

**SUMMARY OF STAKEHOLDER COMMENTS**  
**June 13, 2003, LEAST COST PLANNING RULES**  
**WAC 480-100-283 (UE-030311), WAC 480-90-238 (UG-030312)**

Updated: June 17, 2003

<b>Issue</b>	<b>Interested Party</b>	<b>Comments</b>
<b>A. PROCEDURAL ISSUES</b>		
Initiation	Avista	(WAC 480-100-238(1), 480-90-238(1)) Avista suggests removal of the sentence in 480-100/90-238(1): "Each planning cycle will begin with a letter to the company from the commission secretary." This letter has not always been provided and is not necessary for companies to begin the planning cycle.
Public Involvement	Avista	(WAC 480-100-238(1), 480-90-238(1)) The Technical Advisory Committee (TAC) process has worked well for Avista and appears to be an appropriate way to involve interested stakeholders. Avista suggests that the last sentence in the first paragraph regarding public involvement be modified to focus on establishment and involvement of a TAC process as follows. "The content, <del>and</del> timing of, and <del>reporting for the least cost plan and the public involvement strategy</del> <u>establishment of a technical advisory committee</u> shall be outlined in a work plan developed by the company after consulting with commission staff."
Public Process	NWEC	(WAC 480-100-238, 480-90-238) The current rule does not provide assurances that a public comment period, including a public hearing, will be implemented following the utility's filing of the plan. Suggests rule be modified to ensure the public has adequate notice, opportunity and time to comment on final plan prior to any Commission action.
Timelines for filing and related incentives/disincentives	PC	(WAC 480-100-283, 480-90-238) There is a need for new procedural incentives to ensure that the rule is complied with and that the planning process occurs on schedule. The requirement for an initiating letter should be replaced by the requirement for a single statement from the UTC to each affected utility, indicating the specific month and day of either odd- or even-numbered years in which finalized, least cost plans will be due, indefinitely. The rules should provide an incentive to each utility to adhere to its assigned schedule establishing consequences for failure to meet required filing obligations. Public Counsel suggests options, as either stand-alone or cumulative incentives (i.e. \$1,000 fine per day late, in accordance with RCW 80.04.380, petitions for power cost adjustments will not be considered until LCP plan is filed, no company petition considered until LCP plan filed, any resource acquisition which occurs when a utility does not have an approved plan in effect would carry a rebuttable presumption of imprudence). This rulemaking should consider the degree to which WAC 480-107-001(2) is being complied with, and what provisions might be adopted to establish consequences for non-compliance.
	NIPPC	(WAC 480-100-283, 480-90-238) What sanctions should be imposed for a utility's failure to prepare a least cost plan on a timely basis?
Enforcement/Approval of Plans	DCTED	(WAC 480-100-238, 480-90-238) Seek language or a mechanism in rules that would hold companies accountable for implementing their Least Cost Plans. For example, the LCPs could include specific performance benchmarks for implementation. The current process of the Commission writing a letter accepting or rejecting company LCPs is perhaps one cause of the wide variability in thoroughness and relevance of the LCPs over time and among companies. This question of relevance of the LCPs

Issue	Interested Party	Comments
		influences stakeholders' willingness and ability to meaningfully provide comments on company resource acquisition plans in the State. The documents, on occasion, have become meaningless in less than six months due to the quality of analysis in the document or lack of company commitment to the recommendations in the document.
	Energy Project	(WAC 480-100-238, 480-90-238) The importance of a utility's compliance with its least cost plan is another topic that will benefit from clearer definition. This is made somewhat more urgent by the settlement stipulation of the PSE Rate Case (Docket Nos. UE-011370 and UG-011571) in which the utility is penalized for failure to meet a banded target of conservation resource acquisition. How does the Commission view a utility's performance when the company indicates that they will secure a specific amount of supply for a given price, and then fails to do so? How do considerations differ if the result is a reliability failure versus a higher cost for the commodity and, hence, upward pressure on rates? Should there be any different consideration if a utility fails to achieve its conservation targets?
	NWECC	(WAC 480-100-238, 480-90-238) Suggests exploration of opportunities for evaluating a utility's performance based on the contents of its LCP as well as the Commission's authority to enforce aspects of plan.
	PC	(WAC 480-100-238, 480-90-238) Insertion of some level of advance "approval" for a resource acquisition plan, coupled with real and enforceable consequences for departure from the plan, might be an appropriate change. Public Counsel suggests discussion of the following ideas: (a) The Commission "approves" rather than "accepts" the least cost plan, (b) Approval of a plan is defined to mean approval of the plan for acquisition of resources within a category, rather than acquisition of a particular resource, (c) Acquisition of a resource within a category would be "pre-approved" as to the type of resource, but prudence would remain an issue as to the specific acquisition; (d) Adoption of this approach would likely require additional procedural mechanisms, (e) The "approval" approach may be most appropriate as to the short-term components of the plan.
	PacifiCorp	(WAC 480-100-238) PacifiCorp proposes that the Commission consider a formal "approval" of an IRP found to be in compliance with the Commission's requirements. It may logically follow from the "approval" that if the utility acts in compliance with an approved IRP, a rebuttable presumption would arise that the expenditures associated with implementation of a particular action item plan would be recoverable in rates, so long as the utility demonstrates that its implementation actions were prudently executed.
	NIPPC	(WAC 480-100-283, 480-90-238) What sanctions should be imposed for failures to comply with the Commission's requirements for resource identification and acquisition?
Performance-based Procurement Incentives	NRDC	There is need for emphasis from the Commission on the importance of providing better portfolio management incentives, and specific timetables and procedures for creating them.

Issue	Interested Party	Comments
<b>B. PLANNING AND ANALYSIS ISSUES</b>		
Resource Alternatives	ICNU	<p>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 300 MW 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.</p> <p>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.</p>
Integration of demand-side management	Energy Project	<p>(WAC 480-100-238, 480-90-238) Perhaps one of the most difficult tasks to date in developing a least cost plan has been the art of truly integrating such varied options as hardware purchases, market purchases, conservation acquisition, demand reduction, etc. As I now understand it, the process has more or less been the following: the optimal level of conservation acquisition has somehow been determined, then decremented from the total needed load, at which point the utility compares its various supply options for the best mix to meet the remaining load. Does this really integrate demand- and supply-side options on equal footing? (While some may argue that, in fact, this process unfairly gives a preference to conservation, that would only be true if the result was a greater investment in conservation than would have resulted from a head-to-head comparison. Conservation proponents will also point to such reference indicated in RCW 43.21F.010, RCW 43.21F.015, and the 1980 Power Planning Act.) As we go forward with more sophisticated technology and approaches, it will be important to include conservation acquisition as a resource acquisition, as a way to meet loads, rather than simply as a decrement to loads.</p>
	NWECC	<p>(WAC 480-100-238, 480-90-238) The rule should specify how energy efficiency and demand-side programs would be evaluated in the context of the plan. For example, we suggest specificity with regard to treating of conservation as resource rather than as a decrement to load.</p>
Integration of Renewable Resources	NWECC	<p>(WAC 480-100-238) Rule should define the term “renewable resources” (e.g., in accordance with RCW 19.29A.10). Further, the rule should specify how renewable resources would be evaluated in comparison to each other and to other generating and demand-side resources. For example, a utility should account for resource integration, tax credits, emissions, risk management costs and benefits.</p>
Role of risk and Uncertainty	PacifiCorp	<p>(WAC 480-100-283) Incorporating some measure of risk as a part of the definition of “least-cost plan” is an important element, and reflecting this element in a revised rule would be an improvement.</p>
	PSE	<p>(WAC 480-100-238, 480-90-238) Definition of Least Cost should be examined. The use of adjustments for externalities and policy cost should be made sharper. The non-direct cost can be</p>

Issue	Interested Party	Comments
		addressed as quantitative or qualitative approaches. A way to solve the divided opinion is to have the rule simply dictate a percentage of portfolio as renewable.
	PC	<p>(WAC 480-100-238, 480-90-238) A new provision should be added to the least cost planning rule to require the assessment of alternative tools and strategies for managing and sharing the risk of volatility, both from the perspective of ratepayers and shareholders.</p> <p>Options to consider within the least cost planning process to equitably distribute the risk of volatility, and the recovery of volatility-driven costs to meet the objectives of ratepayers and shareholders might be: (a) To define the period of time over which surcharges or refunds would be flowed through; (b) To cap the maximum surcharge that could be in effect any time; (c) To develop rate design tools to provide stability in the price of energy for essential services (as California did with its power crisis surcharges); or (d) Other tools.</p>
Quantifying Externalities	DCTED	<p>(WAC 480-100-238, 480-90-238) In light of the movement to regulate additional fossil fuel emissions in the future, the WAC needs to minimally address the following with regards societal, health, and environmental costs. (a) Quantify all reasonably known health and environmental costs associated with a site specific or generic electricity power plant. This could occur either within a Commission forum with scheduled updates or could occur within the scope of each company's LCP; (b) Direct the analysis comparing resources to include the cost of mitigating or preventing these environmental and societal costs; (c) Direct the analysis comparing supply and demand resources to include, as possible, societal benefits; (d) Manage future risk to ratepayers for company resource acquisition decisions by specifying in Commission rules which future costs will not be paid by ratepayers; (e) Include language similar to WAC 480-107-001 in the LCP rules to include that bids and plant development by utility's should include the costs of compliance by the project with environmental laws, rules, and regulations in effect at the time of the bid and those reasonably anticipated to be in effect during the term of the project.</p>
	Energy Project	<p>(WAC 480-100-238, 480-90-238, 480-107) Since the Commission is charged with regulating in the public interest and authorized to promulgate rules regarding "the comfort and convenience of the public," we would argue for a somewhat broader or more inclusive considerations of environmental costs when one is determining "least cost" or attempting to comparatively evaluate traditional purchase options on a consistent basis with energy efficiency or alternative purchase options. Take, for example, the cost of CO2 pollution from using coal to produce electricity. One might argue that there should be no addition to the market cost of the coal-generated kWh, because Washington does not currently have a rule setting a value for that cost. We believe this is not in the public interest, however, since there is a cost to the public. The magnitude may not be standardized, but one thing that is most certain is that the cost is not zero. From a public interest perspective, it is better to have an explicit value or range of values for that cost, than to leave the cost hidden by not recognizing it in valuing the commodity. One need not be concerned that one might incorrectly set the magnitude since any positive number is probably closer to the truth than zero. Furthermore, there will be ample</p>

Issue	Interested Party	Comments
		<p>opportunities to reevaluate the number given that Least Cost Plans are to be filed every two years and there are five utilities that are required to file them. We note that RCW 19.29A.005(2) lists preserving the benefits of consumer and environmental protection in the same breath, and prior to, low-cost rates.</p>
	ICNU	<p>(WAC 480-100-238, 480-90-238) 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.</p> <p>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.</p> <p>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.</p>
	NWECC	<p>(WAC 480-100-238) The current rule does not provide clear direction with regard to how utilities should assess costs and risks associated with mitigation of CO2 emissions from fossil fuel power plants. With the ratification of the Kyoto treaty in most advanced economies, much of the world is preparing to operate under binding constraints on greenhouse gas emissions with the right to emit CO2 becoming an increasingly scarce and valuable commodity. An updated LCP rule should specify how utilities should account for these costs and risks in evaluating new resources as well as how commitment to mitigation of CO emissions absent a specific legislative or regulatory requirement fits within the context of a utility’s LCP.</p>

Issue	Interested Party	Comments
		<p>(WAC 480-100-238, 480-90-238) Section 3(d) of the current rule requires “a comparative evaluation of generating resources and improvements in the efficient use of electricity based on a consistent method, developed in consultation with commission staff, for calculating cost-effectiveness.” Therefore, this is the appropriate forum for discussion and adoption of specific provisions for incorporating environmental externalities in cost-effectiveness calculations.</p>
	NRDC	<p>(WAC 480-100-238) (a) Require the use in least-cost plans of imputed costs for carbon dioxide emissions at least equal to those already adopted in PacifiCorp’s latest IRP; (b) Insist that, in any resource procurement, utility customers be protected from the financial impact of any future regulation of carbon dioxide emissions, by shifting that risk explicitly to the sponsors of resources that create it.</p>
	PC	<p>(WAC 480-100-238) In the absence of federal action, state and local governments are regulating greenhouse gas emissions. Washington State is currently party to a lawsuit demanding that the U.S. EPA regulate carbon dioxide.</p> <p>Adopt a specific, non-zero value to be associated with greenhouse gas emissions of existing and projected resources. The number would be a default number, and the utility could propose and justify an alternative cost in addition. The Northwest Power Planning Council Regional Technical Forum has adopted a default value of \$15/ton for these emissions. This value could be adopted in the WAC as the default to be used in the least cost planning process.</p>
	PSE	<p><i>Financial and Credit Market Issues and Impacts on Planning</i> — Existing law and regulation provide regulated companies little guidance on how to fashion and deploy risk management tools and the related financial structure essential to their use in a manner that will not invite second-guessing when the companies seek to recover the costs of doing business in this new environment. PSE suggests that the Commission fully air the issues surrounding the capital and credit markets as they pertain to resource additions and their implications for these rules.</p>
Planning horizons	Avista	<p>(WAC 480-90-238(3)(a)) A range of forecasts for future gas demand for firm and interruptible markets by customer class should include one, five, and ten years rather than one, five, and twenty years. The twenty-year forecast has little meaning for natural gas resource acquisition in that contracts of such length are not industry standards.</p> <p>(WAC 480-100-238(3)(e), 480-90-238(3)(e)) Avista suggests that a long-range plan be defined as a ten-year time horizon rather than twenty years. As a practical matter, a ten-year planning horizon will be as accurate as a twenty-year forecast, which is little more than a shorter forecast factored with a linear modifier. This is particularly applicable for gas planning, in which no decisions are made or based on data that is over ten years into the future.</p>
	PC	<p>(WAC 480-100-238, 480-90-238) The short-term plan specifically should be required to address demand- and supply-side management during the two-year period beginning at the due date of the finalized plan. The long-term forecast specifically should address a minimum of 20 full years, measured from a date certain. The use of clear two-year and twenty-year time periods would allow</p>

Issue	Interested Party	Comments
		<p>for better ability to compare plans between companies, and to compare company plans over time, one to another.</p> <p>In order to preserve flexibility, the rule should allow the utility to also include alternative short-term and long-term periods, if the utility feels a different time period is appropriate.</p>
Analysis of gas supply options	Avista	<p>(WAC 480-90-238(3)(a)) Avista proposes that (3)(c)(i) and 3(c)(iii) be removed and replaced with “a range of projections for future prices.” Purchases of natural gas are now generally based on Nymex future prices taking into account basis differentials. This is used not only for long-term purchases but also for pricing monthly purchases, be it physical or financial deals.</p>
Requirement for Integration Of Electric And Natural Gas Plans	PC	<p>Utilities offering electric and gas service should be required to offer an analysis of effects of fuel-switching in the long-range forecasts, especially as affected by anticipated penalties on greenhouse gas emissions. A plan should also be required to evaluate the savings from potential fuel-choice/switching in new and retrofit single and multi-family housing units in all parts of the utility service territory.</p>
	Avista	<p>(WAC 480-100-238, 480-90-238) The electric and gas rules currently require separate filings of electric and gas plans. Avista supports separate filings for several reasons, and requests that this methodology remain unchanged. Avista’s electric and gas plans are developed by independent work groups within the Company. Likewise, different stakeholders participate in the electric and Technical Advisory Committees. There is sufficient flexibility in the current rules to allow a combination utility to have joint LCPs at that utility’s option. The only significant overlap in the gas and electric plans is the gas price forecast. If the Commission concludes that further overlap is appropriate, Avista suggests that it be addressed through specific IRP requirements rather than combining the gas and electric IRPs.</p>
Other/general planning issues	Avista	<p>(WAC 480-90-238(3)(a)) Paragraphs 3(b) and 3(d) seem duplicative. Avista suggests that these paragraphs be merged. <i>Note: 3(b) is “an assessment of technically feasible improvements in the efficient use of electricity...” and 3(d) is “a comparative evaluation of generating resources and improvements in the efficient use of electricity....”</i></p> <p>(WAC 480-100-238(2), 480-90-238(2)) Avista recommends the following change to the definition: “...that will meet current and future needs <del>at the lowest cost to</del> <u>by optimizing price and non-price characteristics for the utility and its ratepayers...</u>” Avista believes that there is general concurrence that a resource portfolio should be evaluated based on low costs over time, as well as a reasonable range of variation around the expected cost. This reduction in risk is beneficial to customers in the event that the incremental cost of doing so remains relatively low.</p>

Issue	Interested Party	Comments
<b>C. CONSISTENCY OF LCP STANDARD AND GUIDELINES ACROSS STATES</b>		
Consistency of LCP standard and guidelines across states	PacifiCorp	<p>(WAC 480-100-238) As a multi-state utility, an important issue for PacifiCorp is preserving the consistency that currently exists among the states with respect to IRP rules. It is important to PacifiCorp that it is able to continue pursuing the IRP process in a manner that largely fulfills the requirements of each of the six states in which it operates. The Standards and Guidelines currently existing for the states provide for this consistency, and this feature should be retained.</p> <p>Imposing a state specific IRP requirement in addition to a system-wide requirement (as Staff requested in the course of the Company's most recent IRP) would be a distinct difference from the Standards and Guidelines followed by the other states, and thus counter to PacifiCorp's objective of preserving consistency across the various jurisdictions. Moreover, a state-specific IRP may not be meaningful when PacifiCorp operates on an integrated basis. An IRP that examines resource needs, alternatives, performance and cost for each control area is a reasonable solution that produces meaningful information. In any event, if the Commission wants to depart from the existing practice and instead impose a Washington-specific IRP requirement, that is a significant new requirement that the Commission itself should determine and address explicitly in the rule, rather than leaving the issue to be subjected to conflicting interpretations based on the language of the existing rule.</p>
	Avista	<p>(WAC 480-100-238, 480-90-238) Washington's planning rules are relatively consistent with Avista's requirements under Oregon and Idaho policies. This allows for similar planning and reporting within Avista's 3 NW states. The Company respectfully requests that any major proposed modifications to these rules consider impacts on multi-jurisdictional utilities.</p>
Review other state rules	PC	<p>(WAC 480-100-238, 480-90-238) Part of the process in this rulemaking should be a review of other state substantive and procedural requirements, and results.</p>
Rename the process: Integrated Resource Planning	Avista	<p>(WAC 480-100-238, 480-90-238) The focus of this rule should be <i>integrated</i> resource planning. Integrated resource planning better reflects the balancing of costs and risks. A balanced plan will handle the Company's needs in a more cost-effective, reliable, and diverse manner.</p>
	PC	<p>(WAC 480-100-238, 480-90-238) The term "least cost planning" has lost favor over time, nationwide, and is gradually being replaced by the term Integrated Resource Planning (IRP). "Least cost planning" has the misleading character of appearing to address dollar costs only, when in fact the process is intended to address environmental and social costs as well. IRP properly captures the breadth of the process' goals.</p>



Issue	Interested Party	Comments
<b>D. CONSISTENCY WITH STATE OR FEDERAL POLICIES AND LAWS (also relevant to Chapter 480-107 WAC)</b>		
Consistency with State and Regional Resource Preferences	NWECC	<p>(WAC 480-107) WAC 480-107-001 describes the purpose of this chapter in part to provide an opportunity for conservation and generating resources to compete on a fair and reasonable basis to fulfill a utility's new resource needs. We urge modification of this provision to prioritize energy efficiency and renewable resources in accordance with state and regional energy policies (e.g., RCW 43.21F.010 and the NW Power Planning and Conservation Act).</p> <p>One option for consideration is a requirement for a utility to issue RFPs for energy efficiency and renewable resources first, prior to issuing requests for other generating resources. Such a policy would be in line with state and regional energy preferences and enable clean energy resources to receive fair and reasonable treatment.</p>
Changes in Rules if PURPA repealed	NIPPC	<p>(WAC 480-100-238, 480-90-238, 480-107) What Commission rule amendments are necessary or appropriate in light of any Congressional action on federal energy legislation this year, including potential repeal of the PURPA mandatory purchase provisions that underlie some of the existing rules?</p> <p>What changes in proposal evaluation criteria should be considered in light of developments in the Electric industry and in applicable federal and state laws and regulations since the adoption of current rules?</p>
State Energy Strategy (SES)	DCTED	<p>The first guiding principle of the State Energy Strategy is to: "Encourage all load-serving entities to adopt and implement integrated resource plans to ensure that they meet their obligation to serve their customers' projected long term energy and capacity needs."</p>

Issue	Interested Party	Comments
<b>E. APPROPRIATE USES OF LEAST COST PLANS</b>		
Enforcement/Approval	ICNU	(WAC 480-100-238, 480-90-238) 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.
	PSE	(WAC 480-100-238, 480-90-238) Fundamentally, PSE believes that the participants should address the questions of how much weight and import ought to be given the planning process, and how much contemporaneous feedback the Commission can provide throughout the planning stages. On the one hand significant resources go into developing an LCP, models are created or refined, assumptions made, and conclusions developed, in a manner that takes into account a variety of perspectives and tradeoffs through an extensive public process. There could be significant value to a process that results in WUTC approval of the LCP to some degree, such that the modeling techniques assumptions and conclusion in the LCP will have presumptive weight for purposes of acquisitions (and related rate review). Then, the parties would not be forced to reargue old positions and regulated companies would be at reduced risk of being questioned given the benefit of hindsight. Such elements of approval could assist regulated companies in the acquisition process. Not the other hand, PSE is concerned that such an approach could increase the contentiousness of the LCP process, delay resource acquisition, and reduce the company's flexibility in the acquisition stage.
To determine need for long-term resource acquisition	PacifiCorp	(WAC 480-100-238) The integrated resource planning process should be the primary forum for determining the need for future long-term resource acquisitions.
To develop avoided costs	PacifiCorp	(WAC 480-100-238) One appropriate use of the IRP is the development of each utility's avoided cost estimates. Each utility's avoided costs should be determined in a manner that is consistent with analysis and methodology followed in its IRP.

Issue	Interested Party	Comments
<b>F. OTHER ISSUES IN WAC 480-100-238 AND 480-90-238</b>		
Define "Lowest Cost"	DCTED	(WAC 480-100-238, 480-90-238) We recommend that the terminology in the WAC be expanded to read "lowest total cost" and that its definition specifically include societal, environmental, and health costs and, or benefits as well as the more traditionally analyzed costs of energy, fuel, capacity, storage, demand management, delivery and waste disposal.
	NWECC	(WAC 480-100-238, 480-90-238) The current rule lacks specificity with regard to what is meant by the term "least cost". Section 2 defines a "least cost plan" as "a plan describing 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." The definition does not clarify what is intended by the phrase "at the lowest cost to the utility and its ratepayers," instead leaving that open for multiple interpretations. We believe that "lowest cost" should explicitly include environmental externalities and health costs related to energy production, distribution and consumption.
Emphasize Electric Resource Portfolio Management	NWECC	(WAC 480-100-238) Electric resource portfolio management focuses on assembling a mix of demand- and supply-side resources designed to minimize economic and environmental costs. Enhanced portfolio management may be accomplished in part through establishing benchmarks in conjunction with rewards and penalties tied to a utility's overall performance as a resource portfolio manager. The LCP rulemaking provides a forum for discussing and establishing portfolio management benchmarks and incentives for achieving benchmarks for investor-owned electric utilities. An example is the penalty mechanism related to PSE's acquisition of energy efficiency in accordance with annual savings targets, which was established in the last rate case settlement.
Decoupling	ICNU	(WAC 480-100-238) 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.
	NRDC	(WAC 480-100-238) The regulatory status quo undercuts sound portfolio management in two respects: (a) It makes no provision for a balanced system of rewards and penalties tied to utilities' overall performance as resource portfolio managers; and (b) It penalizes utility shareholders for reductions in electricity throughput over the distribution system, regardless of the cost-effectiveness of any contributing energy-efficiency or fuel substitution measures.  To remove the powerful conservation disincentive (a) endorse the adoption, statewide, of a simple system of periodic true-ups in electric rates, designed to correct for disparities between utilities' actual fixed cost recoveries and the revenue requirement approved by the UTC. The true-ups would either restore to the utilities or give back to customers the dollars that were under- or over-recovered as a result of annual throughput fluctuations, based on test-year target revenues per customer, (b) Set up a deferred account allowing a reconciliation of revenue and expenses that would be subject to hearing and review.

Issue	Interested Party	Comments
-------	------------------	----------

**Legend**

BPWC	=	BP West Coast LLP
CCCT	=	Combined Cycle Combustion Turbine
CCW	=	Cogeneration Coalition of Washington
DCTED	=	Department of Community Trade & Economic Development
EPACT	=	Energy Policy Act of 1992
FERC	=	Federal Energy Regulatory Commission
ICNU	=	Industrial Customers of Northwest Utilities
IRP	=	Integrated Resource Plan
LCP	=	Least Cost Plan
NRCD	=	Natural Resources Defense Council
NWEC	=	NW Energy Coalition
NIPPC	=	Northwest Independent Power Producers Coalition
PC	=	Public Counsel
PSE	=	Puget Sound Energy
PURPA	=	Public Utility Regulatory Policies Act
QF	=	Qualifying Facility
RCW	=	Revised Code of Washington
RFP	=	Request for Proposals
RFQ	=	Request for Qualifications
WAC	=	Washington Administrative Code