



219 1st Avenue South, Suite 100
Seattle, WA, 98104
206.621.0094
Fax 206.621.0097

December 28, 2001

Carole Washburn, Executive Secretary
Washington Utilities & Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250
Fax: 360-586-1150
comments@wutc.wa.gov

RE: Comments on Avista Tariff WN U-28, Optional Wind Rate

Dear Ms. Washburn:

Following please find comments from the NW Energy Coalition on Avista's proposed Schedule 95 – Optional Wind Power Rate for consideration by the Commission.

Overall we support the Company's filing and urge its prompt approval. We appreciate the Company coming forward with a creative proposal to meet the state's new requirement for utilities to offer a green energy option to their customers. Although we have some secondary recommendations regarding implementation to ensure the program's success and effectiveness, we are happy with the product design. We are heartened by many aspects of the program, including its simplified administration and flexibility in contribution levels.

However, we remain disappointed in the Company's minimal commitment to procuring renewable energy resources as part of its rate-base portfolio, as a voluntary program should not be viewed as a substitute for investing in or purchasing renewables on behalf of all of its customers. We urge the Commission to direct the Company to evaluate the purchase of additional renewable energy as part of its base load resources, particularly new installations located within Avista's service territory. An investment by the Company in renewable resources equivalent to just 1% of the utility's portfolio would provide important diversification and indicate meaningful investment in sustainable energy resources on behalf of all Avista customers.

Company Commitment is Vital

The NW Energy Coalition, Renewable Northwest Project, Climate Solutions, Solar Washington, Washington Public Interest Research Group, Sierra Club Cascade Chapter, and more than a dozen other environmental and public interest organizations mailed a joint packet to all Washington utilities this past July spelling out lessons learned by other utility green power programs and our

recommendations for implementing the new green power law (posted at <http://www.nwenergy.org/utilities/docs/wagreenpower/>). The signatories expressed support for rate-base commitments as the most effective and efficient way for utilities to develop new clean energy resources.

We applaud the Company's current filing and its commitment to the Stateline wind purchase. Yet we remind the Commission that Avista has very limited non-hydro renewable energy supply in its resource mix and that voluntary programs are clearly the second best means for developing new renewable resources.

A recent study sponsored by the U.S. Department of Energy¹ found that the collective impact of customer-driven demand on the renewable generation market has been modest to date, and traditional forms of public policy support and utility purchases are still needed for the commercialization and maturation of the renewable energy industries. Last month the Seattle City Council approved a plan for Seattle City Light to offer an option for customers to support new renewable facilities on top of the utility's laudable substantial purchases of the Stateline Wind Project and other environmentally-friendly generation facilities. The City Council emphasized local distributed resources as a key element in meeting customers' demand for green energy. We urge the Commission to follow suit and treat Avista's Schedule 95 as a precursor to increased rate-base investments in new renewable resources.

Earning a Green Label

Provided Avista's program is certified as "green" by Renew 2000, the broad alliance of local, regional and national organizations mentioned above has offered to provide publicity through media outreach and our solid credibility with consumers. This includes helping recruit high-profile commercial customers to participate in joint press conferences to launch and supplement the Company's marketing efforts with the environmental community's "seal of approval."

We are happy that Avista's green energy program design does appear to meet Renew 2000 standards, and we appreciate the staff's efforts to reach that goal. We have encouraged Avista to submit an application to the Renew 2000 Board for the program to receive official certification. If Renew 2000 is approved by the National Green Pricing Accreditation board as expected and Schedule 95 meets the established national criteria, Avista will become eligible to request to use the Green-e logo to designate certification similar to the recycled paper content symbol. Consumers want validation that green choices are credible and worthwhile.

We would also like to request an opportunity to review the Company's detailed marketing plans to help ensure that funds are spent prudently and to increase our confidence that the program will achieve its goals. We encourage aggressive marketing efforts at the outset of the program to avoid a chicken-and-egg problem. Green power does not sell itself. It takes serious marketing activities, mailings, launches and utility personnel to constantly promote it and work with environmental advocates. Low-cost green marketing in the Northwest has generally been far less effective than heavy promotional programs.

¹ Wisner, Ryan, Mark Bolinger, and Ed Holt, "Customer Choice and Green Power Marketing in the United States: How Far Can it Take Us?" *Energy and Environment*, November 2000.

One creative approach to marketing that has seen success in Cedar Falls, Iowa, is to tie the green energy contributions to energy conservation efforts which help reduce the customer's overall monthly utility bills. We have recommended that the Company consider bundling its green energy option with energy conservation services such as energy audits, appliance rebates, and other similar measures.

We commend the Company for selecting renewable resources located in the Pacific Northwest region including solar energy to supply its green program. We would also encourage the Company to consider directing at least some portion of Schedule 95 proceeds back into the Avista service territory, in particular investing in new renewables on community facilities. Local installations will attract attention to the program and reinforce a positive image. Visible projects and local benefits can make the program tangible and keep it rewarding to the consumer.

Finally, we recommend that the program's sign-up levels clearly differentiate between customer classes. It would be disappointing to see a large commercial or industrial customer make a token contribution to the program, and then claim that they are supporting green energy development. Many green pricing programs that have actively marketed to non-residential customers have seen some success in enrolling small and large businesses, as well as municipal, state, and Federal government facilities. Small commercial participants account for 38% of the wind power sold by Traverse City in Michigan, and 20% of the sales in Xcel Energy's WindSource program in Colorado come from non-residential customers. About 30% of green sales (in total kWh) in Oregon are to businesses. The incremental structure and open-ended upper limit of AVISTA's green energy program are positive features in allowing advocates to promote commercial participation as a way to meet the Clean Energy Challenge, which more than 100 Northwest businesses have pledged to meet.

Non-residential customers are attractive clients in part because they often purchase large amounts of green energy, translating into more cost-effective marketing. Non-residential purchasers are also often high-profile businesses or organizations that choose to publicize their switch to renewables through press conference or press releases, providing positive media exposure and free advertising to the green product supplier and green power market. Utilities have also been able to secure longer-term contracts from non-residential customers than they can in the residential sector, thereby reducing risks.

Marketing Implementation

We have discussed with the Company the challenge in selecting the most appropriate minimum contribution level in order to collect the maximum proceeds possible while also achieving high participation rates, particularly in current economic circumstances. We agree that allowing 55 kWh or \$1/month as the lowest sign-up level may be prudent, however we have urged the Company to work hard to sign up customers at higher levels to achieve an average of at least 150 kWh per month. We strongly request that the Company conduct follow-up polling to determine whether a higher minimum would present a barrier to participation or achieve higher overall contributions.

We would also like to see the Company specifically address how benefits will be allocated to program participants as required by the new state law. For example, this could include pro-rating future rate increases based on customer green energy contributions.

Conclusion

We recommend that the Commission approve the Company's filing, and look forward to working with utility staff to flesh out additional program details and to publicize it widely to our supporters. We are eager to show our support for Avista's initiative in this area and are anxious to see the program achieve success.

We urge the Company to aggressively ramp up this program as an initial way to tap into customer support for environmentally-friendly generation, and earnestly request that further commitments are made to increasing Avista's use of new renewable energy resources.

Sincerely,

Nancy Hirsh
Policy Director

cc: Commissioner Showalter, mshowalter@wutc.wa.gov
Commissioner Hemstad, dhemstad@wutc.wa.gov
Commissioner Oshie, poshie@wutc.wa.gov
Graciela Etchart, getchart@wutc.wa.gov
Bruce Folsom, bruce.folsom@avistacorp.com