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UE-230393

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Via Electronic Filing

Jeff Killip
Executive Director and Secretary
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: *In the Matter of UE-240393 - Advice 24-02—Schedule 191—System Benefits Charge*
Comments of the Alliance of Western Energy Consumers

Dear Executive Director Killip:

The Alliance of Western Energy Consumers (“AWEC”) appreciates the opportunity to submit written comments on PacifiCorp’s (or “Company”) Advice 24-02, wherein PacifiCorp is seeking to increase its System Benefits Charge by \$5.25 million (to a total of \$24 million), which equates to an overall average rate increase of 1.1 percent, in order to collect the anticipated level of expenditures for energy efficiency programs and demand response costs.

AWEC has reviewed PacifiCorp’s filing and has two concerns related to the Company’s proposal to recover demand response costs as part of the Company’s Schedule 191 rate change. First, AWEC is concerned that the Company is including demand response costs in rates that have not been reviewed for prudence. In this case, PacifiCorp is seeking to include \$2.17 million in demand response costs for August through December 2024, as well as \$1.58 million in demand response costs for calendar year 2025.¹ PacifiCorp asserts that Schedule 191 provides an appropriate forum for amortization based on its own statements in requesting deferred accounting for these costs.² However, the Commission’s order approving deferred accounting for demand response costs did not address or approve the Company’s proposed method of recovery

¹ PacifiCorp Advice No. 24-02 at Attachment C.

² PacifiCorp Advice No. 24-02 at 2.

via Schedule 191.³ Generally speaking, such a prudence review should take place in a general rate case proceeding. In the very least, evidence of the reasonableness of these costs should be subject to a process that allows for thorough review by interested participants, Commission Staff, Public Counsel and the Commission. This would include an evaluation of the benefits customers receive from these demand response investments to ensure they are cost effective. Therefore, these costs should continue to be deferred until an appropriate rate proceeding.

Furthermore, it is unclear that demand response costs are appropriately recoverable through Schedule 191. While the scope of this tariff covers demand-side management services, demand response serves a different purpose than the conservation costs traditionally recovered by this schedule. The primary purpose of demand response is to reduce peak demand, while cost-effective conservation reduces energy consumption generally. The power cost benefits of conservation are power costs that do not materialize for PacifiCorp, which are already reflected in the Company's power costs. It is not clear that the Company's power costs recognize cost reductions its demand response investments provide, and certainly the power costs currently in PacifiCorp's rates do not reflect the benefits of these investments (since they have not yet been allowed into rates). Thus, it may be more appropriate to recover demand response costs in PacifiCorp's net power costs, or in base rates with a power cost offset.

Second, and similarly, if the Commission does allow for rate recovery of demand response costs in this case, it should require that these costs be offset by the forecasted benefits from these investments. This issue was also raised in Puget Sound Energy's ("PSE") most recent Power Cost Adjustment Clause, wherein PSE sought to include only demand response contract costs without imputing benefits in rates.⁴ In that case, the Commission required PSE to estimate ratepayer benefits and to reflect this offset in its final approved rates.⁵ If the Commission approves PacifiCorp's proposal to include demand response costs in Schedule 191 rates, similar to PSE, PacifiCorp should be required to reflect anticipated customer benefits in rates in this case in order to appropriately match costs and benefits.

For the reasons set forth above, AWEC recommends that the Commission decline to allow cost recovery for PacifiCorp's forecast demand response costs as part of this filing. Such costs may be deferred and included in rates in a subsequent proceeding that allows for a thorough prudence review and imputation of benefits to customers. Alternatively, should the Commission determine that PacifiCorp's demand response costs are appropriately included in Schedule 191 at this time, the Commission should direct PacifiCorp to estimate and document offsetting benefits to customers and include a reduction in Schedule 191 to account for those benefits.

³ Docket UE-220848, Order 02

⁴ Docket UE-230805, Order 01 at ¶ 16.

⁵ *Id.*

Dated this 9th day of July 2024.

Respectfully submitted,

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/s/ Sommer J. Moser

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