



For a clean and affordable energy future

- A World Institute for a Sustainable Humanity
- Alaska Moving Finance Corporation
- Alliance to Save Energy
- Alternative Energy Resources Organization
- American Rivers
- Assoc. for the Advancement of Sustainable Energy Policy
- Central Area Motivation Program
- Citizens Utility Board
- Clallam-Jefferson Community Action Council
- Climate Solutions
- Cold Spring Conservancy
- Community Action Directors of Oregon
- Earth and Spirit Council
- Emerald People's Utility District
- Eugene Future Power Committee
- Eugene Water & Electric Board
- Fair Use of Snohomish Energy
- Friends of the Earth
- Golden Eagle Audubon Society
- Greenhouse Action
- Greenpeace
- Housing & Community Service Agency of Lane Co.
- Human Resources Council, District XI
- Idaho Citizens Network
- Idaho Conservation League
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- Idaho Rivers United
- Idaho Wildlife Federation
- Kootenai-Okanagan Electric Consumers Association
- League of Cities and Social Service Agencies
- League of Women Voters - ID, OR & WA
- Metrocenter YMCA
- Montana Environmental Information Center
- Montana Public Interest Research Group
- Montana River Action
- Missoula Urban Demonstration Project
- Mormonists
- National Center for Appropriate Technology
- Natural Resources Defense Council
- Northern Plains Resource Council
- Northwest Energy Efficiency Council
- Northwest Resource Information Center
- Opportunity Council
- Oregon Action
- Oregon Energy Coordinators Association
- Oregon Energy Partnership
- Oregon Environmental Council
- Oregon Student Public Interest Research Group
- Pacific NW Regional Council of Carpenters
- Pacific Rivers Council
- Portland Energy Conservation, Inc.
- Portland General Electric
- Puget Sound Council of Senior Citizens
- Renewable Northwest Project
- Rivers Council of Washington
- Salmon For All
- Save Our Wild Salmon Coalition
- Seattle Audubon Society
- Seattle City Light
- Sierra Club
- Sierra Club of British Columbia
- Snohomish County Public Utility District
- Solar Energy Association of Oregon
- Solar Information Center
- South Central Community Action Agency
- South East Idaho Community Action Agency
- Southwest Alliance for Clean Energy
- Spokane Neighborhood Action Programs
- Tahoma Audubon Society
- Trout Unlimited
- Union of Concerned Scientists
- WA Association of Community Action Agencies
- Washington Citizen Action
- Washington Environmental Council
- Washington Public Interest Research Group
- Washington Solar Energy Industries Association
- Washington State University - Energy Program
- Washington Wilderness Coalition
- Western Solar Utility Network Cooperative
- Working for Equality and Economic Liberation
- Yonima Valley Opportunities Industrialization Center
- Associate Members:
- City of Astland
- Puget Sound Energy
- Supporting Members:
- Clallam County Weatherization
- Housing Authority of Skagit County
- Multnomah County Weatherization
- Rocky Mountain Institute
- WA Dept. Community, Trade & Econ. Development

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Carole Washburn
Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
PO Box 47250
Olympia, WA 98504-7250

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April 9, 2001

Re: PSE Advice No. 2001-10, Docket Nos. UE 010409 & UE 010410
Time of day rates and conservation incentive credit

Dear Ms. Washburn:

The NW Energy Coalition respectfully requests the Commission suspend Puget Sound Energy's Time of Day (TOD) Rate Adjustment filing for additional consideration and discussion. We recommend that the Commission approve the proposed Electricity Conservation Incentive Credit and require an evaluation of that program in 6 months.

Time of Day Rate Adjustment

We commend Puget Sound Energy's initiative in purchasing and installing smart meter systems. PSE realized the potential of these systems for educating customers about their energy consumption in real time as well as their value in automating meter reading and managing outages. The Company paved the way with its Personal Energy Management program to empower customers with information to manage energy usage better. We believe that these devices can be valuable tools in promoting energy conservation.

We have several concerns, however, about the Company's current proposal requiring customers with smart meters to pay time of use rates starting immediately.

1) PSE has installed smart meters for approximately 420,000 customers. Those customers are just beginning to learn about these new systems and no formal evaluations have been conducted yet to determine customer response and understanding. PSE's proposal requires all customers with smart meters to pay time of use rates. Some customers may not have the ability to shift their consumption to evening and weekend hours. Low-income customers in particular are vulnerable to increased rates. To avoid increased bills, they may be forced to curtail usage. While curtailment has a role during a crisis, rate structures should not, as a matter of course, drive customers toward curtailment.

A voluntary program would be preferable, enabling those customers with the interest and ability to shift consumption to participate. If the intent of this

proposal is to shift electricity usage, it makes sense to structure the program to encourage those individuals and businesses capable of responding to the provided price signal to volunteer rather than requiring rate changes for all 420,000 customers.

2) Effective energy efficiency programs offered by the utility are an essential component of a successful time of use rate. To reduce consumption during peak hours when rates are higher, customers must either shift usage, curtail, or install energy efficient measures. Shifting usage is not always possible and curtailment is far from ideal. The best option for residential and small business customers is taking advantage of energy efficiency programs. While PSE achieved greater electric energy savings in 2000 than the preceding year, the utility's programs require significant enhancement and expansion to capture the cost-effective savings potential in the service territory. Currently, the utility relies on educational materials to convince residential customers to reduce consumption, putting the burden on those customers to pursue actual savings. Passive education programs alone are not enough particularly when there is a rate penalty. In the early 1990s, PSE was a national leader in energy efficiency programs, offering technical assistance, audits, and incentives to encourage customers to conserve.

A time of use rate must be accompanied by enhanced energy efficiency programs to ensure that customers are doing more with less, not simply doing without.

3) If the Company moves forward with a mandatory time of use rate, the rate must be accompanied by a stable, guaranteed level of funding for low-income energy assistance. Currently, PSE offers funds solely through voluntary ratepayer charitable donations. Those funds serve less than 20% of eligible households. Similar to PacifiCorp and Avista, PSE should come forward with a low-income energy assistance filing, especially before these customers face a rate increase.

4) The proposed time of day pricing adjustment enables the utility to apply a monthly surcharge to customer bills if actual revenue from the new rates differs from expected revenue from the old rates by more than 5%. This surcharge will apply not only to program participants but also to customers without smart meters installed. We question the need for this surcharge, which sends a confusing message to participants and non-participants. The overall program goal is to shift consumption away from peak periods. If program participants "over-shift" their consumption, the utility should benefit by purchasing less high-cost power during these periods or alternatively by being able to sell more power on the market at these times. Thus, implementing a surcharge seems inappropriate. Further, it is unclear why PSE customers who cannot participate in the proposed pricing program should be held liable for the revenue failures of that program.

5) We support PSE's revisions to this filing to (1) maintain the current inverted block rates which encourage energy conservation, and (2) preserve one residential rate class rather than separating residential customers into three subclasses. In its revised filing, PSE also narrowed the spread between the four identified time periods. While this may be preferable to reduce the potential for rate shock, a weaker price signal will lead to less response. We are not confident that the proposed rates will achieve the desired effect of shifting usage to off-peak hours. This leads us to conclude that more discussion with stakeholders and staff is necessary before approving a time of use program.

6) We are disappointed that PSE did not utilize its Technical Advisory Group (TAG) for demand-side management programs while crafting the proposed time of use rates. The TAG includes various experts who could have helped PSE create a filing acceptable to stakeholders and the utility's customers. Stakeholder input becomes particularly valuable when programs new to Washington are under consideration. For example, TAG members may have suggested other options for the Company to consider, such as remote load control programs that will achieve the desired result of shifting load while avoiding rate increases. PSE is to be commended for its recent successful pilot program offering incentives to customers who allowed the utility to control their home thermostats remotely.

In sum, we believe that implementing time of use rates requires more discussion and deliberation than has occurred so far. Although the concept is a good one, PSE's current filing raises significant questions and concerns that must be addressed before such a program is implemented. We urge the Commission to suspend the filing for hearing.

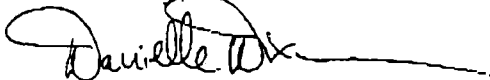
Electricity Conservation Incentive Credit

We support the concept of providing credits to customers who reduce consumption. Other utilities, such as Portland Gas and Electric, also are examining credit mechanisms that will incent residential customers to consume less energy than they did the previous year.

We are pleased that PSE has filed this proposal for an electricity conservation incentive credit. We suggest approving the credit proposal and evaluating its success in 6 months. At that time, the Commission and Company can determine whether a higher credit or lower target is appropriate.

Thank you for taking these comments into consideration.

Sincerely,



Danielle Dixon
Policy Associate



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A handwritten signature in black ink, appearing to read "Danielle Dixon", with a long horizontal flourish extending to the right.

Danielle Dixon
Policy Associate