



Rob McKenna

ATTORNEY GENERAL OF WASHINGTON

800 Fifth Avenue #2000 • Seattle WA 98104-3188

July 23, 2010

SENT VIA E-MAIL AND FIRST CLASS MAIL

David Danner
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
PO Box 47250
Olympia, WA 98504-7250

**Re: Joint Motion to Amend Accounting Order, Docket No. UE-001457
& PacifiCorp's 10-Year Achievable Conservation & Biennial Conservation Target,
Proposed Condition 11(d), Docket No. UE-100170**

Dear Mr. Danner:

Public Counsel submits this letter in advance of the Commission's July 29, 2010, Open Meeting. These comments address PacifiCorp and Commission Staff's joint motion ("Joint Motion"), filed July 13, 2010, for an order amending the accounting order previously approved by the Commission in Docket UE-001457. The Joint Motion also requests that the Commission accept proposed condition 11(d) in the Staff Proposed Conditions for Approval of PacifiCorp's 10-Year Achievable Conservation & Biennial Conservation Target in Docket UE-100170 ("Proposed Conditions").

The Joint Motion proposes to amend the Commission's prior accounting order to remove the requirement that if PacifiCorp's System Benefits Charge (SBC) revenues exceed its DSM expenditures, interest would be recorded to the SBC balancing account. The proposed removal of this carrying charge requirement on positive balances (i.e. over-collections), is also reflected in proposed condition 11(d) in PacifiCorp's I-937 conservation targets. The Commission considered PacifiCorp's revised compliance report containing its ten-year achievable potential and biennial conservation target at the July 15, 2010, Open Meeting. While there was some limited discussion of this proposal at the July 15, Open Meeting, the Commission indicated that the proposal would be considered separately, at the Commission's July 29, 2010, Open Meeting.¹

¹ The parties' discussion surrounding the issue of recording interest on positive SBC account balances emerged late in the negotiation process considering proposed conditions to the Company's I-937 conservation targets. As a result, at the time of the July 15 Open Meeting, this issue was unresolved, and discussion at the Open Meeting revealed some confusion on the matter. In addition, parties had not yet had an opportunity to review the Joint Motion, which addresses this issue in further detail. As Ms. Daeschel represented at the July 15, 2010 Open Meeting, for those reasons Public Counsel had not yet taken a position on the issue, but committed to a closer examination of the issue.

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Public Counsel Recommendation

Public Counsel has had the opportunity to review the Joint Motion in Docket UE-001457 and recommends the Commission deny the request for an amendment to the accounting order. We further recommend the Commission not accept Proposed Condition 11(d) in Docket UE-100170.

Public Counsel finds no compelling evidence that suggests a change in the treatment of interest accrued on positive balances in PacifiCorp's System Balancing Account ("SBC") is warranted at this time, and we therefore oppose removing this important ratepayer protection. The Joint Motion states in part:

The one-way carrying charge originally imposed in the Accounting Order was intended to protect against over-collections. The conditions contain several new features that would guard against over-collecting through the SBC. Under the Conditions, PacifiCorp would be required to provide the prospective year business plan and budget, report budget variance, and file for adjustments to the SBC. With these protections in place, the one-way carrying charge is no longer needed.²

Public Counsel supports conditions that strive to ensure the Company effectively manages their SBC balancing account. In our view, however, the one-way carrying charge on over-collections works *in concert with* the Proposed Conditions referenced above, but does not serve an identical purpose. While we are hopeful that the Proposed Conditions referenced above will help preclude large balances from accruing in either direction, these protections do not provide a guarantee. The one way carrying charge on positive balances provides ratepayer protection in the event positive balances *are* accrued. For this reason and others, maintaining the added protection of the carrying charge on positive balances is essential.

In addition, in the event the Company does accrue positive balances in its SBC balancing account, removing the ratepayer protection of the one way carrying charge could improperly divert monies from ratepayers and result in potential windfalls to the company. For example, as shown in Attachment A, from 2005 through June 2009, the Company consistently maintained a positive cumulative balance in the SBC account which resulted in carrying charges totaling over \$660,000 during this period.³ If the Company was not required to maintain the carrying charge during this time period, interest accruals would no longer benefit ratepayers by funding energy efficiency. Instead, the positive balances would accumulate interest to the benefit of the Company. PacifiCorp should continue to bear the risk of managing its SBC balancing account. The Commission's prior accounting order states that because it is the Company and not its

² Docket UE-001457, Joint Motion to Amend Accounting Order, ¶ 11.

³ Docket UE-001457, Compliance Report Semi-Annual Demand-Side Management Expenditures and Systems Benefit Charge Collections, August 13, 2009. Beginning July 2009 through December 2009, there were no carrying charges as the SBC account had a negative balance. See Docket UE-00145, Annual report on Demand-Side Management Expenditures and System Benefits Charge Collections, p. 23, February 12, 2010.

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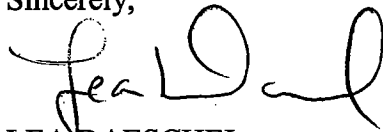
customers that manage the energy efficiency program expenditures, the Company must bear the risk.⁴ This reasoning is still sound.

The joint movants state that “the enactment of RCW 19.285 has changed the legal landscape for PacifiCorp’s demand-side management programs and the risks associated with them. It is not consistent with the public interest that PacifiCorp bear the entire risk that its System Benefits Charge collections will not match its energy efficiency expenditures.”⁵ The joint movants appear to be suggesting that if PacifiCorp maintains the one-way carrying charge this may somehow prove to be an impediment or disincentive to PacifiCorp to comply with RCW 19.285 which requires the Company to pursue all cost-effective conservation. We do not agree. Instead, maintaining a one-way carrying charge on positive balances (over-collections, or monies in the balancing account which have yet to be spent on conservation) would logically seem to have the opposite effect of *encouraging* the Company to pursue all cost-effective conservation. By doing so, the Company would avoid accumulating unspent conservation dollars in the SBC balancing account which would then accrue interest.

The original accounting order in Docket UE-001457 establishing a one-way carrying charge on positive balances in the SBC account has been in place for almost ten years. Avista also maintains the same treatment for interest accrual in managing their DSM tariff rider balances, and is similarly required to record interest on only positive balances (over-collections). This important ratepayer protection works in concert with the other proposed conditions in Docket UE-100170, such as the reporting and annual SBC filing requirements, and should be retained. We believe it is in the public interest to maintain this consistent treatment.

For the above reasons, Public Counsel opposes the Joint Motion in Docket UE-001457 and also recommends the Commission not accept Proposed Condition 11(d) in Docket UE-100170. Lea Daeschel will attend the July 29, 2010, Open Meeting to address this matter for Public Counsel.

Sincerely,



LEA DAESCHEL
Policy Analyst
(206) 464-6380

cc: Anne Solwick (E-mail)
Mike Parvinen (E-mail)
Dave Nightingale (E-mail)
Deborah Reynolds (E-mail)
Cathie Allen (E-mail)

⁴ Docket UE-001457, Accounting Order, p. 2, October 25, 2000.

⁵ Docket UE-001457, Joint Motion to Amend Accounting Order, ¶ 11.

Attachment A



825 NE Multnomah, Suite 800
Portland, Oregon 97232

August 13, 2009

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

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

Attention: David W. Danner
Executive Director and Secretary

**Re: Docket No. UE-001457
Compliance Report Semi-Annual Demand-Side Management
Expenditures and Systems Benefit Charge Collections**

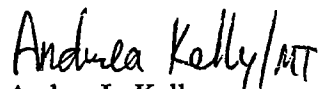
Enclosed is an original and two (2) copies of PacifiCorp's semi-annual report on the demand-side management expenditures and System Benefits Charge collections for the period January 1, 2009 through June 30, 2009. This report is filed in compliance with the accounting order in Docket No. UE-001457.

Data requests for PacifiCorp should be addressed in the following manner.

By Email (preferred): datarequest@pacificorp.com
By Facsimile: (503) 813-6060
By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

If you have any questions regarding this report, please contact Cathie Allen, Washington Regulatory Affairs Manager, at (503) 813-5934.

Sincerely,


Andrea L. Kelly
Vice President, Regulation

Enclosure

PacifiCorp Washington System Benefits Charge
January 2009 – June 2009 Report
Docket UE-001457

	Deferred Expenditures	Schedule 191 Revenue Collected	Carrying Charge	Accumulative Balance
beg. bal. Dec-00	229,434.49			229,434.49
2001	3,748,180.61	(2,642,634.00)	(313.16)	1,334,667.94
2002	4,809,713.06	(6,120,094.00)	0.00	24,287.00
2003	4,702,026.03	(4,733,188.00)	(8,959.60)	(15,834.57)
2004	4,842,020.64	(4,677,576.58)	(9,051.13)	139,558.36
2005	3,989,209.37	(6,390,793.42)	(67,046.51)	(2,329,072.20)
2006	6,888,515.98	(6,554,684.00)	(280,846.28)	(2,276,086.50)
2007	5,388,988.04	(4,474,033.00)	(186,798.14)	(1,547,929.60)
2008	6,061,768.86	(4,470,250.00)	(119,386.23)	(75,796.97)
Jan-09	337,784.29	(507,544.00)	(566.50)	(246,123.19)
Feb-09	376,791.55	(417,473.00)	(1,661.50)	(288,466.14)
Mar-09	429,609.50	(368,874.00)	(2,155.99)	(229,886.62)
Apr-09	463,489.31	(336,251.00)	(1,662.74)	(104,311.06)
May-09	411,558.51	(313,479.00)	(779.62)	(7,011.16)
Jun-09	379,487.45	(349,208.00)	(50.71)	23,217.58
2009 YTD	2,398,720.61	(2,292,829.00)	(6,877.06)	23,217.58
Total	43,058,577.69	(42,356,082.00)	(679,278.11)	