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STATE OF WASH.
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April 24, 2001

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Marilyn Showalter, Chairwoman
Richard Hemstad, Commissioner
Washington Utilities and Transportation Commission
P.O. Box 47250
1300 S Evergreen Park Drive, S.W.
Olympia, WA 98504-7250

Re: Avista Energy Efficiency and Energy Assistance Tariffs
Tariff WN U-28, Electric Service

Dear Commissioners:

On March 30, 2001, Avista Corp. ("Avista") filed revisions for Rate Schedules 91 and 90 ("Tariff Revisions") with the Washington Utilities and Transportation Commission ("WUTC" or "Commission") seeking permission to implement: 1) new and expanded energy efficiency programs funded by a 0.45% rate increase; and 2) a low income assistance program funded by a 0.79% rate increase. The Tariff Revisions represent a 1.24% increase over existing rates for a total tariff rate of 2.74%. While the Industrial Customers of Northwest Utilities ("ICNU") supported PacifiCorp's carefully negotiated low income assistance program and continues to support the implementation of cost-effective changes to current energy efficiency programs, ICNU opposes portions of this Tariff Revision. Specifically, ICNU believes the low income assistance tariff should only be adopted as a pilot program with a date certain "sunset," capped funding levels and reduced total expenditures. In addition, ICNU requests that the increase in energy efficiency expenditures be correspondingly reduced if the market price of power drops and that business conservation investments be credited against the energy efficiency portion of Avista's Rate Revision in a manner similar to Puget Sound Energy's ("PSE") Rate Schedule 258.

The introduction of new programs and changes to existing programs must occur in an open public process, in which the Commission determines that the proposed changes are cost effective, efficient, and just and reasonable for all customer classes. Avista's proposed Tariff Revisions would permanently increase rates to fund programs that are temporary, untested, or lacking in rules or standards. Therefore, ICNU respectfully requests that the Commission suspend the Tariff Revisions and set them for hearing to examine their justness and reasonableness.

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1. **The Commission Should Require Moderate Changes to Avista's Energy Efficiency Tariff Revision**

Avista proposes increasing the existing level energy efficiency investments from 1.5% to 1.95%, a 0.45% increase from existing rates. ICNU supports cost effective investments in conservation and energy efficiency programs and because of the high wholesale price of electricity believes that it is appropriate to temporarily increase the funding of cost effective energy efficiency programs.

The appropriate level of investment in energy efficiency and conservation programs should be continually reevaluated depending on the market price of electricity. Energy efficiency and conservation funding should increase when the market price for electricity is high, and correspondingly decrease when the market price is low. Therefore, Avista's proposed rate increase should be reevaluated when current wholesale price volatility ends. ICNU respectfully requests that the Commission conditionally approve this increase in energy efficiency expenditures until the market price of electricity returns to more historic price levels.

Avista's Energy Efficiency Programs should be designed to encourage those businesses which have, or are currently, invested in energy conservation projects to continue their investments. Commercial and industrial customers who invest or have invested in energy efficiency and conservation programs should receive a credit against Avista's Energy Efficiency charge up to the amount of their conservation investments. Crediting energy efficiency and conservation investments will provide an additional incentive for industrial and commercial customers to conserve energy. For example, PSE's Rate Schedule 258 has provided industrial customers a substantial incentive for exploring a wide range of conservation and energy efficiency measures. A similar incentive should be explicitly incorporated into Avista's Tariff Revision.

2. **Avista's Low Income Energy Assistance Program Should Have Been Submitted as a Pilot Program**

ICNU urges the Commission to maintain the appropriate standards for all tariffs, including low income assistance programs. The Commission must find Avista's Tariff Revision to be just, fair, reasonable and sufficient, pursuant to RCW § 80.28.010, and consistent with RCW § 80.28.068 and prior orders interpreting both statutes. RCW § 80.28.068 was only adopted by the Washington Legislature in 1999, and since then the Commission has approved one tariff pursuant to its provisions. The tariff approved by the Commission was a three-year pilot low income assistance tariff sponsored by PacifiCorp that included firm caps on rate increases, a sunset date, improved rate equity between customer classes and limited expenditure levels. To avoid inconsistent utility programs and piecemeal program development, the Commission should ensure that Avista's filing is consistent with the PacifiCorp low income assistance tariff.

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Avista did not submit its low income assistance tariff as a pilot program. As filed, Avista's energy efficiency and low income assistance programs have no time limitations and run in perpetuity until Avista's next general rate case. Avista has not specified the period of time that the new programs will remain in effect, nor has it designed a date certain time to evaluate the new programs. A "sunset" provision would provide all parties a date certain opportunity to evaluate Avista's new programs. A sunset provision is especially important because the Commission has yet to establish standards for these programs through a rulemaking proceeding and Avista has never implemented this type of program. Enacting these programs as pilots would ensure that the burden to justify their cost effectiveness and efficiency remains on the utility—not the Commission Staff or ratepayers.

A sunset provision would also provide Avista, the Commission and all interested parties a better opportunity to evaluate and incorporate changes to the low income assistance tariff. For example, the Washington Legislature recently passed HB 2247. HB 2247 allows utilities to receive a tax credit for their investments in low income energy assistance programs. The Commission could utilize a sunset date as an opportunity to ensure that ratepayers are receiving benefits if Avista receives a tax credit for spending ratepayer money.

As proposed, Avista's Tariff Revision will increase rates by adding a cents per kWh charge to all customer rates. This results in commercial and industrial customers contributing nearly half (48%) of the expected budget for both programs. In addition, the low income tariff expenditures approximately double the amount the Commission recently approved for PacifiCorp's similar tariff.

ICNU is opposed to basing each customer's obligation on a cents per kWh charge. Such an approach will produce an unjust and unreasonable rate. Low income assistance is distinct from energy efficiency programs and there is no basis to tie its funding level to a kWh charge. Avista's proposal is merely a form of taxation to support low income families, a disproportionate share of which is placed on commercial and industrial customers. ICNU believes that a just and reasonable low income assistance tariff should require the customer class that receives the greatest benefits to shoulder the greatest share of the program costs. In addition, to provide rate certainty for all customers, ICNU strongly urges that the funding levels be reduced and a specific, capped surcharge be set. These changes would result in a more equitable tariff that ICNU could support.

3. **Avista's Tariff Revisions Were Not Developed with the Required Public Participation**

The development of Avista's new energy efficiency and low income assistance programs did not include a significant level of public participation. The advice letter supporting the tariff revisions states that Community Action Agencies participated in the development of the low income energy assistance rates—but conspicuously absent from the program's development were representatives from industrial and commercial customers. All customers who are asked to pay for the programs, including those who receive no direct benefit, should be involved in the

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development of Avista's Tariff Revisions to ensure they are properly designed and achieve broad community support.

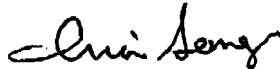
The Commission has required past energy efficiency and conservation plans to be developed with a significant level of public involvement. WUTC v. PSP&L, U-85-53, Second Supp. Order (May 16, 1986). In addition, the only tariff approved under RCW § 80.28.068, PacifiCorp's pilot low income assistance tariff, received a significant degree of public participation from all interested parties, including industrial customers. ICNU has worked diligently to cooperatively formulate these programs (*i.e.*, PSE's Schedule 258 and PacifiCorp's low income tariff pilot). After the concerns of industrial customers have been remedied, ICNU has supported, and hopes to continue to support, these tariffs.

It is impossible to have a significant level of public participation without the involvement of customers. Customer participation is essential to the creation of energy efficiency and low income assistance programs that are fair, just and reasonable. Without customer participation in the development of these programs, they may not be successfully utilized, cost effective or efficient. If the Commission sets this Tariff Revision aside for hearing and investigation, ICNU will work with Avista and all interested parties to improve it. Because customers did not participate in the development of the programs in Avista's Tariff Revisions, the Commission has the responsibility to subject the proposed tariff revisions to a more thorough and searching analysis.

4. Conclusion

Avista's proposed new energy efficiency and low income assistance programs, while perhaps well intended, are a flawed attempt to achieve important public purpose goals. The Tariff Revision ignores any statutory requirements, Commission precedent and important public policy goals for all new tariff filings, including those for low income assistance tariffs. With the proper changes ICNU could support Avista's proposed Tariff Revision, however, ICNU cannot support an unprecedented and unjustified open ended increase in expenditures without specific cost justification, appropriate constraints and an open public process. ICNU urges the Commission to suspend the Tariff Revision and set it aside for a thorough hearing and investigation.

Sincerely yours,



Irion A. Sanger

cc: Joelle Steward
Thomas Dukich
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