

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Resource Acquisition, Chapter 480-107)	Docket No. UE-030423
)	
Least Cost Planning Rulemaking, WAC 480-100-238)	Docket No. UE-030311
)	
)	COMMENTS OF THE INDUSTRIAL
)	CUSTOMERS OF NORTHWEST
)	UTILITIES
)	

The Industrial Customers of Northwest Utilities (“ICNU”) submits the following Comments to the Washington Utilities and Transportation Commission (“WUTC” or “Commission”) in the above-referenced Dockets. ICNU generally supports the Commission’s efforts to review its rules relating to least cost plans (“LCPs”) and resource acquisition. ICNU intends to participate in these Dockets and offers the following initial comments.

1. Purpose of Least Cost Plans

It is important that the Commission explain the purpose and effect of LCPs.

Current Commission rules provide:

The least cost plan, considered with other available information, will be used to evaluate the performance of the utility in rate proceedings, including the review of avoided cost determinations, before the commission.

WAC 480-100-238(5).

While this language is helpful, it should be expanded. An LCP should not alter the basic roles of the Commission and the utility in the regulatory process. Utility management should retain full responsibility for making decisions and for accepting the consequences of its decisions. Whether a resource is used and useful and whether it is prudent are rate case decisions, not LCP decisions. While parties can use the LCP in rate case proceedings for guidance, the consistency or inconsistency of actual actions with an LCP should not guarantee any specific rate treatment. Ultimately, specific courses of action undertaken by a utility must remain subject to prudence reviews in a rate case proceeding when cost recovery is sought. One reason for this is that conditions often change between the time the LCP is created and the time resource decisions are made. Thus, an LCP reflects a snapshot in time that may not mirror reality when resource decisions are made.

2. Need for Least Cost Plans

ICNU believes that the least cost planning process remains a useful tool for comparing utility resource options and judging future utility decision-making. However, it is important not to place too much emphasis on the LCP process or to allow it to become a forum for debating unrelated issues. Comments have already been filed in this docket by the Northwest Energy Coalition, the Natural Resources Defense Council (“NRDC”), and the Energy Project. These comments suggest, among other things, that the Commission should use this process to: 1) require utilities to consider environmental “externalities” in resource decision-making; 2) establish portfolio management benchmarks and incentives; 3) establish how non-mandated

commitments to mitigate carbon dioxide emissions fit into least cost planning; and 4) implement performance-based ratemaking and decoupling.

ICNU is concerned that these issues will detract from the central purpose of least cost planning, which is to provide “the mix of generating resources and improvements in the efficient use of electricity that will meet current and future needs at the lowest cost to the utility and its ratepayers.” WAC 480-100-238(2). A low cost and reliable source of electricity is particularly important given the state of the Northwest economy. The Northwest continues to lead the nation in unemployment, and has failed to rebound from the recession. One reason for this situation is that the Northwest has gone from one of the lowest energy cost regions of the country to one of the higher cost regions. Since the Northwest no longer enjoys a competitive advantage when it comes to power, it is imperative that the central focus of least cost planning be to provide reliable power at the lowest cost possible.

It is undeniable that electric generating projects, as most human endeavors, have environmental impacts. ICNU believes that these impacts should be evaluated and regulated by the agencies charged with enforcing environmental laws and permitting energy facilities. Therefore, issues like environmental externalities are not appropriately considered in LCPs.

ICNU also is concerned with decoupling and performance-based ratemaking. In ICNU’s experience these programs result in higher costs and inappropriate incentives for utilities. In particular, for business customers, decoupling severs the link between the success of the utility and the success of the customer. The Commission should approach decoupling with great caution.

3. Consideration of Alternatives

While much consideration in recent LCPs has been given to energy efficiency and new renewable resources, two important resources are often ignored: customer choice and Westside projects with combined heat and power (cogeneration). Puget Sound Energy (“PSE”) currently has about 10 Schedule 449 customers, representing about 300MW of load purchasing from the market on a long-term basis. This represents load that PSE will not need to plan to serve. One least cost strategy may be to allow additional customers to buy from the market, thereby decreasing the load the utility must plan to serve. With respect to Westside cogeneration, these facilities have several key advantages, not the least of which are lower environmental impacts and transmission congestion relief. The Commission’s rules related to least cost planning for electric utilities should provide for consideration of all available resources.

4. Competitive Bidding

ICNU supports the Commission’s efforts to review Chapter 480-107. Competitive resource acquisition is an important part of a utility’s least cost strategy. To the extent possible, the Commission should encourage utilities to rely on market forces to minimize costs. Both supply and demand side resources should be allowed to bid into competitive solicitations. In addition, the Commission should consider allowing large customers to bid in load reduction in exchange for market access. One concern that needs to be addressed in competitive solicitations is potential bias toward projects sponsored by a utility or its affiliates.

ICNU appreciates the opportunity to comment on the Commission's proposed rule changes. ICNU will have further comments as these rulemakings proceed.

DATED this 16th day of May, 2003.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ S. Bradley Van Cleve

S. Bradley Van Cleve

Ken Canon

Davison Van Cleve, P.C.

1000 SW Broadway, Suite 2460

Portland, Oregon 97205

(503) 241-7242 phone

(503) 241-8100 facsimile

mail@dvclaw.com

Of Attorneys for Industrial

Customers of Northwest Utilities