

# the Energy Project

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March 14, 2008

Ms. Carole Washburn, Executive Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, WA 98504

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The Washington State  
Office of Community  
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The Washington State  
Community Action  
Partnership

Re: Docket No. UG-060518, Avista Utilities Decoupling Evaluation

Dear Ms. Washburn,

Enclosed you will find an original and twelve copies of comments from the energy project on Avista's proposed Decoupling Pilot Evaluation Plan.

Respectfully,

Charles M. Eberdt

Submitted by U.S. Mail and E-mail

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

Submitted by: Charles M. Eberdt, Director  
The Energy Project  
Opportunity Council  
1322 N. State St.  
Bellingham, WA 98225

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The Energy Project once again appreciates the opportunity to comment on the evaluation plan for Avista's decoupling pilot. Subsequent to the open meeting of February 28, the utility and stakeholders reexamined and refined the original proposal to produce the current document Avista is submitting. We commend the parties for their efforts to come to mutual understanding, if not always agreement, on the various issues. We believe this document is greatly improved over the previous one.

The parties have focused much of their effort on getting the questions right – crafting questions that would guide an evaluator to consider the critical issues. Does the mechanism adequately compensate the company or overcompensate them? Is the company actually increasing their conservation efforts? What revenues were collected from which ratepayers under the Schedule 91 during the pilot? To this last (p. 2 question 7), we would add that how those revenues by rate schedule subsequently allocated by rate schedule is also relevant to considering who pays and who benefits. Another detail level question that we would like added to the Customer Migration analysis (p. 4) is whether the movement of customers on and off the decoupled rate schedule results in a net gain or loss in the consumption counted as conservation.

Despite the great effort and excellent focus on the details, we think it is necessary to look at the overarching context as well. During this pilot period, was the company's actual (not weather-adjusted) rate of recovery for the fixed costs they are expressing concern about, in fact, insufficient? It is a little hard to see how we would answer that in the absence of a general rate case, but since the company will have filed and completed two general rate cases before this evaluation is due to the Commission, we hope the relevant information will be available. The second area we think should also come into play is the impact this mechanism has on the Company's rate of return. The earnings test is a creative measure. What useful information does the way it operates in this mechanism provide us to evaluate the shift of risk from the company to ratepayers and how that should in turn affect the allowed rate of return?

Decoupling is a radical shift from traditional rate design. It presents significant challenges to finding the right balance between removing conservation disincentives for the utility while creating greater disincentives for customers. For many customers it will amount to an additional charge for services they cannot access. For this reason we continue to believe that the evaluator should be hired by and report to the Commission. We both recognize and are grateful that this Commission does not take the decoupling proposition lightly and will robustly test its promises.