

ICNU Statement of Issues

U-100522

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The Industrial Customers of Northwest Utilities (“ICNU”) appreciates the opportunity to submit an issue list in the Washington Utilities and Transportation Commission (“WUTC”) “Interim Reviews on Incentives and Renewables Process.” The following is a preliminary issues list that may change as the process is more fully developed through workshops.

The two broad issues the WUTC is considering are: (1) Do utilities have a disincentive in acquiring all cost-effective conservation and, if so, how should it be addressed in a way that is fair to both the utility and its customers; and (2) Even if there is no disincentive, do utilities need an additional financial incentive to acquire cost-effective conservation and, if so, what incentive is fair to both the utilities and customers? The following are additional issues that should be considered in the context of resolving these broader issues:

1. Does the I-937 *mandate* that electric utilities determine and acquire all cost-effective conservation eliminate or override any “disincentive” or need for a further “incentive” since this voter approved initiative does not contain any incentives to compensate the electric utilities for this mandated conservation?
2. Are there unique differences that warrant different treatment between electric and gas utilities?
3. Assuming “lost revenues” are a disincentive that must be addressed, how are “lost revenues” measured? How “big” of an issue is this, and what would be the potential rate impact?
 - Only losses *directly* as a result of utility programs (not codes and appliance standards) should be measured.
 - How are such losses objectively measured and verified; also, does conservation in one area stimulate customer behavior that increases usage in another area?
 - Losses should be adjusted for new customers, for weather, for usage per customer, and other factors (all complicated calculations).
 - Losses should be deemed zero if actual loads exceed forecast loads.
 - If an incentive is adopted, it should not be 100% recovery but subject to a percentage sharing with customers.
 - How do you ensure that load reduction associated with economic or other non-conservation reasons is isolated and not counted as conservation related load reduction?

4. Should any conservation incentive be offset by a reduced ROE since risk is being reduced to utilities and shifted to customers?
5. Is any incentive necessary or appropriate for achieving conservation up to the electric utility's I-937 targets since these are already mandated by law? (If the target is a range, to the upper bound of the range?)
6. Is an incentive appropriate for electric utilities to achieve conservation in excess of its two-year I-937 targets? (Is this "non-cost effective" conservation or just earlier acquisition of cost-effective conservation within the ten year target? How do we assure that I-937 targets are not underestimating achievable cost-effective conservation?)
7. If an incentive is appropriate, how should it be structured and implemented?
 - a) Given the recent rash of electric rate increases in a poor economy, can customers afford a rate increase associated with a utility "incentive" at this time?
 - b) Does the incentive approach provide a double rate-related hit for customers, in that the customers pay for all costs related to the conservation program and then they also pay to make the utility whole for lost revenue? Is this fair?
8. Should large customers (over 1MW) be treated differently than residential/commercial customers with regard to "lost revenues" recovery and/or incentives?
9. Are there any factual changes that justify a departure from the Commission's conclusion that all three (electric) IOUs are meeting or exceeding NPCC targets and that there is no evidence of a "disincentive" for conservation? Is there any evidence that a direct incentive may lead to superior performance?
10. How does the conservation "incentive" fit with the regulatory compact? Are we seeking to guarantee a level of profit for the utilities?
11. Are there better mechanisms for promoting conservation than utility incentives?
12. Should the incentive costs, if adopted, only apply to the generation portion of the utility costs?