**BEFORE THE WASHINGTON UTILITIES AND**

**TRANSPORTATION COMMISSION**

In the Matter of the ) **Docket No. U-100522**

) The Energy Project Initial Statement

Conservation Incentive Inquiry ) April 23, 2010

As a party involved in both the Avista and Cascade Natural Gas decoupling pilots, an advocate for energy efficiency services for low-income customers, as well as a proponent of energy efficiency in general, the Energy Project appreciates the opportunity to respond to the Commission’s Notice of Opportunity to File Statements of Issues and Written Comments (“Notice”) distributed on April 8th regarding a possible rulemaking on the issue of lost revenue due to utility sponsored conservation programs.

It is our hope that this process will help us develop policy that will balance the myriad diverse concerns surrounding utility facilitation of energy efficiency. Chief among these concerns from the Energy Project’s point of view are:

1. Transparency: how direct and easily understood is any mechanism to incent a utility or remove their disincentive to invest in energy efficiency? Can one or how can one realistically evaluate the need to compensate a utility for the decline in revenues due to energy efficiency programs in isolation from the many other factors evaluated in a general rate case to determine whether a utility is earning an adequate return on their investment?
2. Magnitude: Is the level of compensation provided commensurate with the effort and performance of the utility?
3. Equity: How does one compensate for the disproportionate bill impacts such mechanisms are likely to have for low-income customers, particularly since they are far less likely to be able to participate directly in energy efficiency benefits.
4. Symmetry: Can an incentive mechanism for DSM or a disincentive removal mechanism ever sufficiently adjust the imbalance created by a return on investment for supply side investments? If not, what is adequate, particularly considering #5 below? Can a mechanism that addresses the utility’s disincentive for conservation adequately neutralize their profit motive to increase sales regardless? Does reducing the utility’s disincentive for conservation result in a commensurate increase in the end user’s disincentive to invest in conservation?
5. Context: Do the directive that a utility provide service at the least cost to customers and/or the requirement from I-937 that a utility capture all cost-effective energy conservation obviate the need to further motivate utility efforts? (At least somewhat rhetorical, as experience seems to indicate that it does not.)
6. Risk: What impact does the mechanism have on the utility’s risk profile and how is that adjusted for with regard to rate of return?

While this short list highlights the more dominant themes we are concerned about, we believe the outlined list of topics in the Commission’s proposed inquiry provide ample opportunity for discussion. As a party to the NWEC’s Utility Energy Efficiency Incentives and Disincentives Resolution, which we believe is attached to NWEC’s submission, we also believe it provides a good statement of issues to be considered.