

**CR-102 DRAFT RULE - COMMENTS SUMMARY AND COMMISSION RESPONSE**  
**to Comments Received on January 28, 2010, and at the February 25, 2010, Adoption Hearing**  
**PURPA Rulemaking on Energy Independence and Security Act of 2007 (EISA)**  
**Docket U-090222**

**State Consideration of Smart Grid**

*Part A*

(18) CONSIDERATION OF SMART GRID INVESTMENTS—

(A) IN GENERAL.—Each State shall consider requiring that, prior to undertaking investments in nonadvanced grid technologies, an electric utility of the State demonstrate to the State that the electric utility considered an investment in a qualified smart grid system based on appropriate factors, including—

- (i) total costs;
- (ii) cost-effectiveness;
- (iii) improved reliability;
- (iv) security;
- (v) system performance; and
- (vi) societal benefit.

<b>COMMISSION RESPONSE</b>	<b>COMMENTS</b>
<p>We agree with Avista Utilities’ (Avista) and Puget Sound Energy’s (PSE) general comments that the rule should consider SGD and SGIG. The rule requires reporting on a utility’s smart grid projects. We also view the rules as providing an educational opportunity for the Commission as well as serving additional purposes.</p>	<p>The Commission received written comments from Avista and PSE on its CR-102 Draft Rule.</p> <p>Avista suggests that it is important to consider the activities under the Smart Grid Demonstration Projects (SGDG) and Smart Grid Investment Grant Program (SGIG). Avista states that smart grid is a strategy to incorporate into the planning process rather than a technology. Avista also restates its interest in seeing the reporting rules serve an educational role.</p> <p>PSE also believes it is important to consider the SGD and SGIG activities and lists some of the smart grid developments on the national level.</p>

<b>COMMISSION RESPONSE</b>	<b>WAC 480-100-505 (2)(a) COMMENTS</b>
<p>We are not persuaded that it is necessary for our definition of “smart grid function” to mirror the federal definition. The definition of these functions is an evolving term within the industry and does not yet have a consistent meaning among users in all circumstances. Some definitions in the proposed regulation may overlap with definitions of other functions and actions in the utility industry. While perhaps unavoidable, the overlap is not consequential to the purpose of the rule to provide for reports on the status and potential of the emerging smart grid technologies. PSE has presented no compelling reason that our definition must align perfectly with the current definition chosen by the federal government. We are not persuaded that the language as proposed should be altered to avoid any possible overlap in definitions or to conform to any current federal definition.</p> <p>Turning to PSE’s suggestion regarding “power quality,” we note that the proposed rule includes the phrase “improve reliability.” This concept is sufficiently broad to include consideration of power quality. Consequently, PSE’s suggested addition is not necessary.</p> <p>PSE’s suggestion to remove the phrase “from customer-owned power facilities” in (2)(a)(viii) would result in a broad definition that is already addressed in (iv). The intent of the reporting requirement is to include information concerning smart grid functions that might be used to help integrate and manage customer-owned power facilities.</p> <p>PSE’s recommended modification to Section 2(a)(vi) provides greater clarity without changing the meaning of</p>	<p>Avista reiterates that it considers smart grid a “system of systems” rather than a separate definable “function.”</p> <p>PSE states that the smart grid definition in the rule still does not align entirely with the federal definition in EISA 2007. PSE proposes specific language for part (2)(a)(vi),(vii) and (viii). PSE is also concerned that some smart grid functions in the rule may already be covered under the definition of conservation.</p>

<p>the section. Therefore, we adopt this PSE recommendation. Finally, the reporting requirements as proposed are sufficiently broad enough to include Avista’s concept of smart grid as a “system of systems.”</p>	
<p><b>COMMISSION RESPONSE</b></p>	<p><b>WAC 480-100-505 (2)(b) COMMENTS</b></p>
<p>PSE’s suggestion to add a cost-effectiveness test to the definition of smart grid project, while well-intentioned, is unnecessary. The proposed definition includes the phrase “a project designed to test the feasibility of smart grid technologies or customer acceptance of such.” This phrase encompasses cost-effectiveness. The objective of the reporting rule is to provide information gained from smart grid projects, so we can see no reason at this early stage for the rule to state as a general conclusion that smart grid projects may not be cost-effective.</p> <p>We disagree with Avista’s contention that reporting on smart grid projects is unnecessary. The reports anticipated in the early years of smart grid technologies will give the Commission a better understanding of the importance of these technologies to the future of electrical service in the state of Washington.</p>	<p>Avista does not support the need to single out pilot activities. It asserts that pilot projects would function as a testing of new technologies for the purpose of lowering the future cost of implementing the smart grid technologies. Avista proposes some language for (2)(b) defining smart grid pilot.</p> <p>PSE suggests that the rules recognize that smart grid pilots will not be cost effective in-and-of themselves but lead to lower cost implementation of smart grid. PSE proposes a definition of smart grid pilot that reflects this concept.</p>
<p><b>COMMISSION RESPONSE</b></p>	<p><b>WAC 480-100-505 (2)(c) COMMENTS</b></p>
<p>We agree that smart grid technologies should properly include technologies that can enhance development of distributed generation and products and programs on the customers’ premises. PSE’s suggested additional language is not necessary as “enabling customer products and program” is within the broad scope of definitions of the rule as written.</p>	<p>PSE states that the definition in the proposed rule may not include enabling customer products and programs behind the meter or enabling distributed generation and suggests language that explicitly includes it.</p>

<b>COMMISSION RESPONSE</b>	<b>WAC 480-100-505 (2)(d) COMMENTS</b>
<p>Section 2(d) does not limit the reporting requirement to smart grid technology for which the utilities have both an evaluation <i>and</i> an implementation plan. PSE’s interpretation is not correct. Electric utilities must report on any smart grid technology that has been evaluated, whether accepted or rejected, is under current evaluation, or is the subject of an implementation plan.</p>	<p>PSE states that it interprets the language to mean that the utility is only required to submit a report describing smart grid technologies that it has both implementation plans for and an evaluation of.</p>
<b>COMMISSION RESPONSE</b>	<b>WAC 480-100-505 (3) COMMENTS</b>
<p>The reporting rule as written is a prospective requirement intended to provide the Commission and the public with a timely forward look at a fast developing group of technologies. The proposed schedule allows for utilities to report both on projects they are undertaking and projects they have completed. We find that the public interest is best served by retaining the September 1, 2010, reporting date.</p>	<p>In light of the SGIG and SGDG projects, Avista suggests that it would be premature to have the first report due in 2010 and suggests the first report not be due until September 1, 2011 and that the subsequent reports be in 2014 and 2017 at which time the reporting rule would sunset.</p>
<b>COMMISSION RESPONSE</b>	<b>WAC 480-100-505 (4)(a) COMMENTS</b>
<p>The term “full evaluation” does not appear in Section 4(a) of the proposed regulation. The intent of the reporting requirement is to include technologies the utility may be considering that are not yet fully commercially available. In fact, we intend the rule to be interpreted broadly and see it as requiring electric utilities to report both on technologies that are considered for integration into the utility’s system and to report on smart grid technologies the utility has considered even when its evaluations were brief.</p> <p>We interpret the rule to provide sufficient latitude to allow a utility to use its smart grid road map as a frame work for the report, as Avista suggests.</p>	<p>Avista suggests that smart grid technologies the utility has considered should be in the context of its intended use to improve the real-time grid operations that meet smart grid concepts for the “modern grid.” Avista states that it will use its road map to provide a vision for smart grid improvements.</p> <p>PSE suggests the inclusion of “commercially available” helps refine the focus of the report. PSE states that it interprets the language in (4)(a) as only requiring it to submit a report describing smart grid technologies that it has both implementation plans for and an evaluation of. PSE also reads section (4)(a)(i)-(x) to require only the reporting of details that the utility has both considered and evaluated.</p>

<b>COMMISSION RESPONSE</b>	<b>WAC 480-100-505 (4)(b) COMMENTS</b>
<p>We do not see the need to align the smart grid reporting requirement to the integrated resource plan. Indeed, PSE submitted comments opposing a smart grid planning requirement similar to the IRP rules. We decline to adopt PSE’s suggested language and reiterate that our intent is for the reports to focus broadly and prospectively on technologies and applications the utility has considered, whether those technologies are mature or still in development.</p>	<p>Avista reiterates its cautionary statement that regulatory mandates, such as security, may require expenditures related to smart grid that are not cost-effective.</p> <p>PSE suggests the inclusion of “commercially available” to refine the focus of the report on mature technologies that will be able to deliver value and is more closely aligned to existing integrated resource planning rules.</p>
<b>COMMISSION RESPONSE</b>	<b>WAC 480-100-505 (4)(c) COMMENTS</b>
<p>The rule neither limits nor requires a utility’s future actions. Indeed, it is our expectation that utilities will continually evaluate plans for smart grid projects and to consider new opportunities that may prove more efficient and more appropriate than plans previously included in a smart grid report. We conclude that PSE’s recommended language is unnecessary.</p>	<p>PSE restates its concern that a utilities timelines and plans should not proscribe the actions during that planning horizon or that the lack of plans should limit the utilities actions.</p>
<b>COMMISSION RESPONSE</b>	<b>WAC 480-100-505 (4)(d) COMMENTS</b>
<p>The rule neither limits nor requires a utility’s future actions. Indeed, it is our expectation that utilities will continually evaluate plans for smart grid projects and to consider new opportunities that may prove more efficient and more appropriate than plans previously included in a smart grid report. We conclude that PSE’s recommended language is unnecessary.</p>	<p>PSE believes the language should not preclude the implementation of technologies not initially mentioned in previous reports.</p>

<b>COMMISSION RESPONSE</b>	<b>WAC 480-100-505 (8) (as proposed by commenters) COMMENTS</b>
<p>The Commission’s regulations at WAC 480-07-160(2)(a) already address the protection of confidential information. There is no need to explicitly reference the regulation in this new rule.</p>	<p>Avista and PSE repeat their need to have RCW 42.56.420 available for use to request an exemption from disclosure.</p>
<b>COMMISSION RESPONSE</b>	<b>WAC 480-100-505 (9) (as proposed by commenters) COMMENTS</b>
<p>The purpose of the rule is to provide for reports that will inform the Commission and the public about how utilities have considered, are evaluating, and are planning to integrate smart grid technologies. A utility will, as always, bear the burden of showing that its actions and investments are prudent when those actions and investments are reviewed in a rate-making context. The information contained in smart grid reports required by the rule may be relevant in such reviews, but plans discussed in the reports neither limit nor require a utility’s future actions. The added language suggested by PSE and Avista is unnecessary.</p>	<p>PSE and Avista suggests rule language that a utility shall not be subjected to “any penalties” for failing to implement smart grid technologies that it said it would in previous reports.</p>
<b>COMMISSION RESPONSE</b>	<b>WAC 480-100-505 (10) (proposed by commenters) COMMENTS</b>
<p>Our discussion above makes clear that the purpose of the smart grid reports is to provide information. The reports neither limit nor require particular utility actions or investments. Similarly, in other sections, our rules require utility’s to file information regarding such matters as annual operating costs WAC 480-100-257 and reliability statistics and plans WAC 480-100-398. The utilities are obligated to comply with these filing requirements, but there is no need, absent a complaint from Commission staff or another party, for the Commission to determine formally whether each such filing complies with the relevant requirement. Avista’s proposal might be appropriate if the</p>	<p>Avista suggests that the Commission should explain what actions it will take with the report after the compliance filing is made.</p>

<p>smart grid reports were intended to determine definite utility actions, but that is not the case. We see no need for the rule to require formal determination of compliance.</p>	
<p><b>COMMISSION RESPONSE</b></p>	<p><b>COMMENTS AT ADOPTION HEARING</b></p>
<p>The Commission considers cost-effectiveness an important ingredient in an analysis of smart grid and includes it in the reporting requirements to the extent a utility has performed the analysis.</p>	<p>Public Counsel stated their support for the inclusion of a requirement to report any cost-effectiveness analysis the utility may have done on smart grid technologies.</p>