

BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,)	DOCKET NOS. UE-120436 and UG-120437 (<i>Consolidated</i>)
)	
Complainant,)	
)	NVEC’S MOTION TO WITHDRAW DECOUPLING PROPOSAL
vs.)	
)	
AVISTA CORPORATION d/b/a AVISTA UTILITIES,)	
)	
Respondent.)	
)	

1. In a Settlement Agreement and supporting testimony filed on October 19, 2012, Avista, Staff, ICNU, NWIGU, and the Energy Project propose to settle the second general rate case Avista has filed in as many years. In the first of these two proceedings (now consolidated), the Commission issued a Notice of Bench Request reiterating the Commission’s “policy preference for full decoupling” from its November 2010 Policy Statement,¹ and inviting intervenors to provide the Commission with full decoupling proposals. In response, NW Energy Coalition (“Coalition”) submitted a proposal for full electric decoupling that closely tracks the elements of the Commission’s policy statement. That proposal never reached a hearing or decision by the Commission because of a settlement of the earlier case and consolidation of the unresolved decoupling issue with this case. The terms of the Settlement Agreement now before the Commission, however, provide that “Avista will not support adoption of [a decoupling] mechanism in these dockets, nor will it seek to implement such a mechanism prior to its next

¹ Docket No. U-100522.

general rate case. Each of the Settling Parties agrees not to support the implementation of electric decoupling for Avista prior to January 1, 2015.” See Multiparty Settlement Stipulation at ¶ 14. This is thus the second time that Avista and others have sought Commission approval for a settlement that does nothing to address the throughput incentive created by the direct link between a utility’s kilowatt-hour sales and its financial health.

2. The Coalition presented a similar proposal for full electric decoupling in a recent general rate case filed by Puget Sound Energy, again in response to a bench request by the Commission. In that proceeding, Puget Sound Energy did not support the Coalition’s proposal, and instead advocated for a different approach to address revenue lost due to energy efficiency. The Commission rejected Puget Sound Energy’s proposed mechanism, but also declined to order the utility to adopt the Coalition’s decoupling proposal. In its final order in that case, the Commission noted that it would not impose a decoupling mechanism over the company’s objection. See WUTC v Puget Sound Energy, Inc., Dockets UE-111048/UG-111049, Order 08 (May 7, 2012) at ¶ 456 p. 167.

3. Based on the Commission’s stated position that it will not impose decoupling over a company’s objection and on the terms of the current proposed settlement requiring Avista to oppose decoupling, the Coalition moves to withdraw its decoupling proposal in this docket. The Coalition continues to believe that decoupling presents an important solution to one of the fundamental barriers to greater acquisition of energy efficiency—namely, that Avista’s and other utilities’ financial health is tied directly to kilowatt hour sales—but in light of the Commission’s PSE order, continuing to pursue the decoupling approach in this docket given the terms of the proposed settlement does not appear to offer an avenue for the development and implementation of a joint decoupling mechanism for Avista at this time.

4. The Coalition notes that it in no way concedes that the proposed Settlement Agreement, and in particular the provision requiring Avista to oppose decoupling, is in the public interest. Additionally, in withdrawing, the Coalition does not concede any of the objections to decoupling included in testimony supporting the settlement filed by ICNU. To the contrary, each of ICNU's objections are based on a misunderstanding of the Coalition's proposal and decoupling in general.

5. First, ICNU's testimony mistakenly advocates that full decoupling is unnecessary for Avista because I-937 requires the acquisition of all cost-effective energy efficiency. See Exhibit No. ____ (T), p. 34:14-19. But while the Energy Independence Act provides a framework for utilities to identify and pursue all cost-effective conservation, each utility sets its own targets for savings acquisition and, given a number of key assumptions (such as incentive levels, penetration rates, marketing efforts), the savings target can fall quite short of all economically achievable and cost-effective energy savings. Decoupling removes significant constraints that might otherwise impede utility progress on its energy efficiency acquisition efforts. Moreover, the Commission's own Policy Statement begins with an invocation of I-937 (p. 3), notes the Washington legislature's continuing interest in better aligning shareholder and customer interests in achieving that objective, and concludes that "the Commission is receptive to applying a well-designed full decoupling mechanism for either electric or gas utilities." (p. 19). The Coalition agrees with the Commission that the I-937 mandate does not moot the decoupling issue, and full decoupling will increase the likelihood that the energy efficiency goals of I-937 will be achieved, along with their extraordinary economic and environmental benefits.

6. Second, ICNU argues that decoupling would likely result in automatic rate increases without the scrutiny of rate cases. See Exhibit No. ____ (T), p. 34:19-20. ICNU is mistaken:

decoupling mechanisms are deliberately structured to provide either a surcharge or credit to customers depending on actual revenues collected. Decoupling simply ensures that a utility will recover its authorized revenue requirement, no more and no less, regardless of changes in per-customer energy use due to energy efficiency or other factors. The national study previously submitted in this Docket by Pamela Morgan shows that, in fact, there have been both surcharges and credits applied as a result of full decoupling mechanisms. ICNU's fear that decoupling will lead to automatic rate increases is not borne out by history. Nor does the Coalition's proposal authorize rates that are independent of the scrutiny of a rate case: under the Coalition's proposal, the revenue requirement would be set in a rate case, there would be an annual proceeding to verify actual revenues and sales, and the Coalition recommended that no longer than 3-5 years go between full general rate cases.

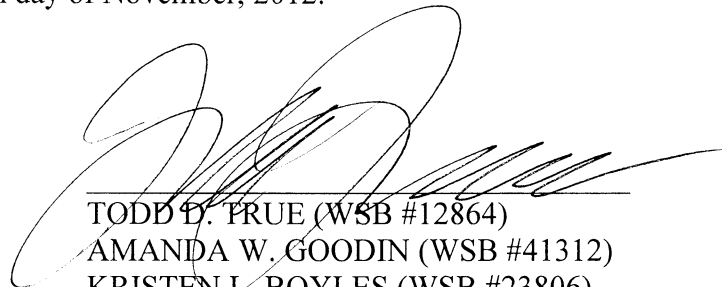
7. ICNU also argues that there are other more effective ways to achieve conservation than decoupling. See Exhibit No. ____ (T), p. 35:1-3. While decoupling alone is insufficient as the sole mechanism to achieve conservation, changing the rate structure from one that is designed to increase sales to one that makes the utility financially indifferent to the volume of its sales goes a long way to support efforts to advance efficiency and meet the needs of customers for energy services.

8. Finally, ICNU argues that it is not appropriate for this Docket to determine decoupling. See Exhibit No. ____ (T), p. 35:7-19. ICNU overlooks the fact that the Commission and all stakeholders have had a very specific decoupling proposal before them for two years now, one first presented in Avista's 2011 GRC. Moreover, as noted above, this proposal was presented in response to a specific request from the Commission to propose full decoupling mechanisms for Avista—a request to which only the Coalition responded with a full proposal. Indeed, in its

detailed response to the Coalition's proposal, Avista offered only minor modifications and additional details to the Coalition's mechanism—so both the company and the Coalition appear to be in near agreement on the details of a decoupling mechanism that largely tracks the elements of the Commission's policy statement. Particularly in light of this agreement, there has been ample discussion and discovery to warrant a decision by the Commission on decoupling in this Docket if NWECA were to pursue the issue.

9. Notwithstanding the foregoing, and in light of the terms of the proposed settlement requiring Avista to oppose decoupling before its next general rate case in 2015, and the Commission's indication in the PSE case that it will not impose a decoupling mechanism on a utility at this time, NWECA hereby moves to withdraw its decoupling proposal from these proceedings.

Respectfully submitted this 9th day of November, 2012.



TODD D. TRUE (WSB #12864)
AMANDA W. GOODIN (WSB #41312)
KRISTEN L. BOYLES (WSB #23806)
Earthjustice
705 Second Avenue, Suite 203
Seattle, WA 98104
(206) 343-7340 | Phone
(206) 343-1526 | Fax
ttrue@earthjustice.org
agoodin@earthjustice.org
kboyles@earthjustice.org

Attorneys for NW Energy Coalition

Nancy Hirsh
Policy Director
NW Energy Coalition
811 – 1st Avenue, Suite 305
Seattle, WA 98104
(206) 621-0094 | Phone
(206) 621-0097 | Fax
nancy@nwenergy.org