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Via Email and U.S. Mail

Chair Jeffrey Goltz
Commissioner Phil Jones
Commissioner Patrick Oshie
Washington Utilities and Transportation Commission
PO Box 47250
1300 S Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: Schedule 191—System Benefit Charge Adjustment
Docket No. UE-120700

Dear Commissioners:

Boise White Paper, LLC (“Boise”) requests that the Washington Utilities and Transportation Commission (“WUTC” or the “Commission”) suspend PacifiCorp’s proposed System Benefit Charge (“SBC”) increase pending further investigation. Boise supports cost effective conservation and energy efficiency programs, but opposes the SBC increase as filed. PacifiCorp’s filing will result in a significant increase in Boise’s payments that will dramatically exceed the amount of conservation energy incentives that Boise will obtain. The Commission should either allow Boise to self-direct its program costs or cap the amount of Boise’s SBC payments at the level of their incentives, plus a reasonable amount for administrative fees, Northwest Energy Efficiency Alliance (“NEEA”) funding, and program evaluation.

PacifiCorp has proposed increasing its SBC collections by \$2.6 million from the current \$8.8 million, which will result in a total amount of about \$11.4 million. On an average basis, this represents an increase from about 2.8% of the Company’s Washington revenues to a total of 3.6%, although Boise’s actual percentage increase may be higher. While the increase is about an 0.8% average overall rate increase, it translates to an approximately 30% increase in SBC revenues. With the increase, Boise’s total SBC amounts will be almost \$1 million per year, which is much higher than the conservation funding that a similarly situated industrial customer would pay in other Northwest states. Given the recent rate increases that Boise has seen in recent years, this level of increase is too high in these financial times.

Boise actually pays more than \$1 million for PacifiCorp’s Washington conservation costs, because the SBC does not cover all of the Company’s conservation and energy efficiency amounts. The SBC is designed to recover the costs of customer conservation incentives, but not distribution, production efficiency, and company infrastructure conservation costs. These other conservation costs are not included in the SBC charge.

PacifiCorp has proposed increasing its SBC expenditures: 1) to account for increased program costs; and 2) to true up the account for undercollections during the last couple of years. At a minimum, Boise should not be responsible for the recent \$1.3 million in under collections. Boise has fully paid all of its SBC amounts, which were about \$800,000 per year during the 2010-2011 period. Boise, however, only obtained incentive payments for its own conservation projects totaling about \$50,000 per year during this same time period. Thus, Boise paid about \$1.6 million in SBC charges, but only received about \$100,000 in benefits for 2010 and 2011, thus, most of Boise's payments for customer conservation programs benefit other customers. Boise has more than paid its fair share of the costs of conservation programs during the time in which the current SBC has been in effect, and should not be required to pay any increased SBC associated with under collections.

During the foreseeable future, Boise will likely pay far more in SBC amounts than it will receive in incentive payments. For the 2013-2014 period, PacifiCorp has provided Boise with estimated conservation projects for Boise's facilities, which total about \$1 million over the 2013-2014 period. This is about half of what Boise expects to pay under the SBC. Given the low level of recent incentives and the fact that these projects must be approved and completed on a timely basis, Boise's actual incentive payments may be much lower. Thus, on a going-forward basis, it is expected that Boise will pay at least \$500,000 more than it will receive in incentive payments.

The Commission should ensure that Boise does not fund a significant portion of other customers' conservation costs, because the SBC is designed to recover only that portion of PacifiCorp's energy efficiency and conservation costs related to customer conservation initiatives. The Commission can preserve equitable treatment of Boise by capping Boise's share of any SBC charges at the planned amount of incentives, plus a reasonable amount for administrative fees, NEEA funding, and necessary evaluation costs. A cap is appropriate for Boise because of the unique situation in PacifiCorp's Washington service territory, in which Boise makes up nearly 10% of PacifiCorp's revenue requirement.

In the alternative to capping Boise's annual SBC payments, the Commission should direct PacifiCorp to develop a self-direction program for Boise. Puget Sound Energy ("PSE") has a very successful self-direction program, in which certain large customers have the first opportunity to use the majority of the conservation funds that are collected from them. The PSE self-direction program is nationally recognized for increasing the amount of cost-effective conservation that PSE can obtain. Self-direction customers understand that they must use the funding or lose it, and this "ownership" of the conservation funding has resulted in industrial customers identifying additional conservation and energy efficiency that would not have been obtained under a traditional conservation funding approach. A similar program easily could be developed for PacifiCorp to increase the amount of cost effective conservation that can be obtained by Boise, the only large industrial customer in its Washington service area.

Boise recommends that the Commission suspend PacifiCorp's SBC filing to allow Boise and other interested parties an opportunity to further investigate the filing and develop an appropriate mechanism to ensure that Boise is not paying for other customer conservation

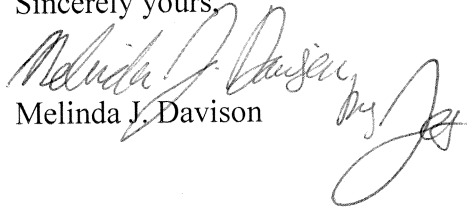
Commissioners Goltz, Oshie, and Jones

July 6, 2012

Page 3

programs or excessive amounts that it is unable to afford. Either capping Boise's overall payments or implementing a self-direction program are two easily implemented approaches that could ensure that Boise is fairly treated and fully pays for its portion of PacifiCorp's administrative costs and regional conservation responsibilities. Finally, Boise should not be responsible for any portion of PacifiCorp's undercollection of past conservation costs, because Boise has significantly overpaid during the last couple of years.

Sincerely yours,


Melinda J. Davison

cc: Mike Foisy
Sally Brown
Bill Griffith
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