[Service Date March 20, 2009]

March 20, 2009

NOTICE OF OPPORTUNITY TO FILE WRITTEN COMMENTS
(By Friday, April 24, 2009)

RE: Review of PURPA Standards in the Energy Independence and Security Act of 2007
Docket U-090222

TO INTERESTED PERSONS:

On March 18, 2009, the Washington Utilities and Transportation Commission (Commission or UTC) filed with the Code Reviser a Preproposal Statement of Inquiry (CR-101) to examine whether new regulations are needed to govern six aspects of investor-owned electric and natural gas utility operations for which new federal standards are included in the Energy Independence and Security Act of 2007, Public Law 110-140 (EISA). For electrical companies, these new federal standards address: 1) integrated resource planning; 2) rate design to promote energy efficiency investment; 3) consideration of smart grid investments; and 4) smart grid information. For natural gas companies, these new federal standards address: 1) rate design to promote energy efficiency investment; and 2) energy efficiency. The CR-101 is available for inspection on the Commission's web site at <www.utc.wa.gov/090222>. If you are unable to access the Commission's web page and would like a copy of the CR-101 mailed to you, please contact the Records Center at (360) 664-1234.

BACKGROUND

On December 19, 2007, amendments to Section 111(d) of the Public Utility Regulatory Policies Act of 1978 (PURPA), and amendments to PURPA Section 303(b) became effective under EISA.[1] Section 408 of The America Recovery and Reinvestment Act (ARRA) also amends PURPA Section 111(d) and Subsections (b) and (d) of Section 112 to correct technical errors in EISA regarding the numbering of the new electricity standards.

[1] PURPA Sections 111(d) and 303(b) are codified at 16 U.S.C. § 2621(d) and 15 U.S.C. § 3203(b), respectively.

EISA Section 532(a) establishes two new electric utility standards: integrated resource planning and rate design modifications to promote energy efficiency investments (electric rate design). EISA Section 1307(a) also establishes two new electric utility standards: consideration of smart grid investments and smart grid information. State regulatory authorities must determine whether to implement all four of these new standards by December 19, 2009. However, this requirement does not apply for any new standard where a state has taken "prior action" before August 8, 2005, to implement or consider implementing the standard or a comparable standard, or if the state's legislature has voted on the standard or a comparable standard.[2]

EISA Section 532(b) establishes two new natural gas utility standards: energy efficiency and rate design modification to promote energy efficiency investment. The energy efficiency standard requires the integration of energy efficiency into utility resource plans and the establishment of energy efficiency as a priority resource. The natural gas rate design standard directs state regulatory authorities to consider policies to align utility incentives with deployment of cost-effective energy efficiency including separating recovery of fixed-costs from recovery of usage-based costs, creation of incentives for the utility to perform energy efficiency, adopting energy efficiency as one of the goals of natural gas rate design, and adopting rate designs to encourage energy efficiency. State regulatory authorities must determine whether to adopt these new standards by December 19, 2009. There is no "prior action" exemption for these two standards.

COMMISSION INQUIRY

The Commission initiates this inquiry to consider the six new federal standards. Each standard is listed below as set forth in EISA.

I. PURPA Standards for Electric Utilities

A. Integrated Resource Planning

EISA Section 532(a) (16) amends PURPA Section 111(d) to establish the following new Standard 16:

> (16) INTEGRATED RESOURCE PLANNING—Each electric utility shall—
> (A) integrate energy efficiency resources into utility, state and regional plans; and
> (B) adopt policies establishing cost-effective energy efficiency as a priority resource.

[2] EISA § 1307(b)(3), codified at 16 U.S.C. § 2622(d).

Washington state law and the Commission's integrated resource planning (IRP) rules require electric utilities to consider energy efficiency resources along with supply side resources when planning the lowest reasonable cost resources for meeting customers' electric service.[3] In complying with the rule, all Commission-jurisdictional electric utilities create a conservation resource supply curve that is integrated into their cost and risk optimization models in the same manner as their supply curves for generation resources.[4] Having adopted this rule that addresses the requirement and manner for integrating energy efficiency in electric utility resource planning, the Commission has already determined how to implement the policies stated in Standard 16(A).[5] The Commission does not anticipate additional consideration of this standard in this inquiry.

Part B of Standard 16 requires the establishment of cost-effective energy efficiency as a "priority resource." The Commission's IRP rule establishes that energy efficiency must be pursued if it is a cost-effective resource.[6] The IRP rule also requires utilities to perform an "assessment of commercially available conservation, including load management, as well as an assessment of currently employed and new policies and programs needed to obtain the conservation improvements."[7] The IRP rules do not establish any "priority resources." However, Washington's Energy Independence Act appears to place a priority on energy efficiency by requiring electric utilities to achieve certain targets for cost-effective conservation with penalties for the failure to meet those targets.[8]

Pursuant to Standard 16(B), the Commission will examine if it should amend WAC 480-100-238 and WAC 480-109 to adopt energy efficiency as a "priority resource." As context for its inquiry, the Commission will consider its prior policy as established in the IRP rule as well as the purpose of PURPA to encourage:

- Conservation of energy supplied by electric utilities.
- Optimal efficiency of electric utility facilities and resources.

---

[3] WAC 480-100-238; *See also* RCW 19.280.030.

[4] *See, e.g.*, Puget Sound Energy, Inc.'s 2007 Electric Integrated Resource Plan, page 3-12; Avista Utilities' 2007 Electric Integrated Resource Plan, page 3.10; and PacifiCorp's 2001 Electric Integrated Resource Plan, page 111.

[5] The requirement to integrate conservation into integrated resource planning occurred with the adoption of the IRP rule on June 3, 2001. The rule was amended on January 3, 2006, in Docket UE-030311, but those changes did not alter the fundamental requirement to integrate conservation into integrated resource planning.

[6] *See* WAC 480-100-238(1), (2)(b) and (3)(e).

[7] *See* WAC 480-100-238(3)(b).

[8] RCW 19.285.040(1) and 19.285.060; *See also* WAC 480-109.

- Equitable rates for electric consumers.[9]

To begin its examination, the Commission requests that interested parties provide written comments addressing, at a minimum, the following issues:

1) Should the Commission, by rule, implement part B of PURPA Standard 16 establishing cost-effective energy efficiency as a priority resource?
2) What is a "priority resource"?
3) Does the term "priority resource" differ in affect from the requirement to pursue all cost-effective conservation? If so, how?
4) If establishing energy efficiency as a priority resource requires the acquisition of energy efficiency in aggregate that is above the cost effectiveness threshold, would its establishment as a priority resource conflict with any existing policy established in state law statute or regulation?
5) If establishing energy efficiency as a priority resource does not mean pursuing additional energy efficiency above the cost effectiveness threshold, then how would it differ from current Commission regulation and policy?

B. Rate Design and Modifications to Promote Energy Efficiency Investments (electric).

EISA Section 532(a)(17) amends PURPA Section 111(d) to establish the following new Standard 17:

> (17) RATE DESIGN MODIFICATIONS TO PROMOTE ENERGY EFFICIENCY INVESTMENTS.—
> (A) IN GENERAL.—The rates allowed to be charged by any electric utility shall—
> (i) align utility incentives with the delivery of cost-effective energy efficiency; and
> (ii) promote energy efficiency investments.
> (B) POLICY OPTIONS.—In complying with subparagraph (A), each State regulatory authority and each nonregulated utility shall consider—
>
> > (i) removing the throughput incentive and other regulatory and management disincentives to energy efficiency;
> > (ii) providing utility incentives for the successful management of energy efficiency programs;
> > (iii) including the impact on adoption of energy efficiency as 1 of the goals of retail rate design, recognizing that energy efficiency must be balanced with other objectives;

[9] 16 U.S.C. § 2611.

> (iv) adopting rate designs that encourage energy efficiency for each customer class;
> (v) allowing timely recovery of energy efficiency- related costs; and
> (vi) offering home energy audits, offering demand response programs, publicizing the financial and environmental benefits associated with making home energy efficiency improvements, and educating homeowners about all existing Federal and State incentives, including the availability of low-cost loans, that make energy efficiency improvements more affordable.''

This new standard establishes general policies in part "A" and a list of more specific policy options for states to consider in part "B."

With regard to the general policies, the Commission is required to consider incentive policies to encourage utilities to have programs in energy efficiency.[10] The Commission has considered electric rate design modifications to promote energy efficiency investments by electric utilities in two recent proceedings. In Docket UE-060266, the Commission considered and adopted an electric conservation incentive program for Puget Sound Energy, Inc.[11] In Docket UE-050684, the Commission provided guidance regarding the necessary elements of a proposal to decouple rates from volumetric charges.[12]

In addition, as mentioned in the previous section, Washington voters passed the Energy Independence Act, (Initiative 937) providing penalties for a utility's failure to achieve certain levels of conservation.[13] Initiative 937 also provides that the Commission, ". . . may consider providing positive incentives for an investor-owned utility to exceed the targets established in RCW 19.285.040."[14] The Commission completed a rulemaking to implement Initiative 937, but did not include in its rules a general policy of incentives for additional conservation above that required by Initiative 937.[15]

With regard to the specific policy options of Standard 17, the Commission has previously considered PURPA Standard 17(B)(v), "allowing timely recovery of energy efficiency-related costs," by allowing and/or requiring all three of its regulated electric utilities to file annual revisions to their tariffs for the recovery of conservation program costs.

---

[10] RCW 80.28.260(2).
[11] Docket UE-060266, Order 08.
[12] Docket UE-050684, Order 05 at ¶¶ 103-110.
[13] RCW 19.285.060(1) and RCW 19.285.050 (1).
[14] RCW 19.285.060(4).
[15] Docket UE-061895, General Order R-546, ¶ 44, "PSE states the Act provides for possible incentives to exceed targets, but the rules are silent on this issue. We find there is no need to elaborate on this issue in rules. RCW 19.285.060(4) allows for Commission consideration of positive incentives that exceed targets. Any utility may propose incentives and the Commission will consider them on a case-by-case basis."

PURPA Standard 17(B)(vi) lists a number of specific policy actions the Commission may choose to implement to achieve the purpose of part (A) of Standard 17. The items listed in part B (vi) of this Standard are the type of items that would be considered in the Commission's review of biennial IRPs and the Commission's annual review of utility filings for the recovery of conservation program costs. In the Commission's consideration of this standard, commentators are encouraged to offer views about whether additional policies or practices are necessary.

Pursuant to Standard 17, the Commission will examine if it should implement general electric rate design modifications to promote energy efficiency investments. As context for its inquiry, the Commission will consider its existing electric rate design policies as established by law, rule, and company-specific adjudicated proceedings, as well as the purposes of PURPA to encourage:

- Conservation of energy supplied by electric utilities.
- Optimal efficiency of electric utility facilities and resources.
- Equitable rates for electric consumers.

To begin its examination, the Commission requests that interested parties provide written comments addressing, at a minimum, the following issues:

1) Are there modifications to current utility block electric rate designs that could promote conservation? How would such modifications be implemented in a rulemaking?
2) What are the implications for utility conservation efforts if the incremental cost of power is higher than the cost of power embedded in rates? Under such circumstances, what, if any, incentives should be considered to encourage a utility to promote conservation between rate cases?
3) If customers supply much of the investment in energy efficiency, even when they participate in and receive utility sponsored incentives, what additional incentive could be provided by the electric rate design?
4) Would an electric rate design with larger fixed charges reduce the customer incentive to conserve?
5) To what extent will the penalties under Initiative 937 provide an incentive for utilities to achieve the energy efficiency goals established in Initiative 937?

C. State Consideration of Smart Grid

EISA Section 1307 amends PURPA Section 111(d) to establish a new, three-part Standard 18. The three parts of Standard 18 are separately discussed here as parts "A", "B", and "C".

Part A

> (18) CONSIDERATION OF SMART GRID INVESTMENTS.—
> (A) IN GENERAL.—Each State shall consider requiring that, prior to undertaking investments in nonadvanced grid technologies, an electric utility of the State demonstrate to the State that the electric utility considered an investment in a qualified smart grid system based on appropriate factors, including—
> (i) total costs;
> (ii) cost-effectiveness;
> (iii) improved reliability;
> (iv) security;
> (v) system performance; and
> (vi) societal benefit.

The Commission has not considered explicit requirements that electric utilities demonstrate to the Commission that they have considered investment in a qualified smart grid system, prior to undertaking investments in nonadvanced grid technologies. The IRP rule requires consideration of the lowest reasonable cost resources to meet load, but does not specify that particular technologies be considered nor set out specific definitions for what constitutes a "smart grid investment." The IRP rule does not specify what factors must be included for a utility to demonstrate to the Commission how it considered any particular technology.

Pursuant to Standard 18(A), the Commission will examine if it should implement the smart grid investments standard. As context for its inquiry, the Commission will consider its prior prudence standard as applied in adjudicated proceedings, its existing policies as established by rule, and the purposes of PURPA to encourage:

- Conservation of energy supplied by electric utilities.
- Optimal efficiency of electric utility facilities and resources.
- Equitable rates for electric consumers.

To begin its examination, the Commission requests that interested parties provide written comments addressing, at a minimum, the following issues:

1. What constitutes a "qualified smart grid system?"
2. Are the technologies that constitute a "qualified smart grid system" commercially available? If so, how might adoption of today's smart grid technology affect adoption of future technology refinements?
3. The IRP rule currently requires the lowest reasonable cost set of resources to be determined after a "detailed and consistent analysis of a wide range of commercially available sources." Does this requirement already encompass "qualifyied smart grid systems?"
4. What level of screening and analysis of smart grid investment would constitute a demonstration to the Commission?
5. Are the six factors listed an adequate set for reviewing smart grid investments? Should additional factors be included? If so, what additional factors? What, if any, rules should govern measurement and evaluation of these listed or additional factors?

Part B

> (B) RATE RECOVERY.—Each State shall consider authorizing each electric utility of the State to recover from ratepayers any capital, operating expenditure, or other costs of the electric utility relating to the deployment of a qualified smart grid system, including a reasonable rate of return on the capital expenditures of the electric utility for the deployment of the qualified smart grid system.

Pursuant to statute and case law,[16] the Commission allows for the recovery of all prudently incurred costs and capital investment including an opportunity to earn a reasonable rate of return. Consequently, the Commission has already determined how to implement the policies stated in PURPA Standard 18(B). Nevertheless, commentators are encouraged to offer views about whether additional policies or practices are necessary.

Part C

> ''(C) OBSOLETE EQUIPMENT.—Each State shall consider authorizing any electric utility or other party of the State to deploy a qualified smart grid system to recover in a timely manner the remaining book-value costs of any equipment rendered obsolete by the deployment of the qualified smart grid system, based on the remaining depreciable life of the obsolete equipment.

Pursuant to Standard 18(C), the Commission will examine if it should implement the obsolete equipment portion of the smart grid investments standard. As context for its inquiry, the Commission will consider its prudence standard as applied in adjudicated

[16] RCW 80.28.010(1) and RCW 80.28.020. *See also, POWER v. Util and Transp. Comm'n,* 104 Wn.2d 798, 711 P.2d 319 (1985).

proceedings, its existing policies as established by rule, and the purposes of PURPA to encourage:

- Conservation of energy supplied by electric utilities.
- Optimal efficiency of electric utility facilities and resources.
- Equitable rates for electric consumers.

To begin its examination, the Commission requests that interested parties provide written comments addressing, at a minimum, the following issues:

1. What constitutes a "qualified smart grid system?"
2. Is there a distinction between replacing existing equipment with a "system" versus the replacement of some existing equipment with individual components?
3. Are the technologies that constitute a "qualified smart grid system" commercially available? If so, how might adoption of today's smart grid technology affect adoption of future technology refinements?
4. What constitutes "obsolete equipment"?
5. Should a cost effectiveness test be applied to the equipment replacement before recovery of book-value costs are allowed?
6. How would net salvage value be accounted for under this standard?
7. How would this standard conform to used and useful standards?

D. Smart Grid Information

EISA Section 1307(a) amends PURPA Section 111(d) to establish a new Standard 19:

> (19) SMART GRID INFORMATION.—
> (A) STANDARD.—All electricity purchasers shall be provided direct access, in written or electronic machine-readable form as appropriate, to information from their electricity provider as provided in subparagraph (B).
> (B) INFORMATION.—Information provided under this section, to the extent practicable, shall include:
> (i) PRICES.—Purchasers and other interested persons shall be provided with information on—
> (I) time-based electricity prices in the wholesale electricity market; and
> (II) time-based electricity retail prices or rates that are available to the purchasers.
> (ii) USAGE.—Purchasers shall be provided with the number of electricity units, expressed in kwh, purchased by them.

> (iii) INTERVALS AND PROJECTIONS.—Updates of information on prices and usage shall be offered on not less than a daily basis, shall include hourly price and use information, where available, and shall include a day-ahead projection of such price information to the extent available.
> (iv) SOURCES.—Purchasers and other interested persons shall be provided annually with written information on the sources of the power provided by the utility, to the extent it can be determined, by type of generation, including greenhouse gas emissions associated with each type of generation, for intervals during which such information is available on a cost-effective basis.
> (C) ACCESS.—Purchasers shall be able to access their own information at any time through the Internet and on other means of communication elected by that utility

The Commission's regulations address many of the requirements of Standard 19. For example, the Commission currently requires customer bills to show, among other things, the kilowatt hours (kWh) purchased by the customer for a given billing period, the rates for each block of kWh, and the basic charge depending on the rate schedule of the customer.[17] Thus, the Commission has already determined how to implement the policies stated in PURPA Standard 19(B)(i)(II) and (B)(ii). Commentators are encouraged to offer views about whether additional policies or practices are necessary to address these elements of Standard 19.

With regard to Standard 19(B)(i)(I) and (B)(iii), there are no time-based electricity prices in the wholesale electricity market available to retail electricity customers of utilities regulated by the Commission. Indeed, no centralized market with a single hourly or daily clearing price for wholesale power exists in the Pacific Northwest. Consequently, the information identified in 19(B)(i)(I) and (B)(iii) is not available in Washington. Commentators are encouraged to offer views about whether additional policies or practices are "practicable" regarding this element of Standard 19.

With regard to Standard 19(B)(i) there are no time-based retail prices or rates available to ratepayers so providing that information is not practical. Commentators are encouraged to offer views about whether additional policies or practices are "practicable" regarding this element of Standard 19.

With regard to Standard 19(B)(iv), state law requires that electric utilities provide customers annually with information regarding the utility's fuel mix by generation category.[18] Consequently, the Legislature has already voted to implement the policies stated in Standard

[17] WAC 480-100-178.
[18] *See* RCW 19.29A.050.

19(B)(iv). Commentators are encouraged to offer views about whether additional policies or practices are necessary and "practicable" regarding this element of Standard 19.

PURPA Standard 19(C) would require utilities to make available to customers access to their own information at any time through the internet or other means. All Commission-regulated electric utilities currently provide customers with such account access on their websites. Consequently, current utility practice appears to reflect the policy of Standard 19(C). Commentators are encouraged to offer views about whether Commission policies or practices are necessary and "practicable" regarding this element of Standard 19.

II. PURPA Standards for Natural Gas Utilities

A. Energy Efficiency

EISA Section 532(b) amends PURPA Section 303(b) to establish a new Standard 5:

> (5) ENERGY EFFICIENCY.—Each natural gas utility shall—
> (A) integrate energy efficiency resources into the plans and planning processes of the natural gas utility; and
> (B) adopt policies that establish energy efficiency as a priority resource in the plans and planning processes of the natural gas utility.

The Commission's natural gas utility IRP rule requires utilities to consider energy efficiency resources along with supply side resources when planning the lowest reasonable cost resources for meeting customer's natural gas service.[19] In complying with the rules, all Commission-jurisdictional natural gas utilities create a conservation resource supply curve that is integrated into their cost and risk optimization models in the same manner as their supply-side resources.[20] Consequently, the Commission has adopted Standard 5, Part A of this policy through rule and practice. Commentators are invited to offer views about whether additional policies or practices are necessary regarding Part A of Standard 5.

Standard 5(B) requires that cost-effective energy efficiency be considered as a "priority resource" in the plans and planning processes of natural gas utilities. As with the electric IRP rule, the Commission's natural gas IRP rule establishes that energy efficiency must be pursued if it is a cost-effective resource.[21] The IRP rule also requires utilities to perform an

---

[19] WAC 480-90-238. *See* note 5, *supra*.
[20] *See* Puget Sound Energy's 2007 Integrated Resource Plan, page 3-12; Avista Utilities 2007 Natural Gas Integrated Resource Plan, page 6.3; Cascade Natural Gas Corporation's 2008 Integrated Resource Plan, page 67; and NW Natural's 2007 draft Integrated Resource Plan, page 5.6.
[21] WAC 480-90-238(1).

"assessment of commercially available conservation, including load management, as well as an assessment of currently employed and new policies and programs needed to obtain the conservation improvements."[22] However, the natural gas IRP rule does not establish any "priority resources."

Pursuant to Standard 5(B), the Commission will examine if it should adopt energy efficiency as a "priority resource" for natural gas utilities. As context for its Inquiry, the Commission will consider its existing policy as established in the IRP rule as well as the purposes of PURPA to encourage:

- Conservation of energy supplied by gas utilities.
- The optimization of the efficiency of use of facilities and resources by gas utility systems.
- Equitable rates to gas consumers of natural gas.[23]

To begin its examination, the Commission requests that interested parties provide written comments addressing the following issues:

1) Should the Commission, by rule, adopt Standard 5(B) establishing cost-effective energy efficiency as a priority resource?
2) What is a "priority resource"?
3) Does the term "priority resource" differ in affect from the requirement to pursue all cost-effective conservation? If so, how?
4) If establishing energy efficiency as a priority resource requires the acquisition of energy efficiency in aggregate that is above the cost-effectiveness threshold, would its establishment as a priority resource conflict with any state law?
5) If establishing energy efficient as a priority resource does not mean pursuing additional energy efficiency above the cost effectiveness threshold, then how would it differ from current Commission regulation and policy?

B. Rate Design Modifications to Promote Energy Efficiency Investments

EISA Section 532(b) amends PURPA Section 303(b) to establish a new Standard 6:

> (6) RATE DESIGN MODIFICATIONS TO PROMOTE ENERGY EFFICIENCY INVESTMENTS.—
> (A) IN GENERAL.—The rates allowed to be charged by a natural gas utility shall align utility incentives with the deployment of cost-effective energy efficiency.

[22] WAC 480-90-238(3)(b).
[23] 15 U.S.C. § 3201(a).

> (B) POLICY OPTIONS.—In complying with subparagraph (A), each State regulatory authority and each nonregulated utility shall consider—
> (i) separating fixed-cost revenue recovery from the volume of transportation or sales service provided to the customer;
> (ii) providing to utilities incentives for the successful management of energy efficiency programs, such as allowing utilities to retain a portion of the cost-reducing benefits accruing from the programs;
> (iii) promoting the impact on adoption of energy efficiency as 1 of the goals of retail rate design, recognizing that energy efficiency must be balanced with other objectives; and
> (iv) adopting rate designs that encourage energy efficiency for each customer class.

In Docket UG-050369, the Commission considered policies to remove the recovery of fixed costs from customers' volumetric charges. The Commission closed the rulemaking without adopting new rules, concluding instead, "The Commission believes that the wide variety of alternative approaches to decoupling make it more efficient to address these issues in the context of specific utility proposals included in general rate case filings rather than through a generic rulemaking."[24]

Since the close of the rulemaking, the Commission has ruled on natural gas decoupling proposed in three proceedings. In consolidated Dockets UE-060266 and UG-060267, the Commission rejected Puget Sound Energy's request for a natural gas decoupling mechanism.[25] In Docket UG-060518, the Commission adopted, with modification, Avista's request for a decoupling pilot program.[26] In Docket UG-060256, the Commission adopted, with modification, Cascade Natural Gas Corporation's decoupling pilot program.[27]

Pursuant to new PURPA Standard 6, the Commission will examine if it should adopt new general policies to promote natural gas energy efficiency investments through natural gas rate design. As context for its inquiry, the Commission will consider its prior policy as established in its previously closed rulemaking on natural gas decoupling, by law, rule and in company-specific adjudicated proceedings, as well as the purposes of PURPA to encourage:

---

[24] *Rulemaking to Review Natural Gas Decoupling*, Docket UG-050369, Notice of Withdrawal of Rulemaking (October 17, 2005).
[25] *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-060266 and UG-060267, Order 08, ¶¶ 59-63 (January 5, 2007).
[26] *WUTC v. Avista Utilities*, Docket UG-060518, Order 04, ¶¶ 1-49 (February 1, 2007).
[27] *WUTC v. Cascade Natural Gas Corporation*, Docket UG-060256, Order 06, ¶¶ 67-85 (January 12, 2007).

- Conservation of energy supplied by gas utilities.
- The optimization of the efficiency of use of facilities and resources by gas utility systems.
- Equitable rates to gas consumers of natural gas.

To begin its examination the Commission requests that interested parties provide written comments addressing the following questions:

1. Are there any benefits from separating fixed-cost revenue recovery from the volume of transportation or sales service provided to customers that the Commission has not yet considered in either a rulemaking or in adjudication?
2. Are there any drawbacks of separating fixed-cost revenue recovery from the volume of sales service provided to customers that the Commission has not yet considered?
3. What advantages are there in establishing *by rule* (rather than through case-by-case adjudications) an incentive for the utility to successfully manage energy efficiency that allows the utility to keep some portion of the "cost-reducing benefits" accruing from the programs?
4. If the conservation measures near the total-resource-cost (TRC) threshold are the hardest to achieve and would provide the least amount of shared "cost-reducing benefits" to the utility, would the utility be less inclined to achieve conservation that was near the cost-effective threshold?
5. If the utility received some portions of the cost savings from energy efficiency, should that portion of cost be added to the TRC?
6. Would such "cost-reducing benefits" to be shared be calculated on a measure-by-measure basis? If not, would such a sharing mechanism encourage the utility not to pursue a mix of measures that are, in sum, at the cost effective threshold?
7. Could a practical rule be fashioned that states promoting energy efficiency is one of the goals of natural gas rate design while at the same time allowing actual rate designs to vary with each company's cost structure and needs?

WRITTEN COMMENTS

The Commission initiates this inquiry by inviting written comment responding to the questions listed above. Workshops may be scheduled subsequent to the initial round of written comments regarding one or more of the utility standards, particularly PURPA Standard 18 - the smart-grid investment standard. Initial written comments on the above-listed issues and questions may be filed with the Commission no later than **April 24, 2009**.

The Commission requests that comments be provided in electronic format to enhance public access, for ease of providing comments, to reduce the need for paper copies, and to facilitate quotations from the comments. Comments may be submitted via the Commission's Web portal (www.utc.wa.gov/e-filing) or by electronic mail to the Commission's Records Center at <records@utc.wa.gov>. Please include:

- The docket number of this proceeding: U-090222.
- The commenting party's name.
- The title and date of the comment or comments.

An alternative method for submitting comments is to mail/deliver an electronic copy to the Commission's Records Center on a 3 ½ inch, IBM-formatted, high-density disk, in .pdf Adobe Acrobat format or in Word 97 or later format. Include all of the information requested above. The Commission will post on its web site all comments that are provided in electronic format. The web site is located at <http://www.utc.wa.gov/090222>.

If you are unable to file your comments electronically or to submit them on a disk, the Commission will always accept a paper document. Questions may be addressed to Steve Johnson at (360) 664-1346 or e-mail at <sjohnson@utc.wa.gov >.

Your participation is welcomed via written comments and participation in any stakeholder workshops. Opportunity for further comment is anticipated. Information about the schedule and other aspects of the rulemaking, including comments, will be posted on the Commission's web site as it becomes available. If you wish to receive further information on this rulemaking you may:

- Call the Commission's Records Center at (360) 664-1234.
- E-mail the Commission at records@utc.wa.gov.
- Mail written comments to the address below.

When contacting the Commission, please refer to Docket U-090222 to ensure that you are placed on the appropriate service list. The Commission's mailing address is:

Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, Washington 98504-7250

NOTICE

If you do not want to comment now, but do want to receive future information about this rulemaking, please notify the Executive Director and Secretary in one of the ways described above and ask to be included on the mailing list for Docket U-090222. <u>If you do not do this, you might not receive further information about this rulemaking.</u>

Sincerely,

DAVID W. DANNER
Executive Director and Secretary