

June 4, 2010

VIA ELECTRONIC FILING

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

Attention: David W. Danner
Executive Director and Secretary

RE: Docket U-100522 Comments

Dear Mr. Danner:

PacifiCorp, d.b.a. Pacific Power (“PacifiCorp” or “Company”) submits the following comments in accordance with the Washington Utilities and Transportation Commission’s (“Commission”) Notice of Opportunity to File Written Comments (“Notice”) issued in Docket U-100522 on May 13, 2010. The Company is not commenting on all issues at this time but reserves the right to provide further information in response to these questions during the course of this proceeding.

General

Definitions

PacifiCorp Comments:

Decoupling is a rate adjustment mechanism that separates a utility’s fixed cost recovery from the amount of electricity or gas that it sells.

Lost margin represents those fixed costs not recovered through the utility’s current rates due to a decline in megawatt hour sales from those used to set rates.

For PacifiCorp, fixed costs are those costs incurred to render electric service that remain constant regardless of usage. Fixed costs include items such as meter costs, transformer costs, distribution service, poles and conductor costs, and customer service and billing costs.

Recovery of Conservation Program Costs

PacifiCorp Comments: In general, PacifiCorp’s costs associated with conservation programs have historically been recovered in a timely manner; however, with changing regulations there is a potential for certain costs to be recovered in an untimely manner. The system benefits charge (SBC), PacifiCorp’s Schedule 191, is designed to recover costs associated with providing conservation programs to customers in Washington. The Company files updates to the SBC

when the projected conservation program costs are greater than or less than what is currently collected through the SBC. For the most part this process has worked well, as it has been handled outside of a general rate case.

Expenditures funded through the SBC have typically been limited to those costs directly associated with the approved demand-side management (DSM) program tariffs. With changing regulations, most notably those changes imposed by the I-937 process,¹ the Company will incur additional conservation program costs to facilitate the I-937 planning, delivery, and reporting process that may not be viewed as “direct costs” of the tariffed programs and therefore may not be approved for funding through the SBC. PacifiCorp suggests expanding cost recovery in the SBC to include these costs.

Impact of Conservation Resource Development on Rate of Return

PacifiCorp Comments: The use of historic billing determinants in general rate cases creates lost margins and affects a utility’s ability to earn its authorized rate of return. Even when a utility is filing frequent or annual general rate cases, the use of historic rather than forecast billing determinants will create lost margins. This is true because the loads upon which rates are set do not reflect the effect of current conservation program activities. The impact of current conservation activities not being reflected in the loads upon which rates are set presently results in lost margins of approximately \$0.8 to \$1.2 million per year for the Company.

Details of a Conservation Incentive Mechanism

PacifiCorp Comments: PacifiCorp recognizes RCW 19.285 contains a mandate for electric utilities to acquire all cost-effective, reliable and feasible conservation based on set conservation targets. At this point PacifiCorp is not advocating for incentives but does believe that the removal of disincentives is appropriate. Two ways for dealing with this include implementing a higher fixed charge and the use of forecast billing determinants for setting rates as discussed above in the section entitled Impact of Conservation Resource Development on Rate of Return.

Impact on Rates

PacifiCorp Comments: PacifiCorp has no comment at this time.

Relationship of Incentives to Conservation Mandates

PacifiCorp Comments: PacifiCorp has no comment at this time.

¹ I-937 became RCW 19.285. The Commission promulgated rules in accordance with RCW 19.285, which may be found in WAC 480-109.

Evaluation, Measurement and Verification

Use Per Customer as a Metric.

PacifiCorp Comments: Changes in use-per-customer occur for a variety of reasons and is not necessarily an indication of whether or not a customer is conserving energy. In addition, the majority of studies indicate that per household energy use is increasing due to proliferation of energy intensive home electronics and appliances and increased penetration of central air conditioning. Conservation is a very valuable tool to help offset this trend.

Load Forecasting.

PacifiCorp Comments: PacifiCorp's integrated resource planning modeling framework evaluates all resources, including conservation, on a portfolio basis considering multiple market price and regulatory scenarios. The modeling framework assesses overall resource need and individual resource costs, risks, dispatchability, and supply reliability attributes to derive the optimal mix of resources. The integrated resource planning models generate an hourly conservation forecast that is used to reduce the load forecast. PacifiCorp also reduces the load forecast by an estimate of future load reductions from existing conservation programs captured in the historical load data. This adjustment eliminates any double-counting from combining the separate load and conservation forecasts.

Methods for EM&V.

PacifiCorp Comments: It seems reasonable to establish general guidelines as it provides clarity and consistency and also adds certainty but using a one-size fits all approach for all EM&V does not seem appropriate. Each utility should have the ability to determine the overall methodology that is appropriate for the utility and its programs.

The role that a third party evaluator plays in EM&V depends on the program. For some utilities or programs it may make sense to use a third party evaluator while for others it may not make sense. The Company recommends that this decision be left up to the utility to determine the best approach for their program(s).

The role that the Regional Technical Forum plays in EM&V is that they are one of many recognized data sources providing estimates of savings, however there are many other sources of savings estimates that might be useful for particular programs.

Relationship of Conservation Incentives to Utility Return on Equity

PacifiCorp Comments: As noted above, the Company prefers the removal of disincentives to the implementation of incentive mechanisms.

Other Issues

PacifiCorp Comments: PacifiCorp has no additional comments at this time.

PacifiCorp appreciates the opportunity provide comments and looks forward to participating in the upcoming workshop. If you have any questions regarding these comments, please contact Cathie Allen, Regulatory Manager, (503) 813-5934.

Sincerely,

A handwritten signature in black ink that reads "Andrea L. Kelly" followed by a stylized flourish.

Andrea L. Kelly
Vice President, Regulation