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**Energy
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**Comments from The Energy Project regarding Avista Utilities Evaluation Plan of
the Decoupling Pilot from Docket No. UG-060518**

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The Energy Project appreciates the opportunity to express our concerns about the evaluation plan that Avista Utilities has filed with the Commission regarding the performance of the decoupling pilot that was instituted as an outcome of Docket No. UG-060518. In our view, the utility essentially justified the pilot by asserting that conservation by customers was essentially harmful to their ability to recover system fixed costs and that removal of that disincentive would free them up to pursue energy efficiency more aggressively. The Company has suggested a number of questions that an evaluator should address. In the interest of brevity let us start by saying that, for the most part, we concur with the concerns expressed by the Northwest Energy Coalition and the Office of the Public Counsel regarding these questions. As one of the two parties who did not support the Company's decoupling proposal, we believe that it is essential that the pilot be very carefully analyzed for 1) whether it is necessary, and 2) whether it achieves what it ostensibly claimed it would.

In the first case, the Company proposed the need for this mechanism to recover fixed costs for which they would not be made whole because of the reduced consumption due to the conservation activities they inspire. The most basic question, then, is in any year of the pilot was the company's revenue requirement not sufficient to recover the system costs for which they would not have been made whole because of the conservation activities they fund? Furthermore, over the full period of the pilot, did the company's revenue recovery, minus the decoupling recovery, cover the fixed costs of the system? If not, were there any other influences that contributed to this shortfall (e.g., widespread investment in AMR metering or other investments not part of the typical fixed costs)?

Not only is it essential to determine whether the Company did not recover sufficient revenues to cover their fixed costs, it is necessary to establish whether any shortfall was, in fact, due to their utility-funded DSM efforts. First, has the utility increased their conservation efforts, particularly among the rate classes who are dunned with the decoupling pilot and, second, what reduction in consumption is due to that effort? The

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mere fact that lower consumption, or specifically conservation, occurred does not necessarily mean that the utility inspired it, or that the utility's projected savings, based on engineering estimates, are the actual savings that result from that activity. The evaluation must isolate the impact of Avista's programmatic conservation efforts from other influences that will reduce consumption. The latter should not be counted as terms on which the utility is allowed to earn a lost margin.

Finally, the Commission should contract with a third party to conduct the evaluation. The Energy Project believes that the evaluator must be responsible first and foremost to the Commission. Such a chain of command and guidance provided by the Commission is the best way to ensure a clear, unbiased evaluation.

The Energy Project continues to question the need for such a decoupling mechanism when Washington utilities are required by law to provide power supply at the least cost and considerable conservation remains continues to be available at less than the marginal cost. In a time when we should be encouraging more conservation both for the sake of the energy supply and to reduce greenhouse gas and carbon outputs, the decoupling mechanism reduces the incentive for customers to invest in energy efficiency.

Historically, it has been difficult to convince consumers of the value of investing in energy efficiency. This decoupling mechanism only makes that job harder by reducing the benefit they will see. Therefore it is absolutely necessary that we know what the real, and the entire, impacts of the mechanism are.