

October 6, 2010

**NOTICE OF PRESENTATION TO
THE STATE ENERGY STRATEGY ADVISORY COMMITTEE**

Re: Conservation Incentive Inquiry– Rulemaking
Docket U-100522

TO ALL INTERESTED PERSONS:

On October 5, 2010, Commissioners Goltz and Oshie attended a meeting of the State Energy Strategy Advisory Committee in Spokane, where they made a presentation on the status of the Commission’s Inquiry on Conservation Incentives, Docket U-100522. Commissioners Goltz and Oshie announced that the Commission would soon issue a policy statement pursuant to the Administrative Procedure Act that would address the Commission’s receptivity to approving the following regulatory mechanisms:

1. *Partial Decoupling.* In the context of a general rate case, the Commission would be receptive to a partial decoupling method for gas utilities designed to permit the utility to recover its “lost margin” attributable to its conservation efforts, both programmatic and educational. The Commission will consider partial decoupling only where found margins are insignificant in relation to the lost margin, or anticipated to not exist.
2. *Full Decoupling.* In the context of a general rate case, the Commission also would be receptive to a “full decoupling” method for either gas or electric utilities that could enable the utility to recover its “lost margin” from any cause, including conservation, economic downturn, or weather. There would be offsets for “found margin” including increased load and off-system sales of electricity. As part of the Commission’s evaluation of a proposed full decoupling mechanism, the Commission will look for benefits to the ratepayer from such a mechanism, including rate impacts of a reduced rate of return.

3. *Direct Incentive Mechanisms.* In the context of the proceeding to set an electric utility's conservation target under the Energy Independence Act, the Commission would be receptive to a mechanism designed to provide the utility with incentives to exceed the established targets or meet the targets earlier.
4. *Other Mechanisms.* The listing of the above three mechanisms does not prevent a utility from proposing other mechanisms that are within the Commission's statutory authority to approve.

The Commission will elaborate on these conclusions, and on other conditions in the mechanisms, in a forthcoming Policy Statement. The above summary was presented to the State Energy Strategy Advisory Committee on October 5 to facilitate that Committee's work in assisting the Department of Commerce in preparing its report on the State Energy Strategy to be issued December 1.

The Commissioners' PowerPoint presentation to the Advisory Committee entitled "UTC Inquiry on Conservation Incentives (Including Decoupling): Report to the State Energy Strategy Advisory Committee," is available on the Commission's website in this docket.

Sincerely,

DAVID W. DANNER
Executive Director and Secretary