

December 20, 2019

Docket UE-190698

Mark Johnson, Executive Director/Secretary
Washington Utilities and Transportation Commission
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Re: In the Matter of Amending, Adopting, and Repealing WAC 480-100-238, Relating to Integrated Resource Planning, Docket UE-190698

Dear Mr. Johnson:

The NW Energy Coalition (Coalition) submits the following written comments and the attached redline document for the proposed WAC 480-100-600 pursuant to the Notice of Opportunity to File Written Comments dated November 7, 2019 in docket UE-190698.

The Coalition is an alliance of more than 100 organizations united around energy efficiency, renewable energy, fish and wildlife preservation and restoration in the Columbia basin, low-income and consumer protections, and informed public involvement in building a clean and affordable energy future.

In these written comments, the Coalition offers some overarching comments, comments regarding the proposed definition section, and direct responses to the Washington Utilities and Transportation Commission (UTC or Commission) procedural questions.

Overarching Comments

The Coalition recommends the Commission, prior to finalizing rules for this new Integrated Resource Planning (IRP) section, consider the relationship between resource acquisition, integrated resource planning and the clean energy implementation plans (CEIPs). The relationship is relevant in several aspects related to this rulemaking. First, there may be economies of scale that can be gained by issuing requests for information to ascertain current resource costs prior to the development, or at the beginning stages of development of the IRP. Second, there is a direct relationship between planning, acquisition and Clean Energy Transformation Act (CETA) compliance. It is important to consider how changes between the integrated resources plan, a clean energy implementation plan, and actual results of acquisition processes could affect CETA compliance. There should be enough clarity for how the different processes interact and provide for Commission oversight and public transparency.

The proposed rules define “planning horizon” in general terms, but then fail to specify the applicable timeframe for the planning horizon. The Coalition recommends that, except where specified by statute otherwise (such as for the Clean Energy Action Plan (CEAP)), the integrated

resource planning horizon should be a minimum of 20 years, with the ability to extend the timeframe if justified.

Definition Section

The NW Energy Coalition supports the incorporation of the definitions, as drafted, for “energy assistance” and “energy burden” in WAC 480-100-600. The drafted definitions are consistent with the new Clean Energy Transformation Act (CETA) definitions in 19.405.020. However, because there is a strong relationship between WAC 480-109-060 and 480-109-100 (10) and Laws of 2019, Chapter 288, §§ 2(16) and 12, and because the Department of Commerce (Commerce) must also create and update rules for utilities under these sections, we recommend a deliberative process and additional stakeholder input prior to finalizing rulemaking of these sections.

In particular, the Coalition recommends careful and thorough consideration of the percent of household income threshold used as a maximum level of energy burden in the definition of “energy assistance need”. Nationally, 6% is a commonly used figure for an affordable level of energy burden. Fischer, Sheehan and Colton have conducted extensive research on energy burden across the United States. For their Home Energy Affordability Gap analysis, they use a home energy burden of 6% for an affordable threshold level in their modeling.¹ This dataset is used by many organizations, including the American Council for an Energy-Efficient Economy (ACEEE)². However, utility costs and average energy burden are lower in Washington State compared to the rest of the United States³. These costs may be offset by other higher costs related to housing or other cost of living expenses (such as food, rent, property costs and taxes, etc.). This may provide justification for an energy burden threshold lower than 6% in Washington. In fact, Seattle City Light’s Energy Equity Rate Pilot launched in 2019 utilizes a 4% energy burden to determine bill affordability.

Additionally, in picking a number/methodology to determine energy burden for energy assistance need, it is important to clearly define what is included in this number and how the number should be used. Typically, the use of the term “home energy burden” excludes transportation costs, which on average are an additional 20% of a household’s income,⁴ but can exceed 30% for low-income households⁵. As more households switch to electric vehicles for their transportation needs, the line between home utility bills and transportation will become blurred. In making utility programmatic decisions it may become increasingly important to consider the shift of transportation energy costs to utility bills, a shift that often benefits the

¹ http://www.homeenergyaffordabilitygap.com/01_whatIsHEAG2.html

² Lifting the High Energy Burden in America’s Largest Cities: How Energy Efficiency Can Improve Low Income and Underserved Communities. ACEEE, April 2016. <https://aceee.org/research-report/u1602>

³ USDOE, Low-Income Energy Affordability Data Tool. <https://www.energy.gov/eere/slsc/maps/lead-tool>

⁴ ACEEE, *America’s Transportation Energy Burden for Low-Income Families*, July 2016, <https://aceee.org/blog/2016/07/america-s-transportation-energy>

⁵ *The Housing and Transportation Affordability Index*, <https://htaindex.cnt.org/>

households overall energy burden, but can appear as a negative if only assessing “home energy burden” independently.

Procedural Questions

1. RCW 19.280.030(1) requires a utility to develop an IRP at least every four years, and, at a minimum, a progress report reflecting changing conditions every two years. The Commission’s rules require that investor-owned utilities file a full plan every two years (WAC 480-100-238(4)). CETA requires a utility to file a CEIP for approval by the Commission, informed by its Clean Energy Action Plan (CEAP) which itself is an output of the IRP, every four years. CETA’s additional requirements will necessitate a lengthier and more time consuming administrative process for all parties. In the discussion draft, Staff is proposing to require utilities to file IRPs every four years, with a limited progress report every two years.

a. Should the Commission only require a full IRP every four years, with a limited IRP progress report every two years? Why or why not?

No. The IRPs should continue on a two-year schedule. In this time of swift changes in technology, market development, and other factors, the Coalition is concerned that completing an IRP every four years will result in utility planning processes lagging behind the best available information regarding technology and pricing, which could lead to suboptimal decision-making.

The Commission may want to consider staggering individual utility IRP timelines such that all utility IRPs in Washington are not due at exactly the same time. This could alleviate some staffing burdens on Commission and stakeholders.

b. If the Commission were to require only a progress report every two years, filed two years after the full IRP, which components of an IRP do you think should be updated? Which components do you think only need to be updated every four years?

We do not support this approach. However, as an entity that regularly participates in UTC proceedings, we are sympathetic to the desire to take steps to ensure the regulatory process is reasonable and manageable for utilities, UTC staff, and stakeholders. While we could not come up with a satisfactory proposal that alleviated our concerns about a four-year cycle, we would consider proposals that addressed the following concerns:

- Provides critical information and analysis that needs to be updated more frequently than every four years including: demand side resource assessments (including energy efficiency and demand response), some aspects of distribution system planning, recent data and pricing for renewable resources, availability and pricing of emerging technology (currently various forms of storage, hydrogen fuels, automated metering technology) and market price forecasts and how they relate to utility procurement needs.
- Compares load forecasts to actual loads and reassess resource plans if needed based on any discrepancies.
- Reports overall progress in obtaining interim goals and targets in the IRP, explaining reasons for attainment or non-attainment of goals, and any needed adjustments in

resource procurement to serve customer and/or fulfill the clean energy resource standard and other requirements in CETA.

- Reports how the specific targets established for renewable energy, energy efficiency and demand response have been acquired/achieved compared to the original targets, explain any differences between target and actual achievement and update those targets, if they have been achieved.

2. *The discussion draft proposes that a utility must file a work plan at least fifteen months prior to the due date of its IRP, and a completed draft IRP four months prior to the due date. Does this proposed schedule allow sufficient time for a thorough IRP with robust public engagement? If not, please provide a preferred timeline.*

The suggested timeline appears adequate for the IRP process. However, given the importance of public involvement and input in CETA, the rules should provide additional guidance to utilities for minimum requirements regarding public and stakeholder involvement in the IRP development stage. The rules should also have a clear process outlined for how stakeholders and the public will engage in the formal IRP process at the UTC. The purpose of the public involvement process should go beyond utilities presenting information to transparent sharing of analyses that incorporate public feedback. The process should establish guidelines that make it clear that the process intends for involvement, collaboration and meaningful consultation that influences outcomes.

One useful tool to consider is the International Association for Public Participation's (IAP2) Public Participation Spectrum.⁶ Current IRP processes tend more toward the inform/consult end of the spectrum, where we recommend a process that moves toward the involve/collaborate categories.

For this reason, the Coalition recommends changing the threshold for utility public participation processes to "involve" rather than "consult" – as reflected in the attached redline.

3. *Please describe:*

a. *An ideal timeline on when a utility files an IRP and a CEIP;*

The Coalition recommends that the draft CEIP should be filed one month after IRP acknowledgment, with a three-month discovery and comment period, followed by the filing of a final CEIP for Commission approval.

b. *The relationship between an IRP and a CEIP;*

The Coalition views the CEIP as a specific plan for how the utility will comply with CETA requirements. A fully informed IRP analysis, including the 10-year Clean Energy Action Plan (CEAP), will determine the resource decisions related to CETA, however, other aspects of

⁶ https://c.ymcdn.com/sites/www.iap2.org/resource/resmgr/foundations_course/IAP2_P2_Spectrum_FINAL.pdf

CETA compliance, such as the specific identification and determination of alternative compliance mechanism utilization, will need to be made after the resource planning determinations. The Coalition also views the CEIP as the appropriate place for the utility to identify whether it will utilize the cost-cap provisions in 19.405.050 (3)(a) and to provide any related analysis and justification for such use. This analysis and justification may also rely on IRP analysis.

Every four years each utility must develop and submit to Commerce a CEIP that sets interim targets that will need to be attained in order to meet the 2030 and 2045 standards on time and what specific actions will be taken to meet the interim and 2030/2045 targets. For the public to understand these plans, each utility must include full data on historic performance under median water conditions, which will need to be defined, and provide full and transparent data and explanations of any calculations and methodologies used in the planning process.

Rules should be clear that specific targets for energy efficiency, demand response and renewable energy are required in each CEIP and these targets should be stated in terms of MW or MWh, so that progress on achieving those specific targets can be measured and evaluated.

Any alternative compliance actions proposed or taken must be fully described; the amount of penalty paid should be fully explained as to amount and multiplier based on non-compliant resource; RECs must be documented as to amount, source and type and retired (see above), and alternative compliance actions must document the emissions conversion factor (or the default factor) for the ETP, the expected “life span”, provide third party verification that the measure is “real, specific, identifiable, quantifiable, verifiable, and explain how the measure or action is associated with consumption of energy in Washington and would not have occurred without this specific funding” and complies with RCW 19.405.040(6)(a).

Subsequent to the first CEIP, each CEIP should report how the utility actually met (or did not fulfill) the elements of the previous CEIP and why, in a manner similar to how utilities currently report in their planning how they intend to meet the requirements of the EIA and then how they actually met the requirements, to account for changes in contracts, pricing and other factors.

c. How the CEAP in the IRP will inform the CEIP.

The CEAP is a part of the IRP analysis, and by statute is a ten-year planning section. We anticipate that the CEIP planning horizon may need to look 20 years or more into the future in order to fully inform cost and risk for the specific four-year implementation actions, and consequently see the CEIP as relying on the entire IRP, not solely on the CEAP section of the IRP.

4. The discussion draft proposes holding a public hearing on the draft IRP rather than the final IRP, as has been the Commission’s historic practice. One benefit of this proposal is that the utility could make changes to its final IRP based on the feedback it receives from its stakeholders and the public.

a. Should the Commission move the public hearing to a date between the utility’s submission of its draft IRP and the final IRP? Is there any other point in time that public

comment hearings are most beneficial to public engagement?

Ensuring extensive public participation in the UTC IRP process is critical. There are several stages where the Commission should provide clear rules and guidance to the utility to facilitate adequate public engagement.

I. IRP development stage (15 months). Utilities should be required to have an IRP advisory group that they actively engage and involve in decision-making throughout the IRP development process. Rules should clearly state expectations for this stage.

II. Utility files draft IRP (3 months). The UTC should ensure enough process after the filing of the draft IRP to allow full vetting and examination by UTC staff and stakeholders including requests for additional data sources, model runs, methodology and/or assumption changes, etc. We agree that a public hearing after the filing of the draft IRP, but prior to the final IRP, is critically important. This should be accompanied by an opportunity to submit written comments. The public hearing and comment deadline should be held enough in advance to provide the utility time to incorporate both written and verbal feedback in the final IRP filing.

Ideally, at this point in the process, a utility has already gone through considerable public process during the development of the draft IRP. If this was done successfully, the process burden at the UTC should be considerably less than under a scenario where the utility has conducted a less robust public participation process.

However, the rules should be written providing flexibility to the Commission to make determinations if in certain circumstances additional public hearings, or public workshops, need to be held.

III. Utilities file final IRP (2 weeks). The Coalition recommends that the Commission also hold a hearing two weeks after the final IRP is filed. The utility, or UTC staff, should be required to summarize stakeholder and public input received through public meetings and written comments at a hearing regarding the final IRP so that input is clear prior to a UTC decision regarding an IRP. A hearing provides stakeholders and the public a chance to provide perspectives regarding how well the utility incorporated feedback throughout the process. Written comments should also be encouraged on the final IRP prior to Commission acknowledgement.

b. Given the integration of the IRP, the CEAP, and the CEIP, is there any other point in time that public comment hearings are most beneficial to public engagement?

There should be a very focused public comment period on the CEIP, as the CEIP is an enforceable document.

5. Draft WAC 480-100-615(2) states that a utility must file a draft of its integrated resource plan four months prior to the due date of the final plan. Are there requirements in WAC 480-100-610 that are not necessary or which reduce a utility's flexibility in their preparation of a draft IRP?

No.

6. *Historically, the Commission has used an acknowledgment letter with comments to affirm that the utility has met the legal and regulatory requirements for filing an IRP. Given the advent of the CEIP, which is informed by the IRP and approved by the Commission, should the Commission consider a different type of response to an IRP, including but not necessarily limited to a compliance letter, an acknowledgment letter with comments, or Commission approval? Please explain your reasoning.*

We recommend maintaining the current practice. The detailed acknowledgement or non-acknowledgment and the accompanying letter from the Commission should be useful for the utilities in drafting the CEIP, as well as their next IRP.

Equitable Distribution of Benefits

Engrossed Second Substitute Senate Bill 5116 directly and indirectly modifies the IRP in two primary ways, as described below:

- *Section 14(1)(k), now codified as RCW 19.280.030(1)(k), directly amends the IRP statute to add an assessment of “energy and nonenergy benefits and reductions of burdens to vulnerable populations and highly impacted communities; long-term and short-term public health and environmental benefits, costs, and risks; and energy security and resiliency.”*
- *Section 4(8), now codified as RCW 19.405.040(8), requires utilities to “ensure all customers are benefiting from the transition to clean energy: Through the equitable distribution of energy and nonenergy benefits and reductions of burdens to vulnerable populations and highly impacted communities...” Section 14(1)(l) amends the IRP statute by requiring a CEAP, which is a part of the IRP, to “implement sections 3 through 5 of this act...” Sections 3 through 5 include Section 4(8).*

7. *Should the requirements for assessments in RCW 19.280.030(1)(k) and the requirements to ensure all customers benefit in RCW 19.405.030(1)(k) be connected in Commission rules? If so, how might this integration work?*

Yes, utilities should analyze and demonstrate how customer subsets are benefiting from utility programs and, in particular, that vulnerable populations and highly impacted communities are benefiting from the transition to clean energy. We recommend the rules require utilities to establish objectives, goals and metrics to measure of progress toward the goals – all related to each element defined in the section (equitable distribution of energy and non-energy benefits; reductions of burdens to vulnerable populations and highly impacted communities; long-term and short-term public health and environmental benefits and reduction of cost and risk; and energy security and resiliency). This could take place within the context of a utility’s clean energy implementation plan (CEIP), but we are open to other implementation pathways.

The process-oriented approach recognizes that the exact compliance pathway will depend on the situation of each utility and the needs of its customers.

For example, the requirement that every CEIP set specific targets for Energy Efficiency (EE), Demand Response (DR) and Renewable Energy (RE) provides one potential way to address

equity – for example in this instance, each plan could describe the equity component of how EE will be targeted, how DR measures will be encouraged and targeted across a service area, and how renewables, such as community solar, might be used to target particular neighborhood services and benefits.

The rules should require that any approach should be open, transparent and include meaningful participation and influence by stakeholders and utility customers.

Additionally, in other dockets, the Coalition has recommended the Commission provide direction to utilities regarding regulatory reforms toward performance-based regulation. We see the development of metrics related to this subsection of CETA as directly relevant to the conversation around performance-based incentive mechanisms in ratemaking and encourage the Commission to explore how the two items might be complimentary to each other.

8. *What types of information should a utility provide in its IRP to document that the utility is ensuring all customers are benefitting from the transition to clean energy?*

See above recommendation for the establishment of metrics.

9. *What level of guidance do utilities need from the Commission to implement the equitable distribution of benefits in the IRPs?*

a. *How should the Commission guide the type of information included in the utility's assessment (e.g. rule, policy statement, or some other method)?*

We recommend that the Commission establish a minimum approach and process in rule (in conjunction with the Department of Commerce, which is developing rules for the Consumer Owned Utilities).

It may also be valuable for the Commission to issue a policy statement with more detailed recommendations. In particular, a policy statement might be particularly useful for the topic of regulatory reform and how the requirements for this section might be integrated into performance-based regulation.

b. *How should the Commission guide how utilities incorporate the assessment into the IRP (e.g., rule, policy statement, or some other method)?*

Through rule, potentially with an accompanying policy statement that provides greater detail.

10. *RCW 19.280.030(9) prohibits using IRPs as a basis to bring legal action against electric utilities. That is, an IRP cannot be adjudicated before the Commission. Considering this statutory prohibition, where and when should a utility report compliance ensuring all customers are benefitting from the transitions to clean energy?*

The utility should report compliance ensuring all customers are benefitting from the transitions to clean energy in the Clean Energy Implementation Plan.

Content of the IRP

11. *In the portfolio analysis and preferred portfolio section of draft WAC 480-100-610(11), should the Commission include criteria in the narrative explanation in addition to those listed in subsections (a) through (f)?*

The Coalition is providing a redline of the proposed WAC sections that provides answers to this question. In addition to those suggestions, we have the following high-level recommendations for this section.

- 1) Market analysis – including price forecasts and the relationship between market purchases and resource acquisition are an important component of the IRP analysis, but we do not see where this is incorporated into the draft rules. We recommend adding this into the IRP content section in a way that reflects best practices for utility planning.
- 2) We recommend integrating energy storage as a more prominent resource, distinct from distributed energy resource and generating resource. While some storage may belong in the distributed energy resource category, other storage resources, such as pumped storage, do not fit in that definition.
- 3) We recommend the social cost of greenhouse gas emissions be explicitly required as part of the avoided cost calculations.

12. *Should the Commission provide more specific guidance in these rules on how and where a utility incorporates the social cost of greenhouse gases? See draft WAC 480-100-610(6) and WAC 480-100-610(12)(j). Why or why not?*

Yes, for consistency across utilities, to be able to compare data across the years for a particular utility, and to ensure a common methodology that adequately reflects the intent of this CETA requirement. We anticipate providing more specific recommendations regarding social cost of greenhouse gas rules after the joint workshop in January.

13. *The draft rules mirror statutory language requiring utilities to assess resource adequacy metrics and identify a specific metric to be used in the IRP, but the draft does not provide any specific guidance to utilities. See draft WAC 480-100-610(7), (8), and (12)(d).*

a. *Should the Commission address resource adequacy metrics in rule by identifying the scope of allowed metrics or identifying the specific metric utilities should use? Alternatively, should the Commission allow utilities the flexibility to change their resource adequacy requirement to meet current best practices without going through a rulemaking? Please explain why one method is preferred over the other.*

The Coalition supports consistent standards for resource adequacy be established by rule to ensure consistency across the regulated utilities. Resource adequacy standards should account for the full capacity value of renewables (e.g. by using effective load carrying capacity) and also ensure that the rules account for the resource adequacy benefits of diverse resource portfolios that include distributed energy resources, flexible demand approaches and other elements that contribute to a balanced electrical system, rather than being focused on individual resources.

Definitions of and approaches to resource adequacy are currently evolving given the changes to the utility system, diversity of resources, and other current day challenges such as grid resiliency to wildfire and other events. Therefore, we recommend that in addition to a rule that establishes a common framework, the Commission provide a more detailed policy statement with guidance to utilities, which can be updated as methodologies and approaches evolve.

b. If the Commission does not establish specific guidelines in rule, it is possible different utilities will use different resource adequacy metrics, which may make effective comparisons among utilities more difficult. If not by rule, should the Commission provide more specific guidelines through another process, such as a policy statement?

See above. A policy statement that can be updated over time will provide the best means to ensure utilities are utilizing common adequacy metrics that reflect current best practices.

14. Should the Commission provide additional guidance regarding cost-effective demand response and load management? See WAC 480-100-610(2)(b) and (12)(e).

Yes. One of the core requirements of CETA is that every utility must reduce or manage the overall load through cost effective, reliable and feasible conservation, energy efficiency and demand response measures. This requirement in CETA is specifically prior to the requirement to achieve 100% clean energy to meet demand. This resource order has particular importance for the intent of the CETA legislation.

Energy efficiency and demand response are unique resources in that they must be acquired in the utility service territory where they are present and can not be acquired by other utilities for use in their service area directly if the opportunities are located in a different utility's service area. Individual utility acquisition of these resources helps maximize the use of other clean energy resources that are used and marketed throughout the state (and the Pacific Northwest region). This is the one of the core underlying principles for these utility specific demand-side requirements in CETA.

Regarding energy efficiency methodology, the law is clear that the methodology used to meet CETA conservation and energy efficiency requirements is the same as the methodology used for the EIA for utilities subject to those requirements.

While energy efficiency addresses load in general, demand response (DR) measures look to reduce peak loads and must also be planned for and implemented before new energy resources are acquired (RCW 19.405.040(6)(a)). Everyone benefits from reductions of peak loads, and DR should be encouraged at the front end along with conservation and not added as an afterthought, after generation resources are determined.

We are very concerned about the lack of utility progress in the area of demand response at the present time, and believe that Commission guidance would be beneficial in ensuring that utilities significantly increase their efforts in this area. One place to start might be by providing guidance on how to evaluate the "cost-effectiveness" of demand response and any other factors that need

to be considered when evaluating the merits of various flexible demand/demand response programs or measures.

The rules covering this section will need to call for total transparency in data, methodologies, calculations, descriptions of decision considerations/assumptions and RFPs to ensure outcomes can be audited.

15. Draft WAC 480-100-610(12) includes a requirement for utilities to identify in the IRP the CEIP's four-year energy efficiency, demand response, and renewable energy goals in the CEAP. This is the only listed requirement of a CEAP that is not in statute. Is it necessary and appropriate for the utility to identify proposed four-year CEIP targets in the CEAP?

Yes. The energy efficiency, demand response and renewable energy goals in the IRP, and the CEAP section, should inform and be consistent with the four-year CEIP targets.

Thank you for the opportunity to submit comments.

Sincerely,

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Policy Director

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