

mechanism. One of their arguments is that such an extension will impose a “real and substantial cost” upon ratepayers.¹ This position is flawed for several reasons.

II. ANALYSIS

The first problem with the Joint Parties’ position is a procedural one. Any financial impact associated with deferrals made after June 30, 2009 will arise if, but only if, the Commission approves permanent decoupling. The Joint Parties concede that permanent decoupling is a condition to Avista collecting, via surcharges, any deferrals that Avista makes after June.² Thus, when the Joint Parties suggest that an *interim* extension of the decoupling mechanism will cause “substantial costs,” they are really claiming that *permanent* decoupling will cause these costs. This sort of early positioning on the long-term merits of decoupling is premature and inappropriate. We are months away from the day when testimony is due on the multitude of decoupling issues, and months away from the October hearing dates that the Commission has scheduled.³

If the Commission does consider the decoupling costs from the interim pilot at this early stage, then the Coalition submits that the Joint Parties are wrong on the facts – because those costs do not appear substantial. In its order that approved the pilot program, the Commission stated that the decoupling mechanism was “low-risk” and put Avista’s ratepayers to a “minimal exposure” (citing a potential \$0.35 monthly impact for

¹ Joint Parties’ Opposition to Interim Extension of Decoupling Pilot, at ¶ 11.

² *Id.*

³ The recent Prehearing Conference Order set October 9, 2009 as “Decoupling” Issues Day in these consolidated proceedings. Public Counsel requested this hearing day to “address all decoupling issues that may arise during the case.” See *Second Prehearing Conference Order and Order of Consolidation*, Order 06, Docket Nos. UG-060518, UE-090134, and UG-090135 (consolidated) (May 15, 2009), at ¶¶ 11-12.

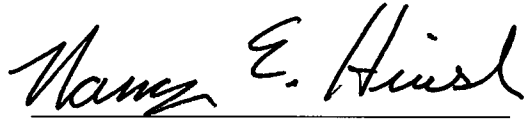
a typical residential customer).⁴ Avista's witness, Mr. Hirschorn, states that the pilot program has had a minimal effect on rates.⁵ There is no basis, then, for concluding that an interim extension will cause the "significant financial impact" that the Joint Parties suggest.

Finally, the financial impact of decoupling will not be the ultimate determinant of continuing the program. As Commission Staff points out, Avista has no guarantee that it will recover any deferrals recorded beyond June 30. Avista *may* recover all or a portion of such amounts (via surcharges to ratepayers), or may have to issue a credit to ratepayers – but only if the Commission first concludes, after receiving testimony and hearing the parties' positions, that permanent or further decoupling serves the public interest.⁶ This is the correct analysis in our opinion. The public interest test will determine whether Avista continues the decoupling mechanism and whether the interim deferrals are collected or rebated in rates.

⁴ *Final Order Approving Decoupling Pilot Program*, Order 04, Docket No. UG-060518 (February 1, 2007), at ¶ 31 and fn. 27.

⁵ See Exhibit No. ___ (BJH-1T) at p. 8 and table following l. 16 (incremental rate impact is less than \$0.25 per month).

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⁶ Commission Staff's Response to Petition of Avista Corporation for Interim Extension of Decoupling Mechanism, at ¶ 7.