION**

1           The Industrial Customers of Northwest Utilities (“ICNU”) submits the following additional comments to the Washington Utilities and Transportation Commission (“WUTC” or the “Commission”) in response to the Commission’s specific questions. The Commission asked the participants whether “they support, oppose or are neutral” regarding four specified options: 1) full decoupling; 2) a lost margin adjustment for sales declines due only to company sponsored conservation efforts; 3) an attrition adjustment; and 4) an independent conservation provider, similar to the Energy Trust of Oregon (“ETO”).

2           ICNU’s comments are limited to electric utilities and ICNU takes no position on these issues regarding natural gas companies. As discussed below, ICNU opposes options 1, 2 and 3 and is neutral on option 4. ICNU does not believe any of the first three options are necessary or appropriate. Nonetheless, if either options 1, 2 or 3 are implemented, then industrial customers should be excluded from such proposals.

## II. COMMENTS

### 1. Full Decoupling Would Be Harmful to Customers and Is Not Directly Tied to Conservation Efforts

3 ICNU strongly opposes full decoupling that includes all declines and increases in sales due to any cause. Full decoupling is a blunt instrument that does not directly address the alleged problem of a utility disincentive to invest in conservation. Instead, full decoupling would guarantee that the utility recover its costs and margins resulting from the wide variety of factors unrelated to conservation. ICNU urges the Commission to reaffirm its stated policy that that any decoupling mechanism must “account for lost margin due to conservation,” and must “discriminate between the various causes of lost margin.”<sup>1/</sup>

4 Full decoupling would cause significant harm to customers. Proponents of full decoupling contended at the workshops that in theory full decoupling could result in both increases and decreases to ratepayers. From a practical perspective, full decoupling typically results in higher surcharges to ratepayers. Whether full decoupling increases or decreases rates, full decoupling harms ratepayers by shifting to customers a significant risk related to load and weather changes. Industrial customers would be particularly harmed as they could not make operating decisions based on uncertain energy costs, it would penalize them for their own conservation efforts, and would automatically increase their electric rates during economic downturns, regardless of utility performance.

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<sup>1/</sup> WUTC v. Avista, Docket Nos. UE-090134, UG-090135 & UG-060518, Order No. 10 at ¶ 291.

## 2. Any Lost Margin Adjustment Should Be Limited to Incremental Utility Conservation Programs

5           The electric utilities have not demonstrated that they have, or will, incur “lost margins” due to utility-sponsored conservation programs. Such “lost margins” must be quantifiable (excluding education programs, etc.) and must not be calculated in isolation, but must account for a variety of offsetting factors: increased usage/customers, “new” customer load, market sales of power above variable costs, etc. Moreover, any adjustment for “lost margins” must be accompanied by an appropriate reduction in the utility’s rate of return.

## 3. The Commission Should Not Adopt an Attrition Adjustment

6           ICNU opposes an attrition adjustment because it would provide unwarranted benefits to the utilities without any demonstrated increase in cost-effective conservation investments. The Commission has allowed attrition adjustments in limited, “extraordinary circumstances” when necessary because the utility “would have no reasonable opportunity to earn its authorized rate of return.”<sup>2/</sup> Attrition adjustments allow the utility to avoid regulatory lag by recovering the costs associated with certain items that are “beyond the company’s control.”<sup>3/</sup> Attrition adjustments have been allowed to address factors such as high inflation, declining sales and increasing commodity prices.<sup>4/</sup> An attrition adjustment is not needed because the electric utilities in Washington are not facing high inflation, significantly declining sales, or increasing prices that threaten their ability to earn their authorized rate of return.

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<sup>2/</sup> WUTC v. Washington Natural Gas Co., Docket No. UG-920840 Fourth Suppl. Order at 29-30 (Sept. 27, 1993).

<sup>3/</sup> Id.

<sup>4/</sup> Id.

#### **4. ICNU Does Not Oppose an Independent Conservation Provider**

7 ICNU is neutral regarding the adoption of an independent conservation provider for Washington electric utilities. ICNU has been involved in the formation, evaluation and monitoring of the ETO, and believes it has been successful in acquiring an aggressive level of conservation in Oregon. Although the ETO relies upon the utilities' cooperation, there is no question that the ETO has successfully acquired cost-effective conservation. An independent conservation provider like the ETO needs no incentives nor does it have any alleged financial disincentives to acquiring conservation. Therefore, if the Commission has concerns that the electric utilities will not continue their current practices of acquiring an appropriate level of conservation, then ICNU recommends that the Commission consider an independent conservation provider in lieu of conservation incentives, decoupling, or lost margin mechanisms.

### **III. CONCLUSION**

8 Decoupling, "lost margin" recovery or conservation incentives are not necessary to assure that Washington electric utilities to invest in conservation resources. ICNU strongly opposes the use of full decoupling because it is a broad mechanism that harms ratepayers, protects the utilities and is not directly tied to increased conservation investments. ICNU also opposes an attrition adjustment or a "lost margin" adjustment based solely on saving due to utility sponsored conservation programs. If considered at all, a lost margin adjustment should be limited to only those lost margins related to incremental conservation programs. If there is a concern with the utilities' continued conservation acquisition, then the Commission should first

use an independent conservation provider like the ETO before adopting any lost margin, decoupling or attrition adjustments.

Dated this 14th day of July, 2010.

Respectfully submitted,

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