



U-240281

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Jeff Killip
Executive Director and Secretary
Washington Utilities and Transportation Commission 621 Woodland Sq. Loop SE Lacey,
Washington 98503

**Re: U-240281, Renewable Northwest and Climate Solutions' Fourth Set of
Comments on the Rulemaking required to implement ESHB 1589**

Dear Jeff Killip,

On May 10, 2024, the Washington Utilities and Transportation Commission (Commission) filed with the Code Reviser a Preproposal Statement of Inquiry (CR-101) to engage in a Commission rulemaking required to implement ESHB 1589 (Chapter 351, Laws of 2024). On September 20, 2024, the Washington Utilities and Transportation Commission (Commission) issued a Notice of Opportunity to File Written Comments on the draft rule language. The Commission also announced a Notice of Workshop for October 25, 2024, to discuss the draft rules.

Renewable Northwest, Climate Solutions, and NW Energy Coalition appreciate the opportunity to file comments on the draft rules. Renewable Northwest is a non-profit advocacy organization that works to decarbonize the region by accelerating the transition to renewable electricity. Renewable Northwest has approximately 90 member organizations that include renewable energy developers and manufacturers, as well as consumer advocates, environmental groups, and other industry advisers. The common goal of Renewable Northwest's members is for every home, business, and vehicle in the Northwest to be powered by renewable, affordable, carbon-free electricity. Climate Solutions is a Northwest-based clean energy nonprofit advocacy organization with the mission of accelerating clean energy solutions to the climate crisis. The Northwest has emerged as a center of climate action, and Climate Solutions is at the center of the movement as a catalyst, advocate, and campaign hub. NW Energy Coalition is an alliance of over 100 environmental, civic and human service organizations, progressive utilities, and businesses. NW Energy Coalition works to advance clean, equitable, and affordable energy

policies in Washington, Oregon, Idaho, and Montana that center community needs and benefits and preserving the region's natural resources.

The Commission Staff's first draft rules draw heavily from the Commission's current electric integrated resource plan rules. Commission Staff then cross-checked the electric IRP rules with the gas utility IRP rules and added new requirements from 80.86 RCW that it determined were relevant.

We recognize that the electric integrated resource planning rules will be helpful for developing Integrated System Planning rules. The electric IRP rules were developed after the passage of the Clean Energy Transformation Act (CETA) in 2019 and require electric utilities to meet state clean electricity requirements and provides necessary direction to the electric utilities for demonstrating the equitable distribution of energy benefits and burdens. We also recognize that Staff's intention was to layer the gas-specific and 80.86 RCW requirements on top of the existing electric integrated resource planning rules.

We understand that the proposed rules are a first draft, and the Commission expects to improve upon them over the course of the rulemaking. There are several areas in need of improvement. Most notably, the draft rules do not sufficiently capture the interaction between the gas and electric systems, nor how the rules integrate the large combination utility's requirements to meet the standards identified in Chapter 173-446 WAC, the Climate Commitment Act. To that end, we recommend redrafting the rules to more fully and thoughtfully integrate the large combination utility's gas and electric systems with specific attention to meeting all applicable laws. Our comments include specific recommendations. We also discuss several other key issues and provide suggested edits for improvement.

1. The draft rules need to explicitly require the large combination utility to capture the dynamic interactions between the gas and electric systems.

The Commission's rules need to explicitly require the large combination utility to capture the dynamic interactions between the gas and electric systems as the utility optimizes its electric and gas portfolios to meet its customer demand, regulatory requirements, and decarbonization requirements. Without explicit guidance for the utility to capture the dynamic interactions between the systems, there is a risk that the utility will rely on simplified, generic assumptions that lead it to identify portfolios that are not the lowest reasonable cost across the two systems.

In ESHB 1589, the legislature found that to meet the state's greenhouse gas limits in the energy sector, more utility resources must be directed toward achieving decarbonization of

residential and commercial heating loads and other loads that are served with fossil fuels, while continuing to protect all customers, but especially low-income customers, vulnerable populations, highly impacted communities, and overburdened communities. The legislature further found that this requires a thoughtful transition and thus required large combination utilities to conduct integrated system planning to develop specific actions to support gas system decarbonization, electrification, and a reduction in the gas rate base. The legislature clearly envisions a future in which the gas-portion of the large combination utility is smaller than it is today; ESHB 1589 includes requirements for low-income electrification readiness and electrification programs. This is further supported by the legislature's authorization for the Commission to approve a proposal to merge the large combination utility's gas and electric operations into a single rate base.¹

When a customer converts their heating needs from gas-to-electric, there are numerous impacts to both the gas and electric systems including:

- A decline in gas demand,
- An increase to electric demand,
- A decreased need for gas supply and gas capacity contracts,
- An increased need for electric power and capacity,
- A decreased need for gas distribution and transmission investments,
- An increased need for electric distribution and transmission investments,
- A decrease to the cost of compliance for the gas portion of the business with Climate Commitment Act compliance, and
- An increased need for clean electricity resources.

The size of the impact to the gas and electric systems depends on a myriad of factors including the type of gas end-use equipment that is being abandoned, the type of end-use equipment the customer adopts, the location of the customer, and if that customer's electric demand is part of a load management program.

The large combination utility needs to make decisions on which investments and programs can help it achieve its decarbonization, energy, and equity requirements. For example, building electrification is likely to be a significant component of the utility's pathway for its gas business compliance with the Climate Commitment Act. In its ISP, the utility should be examining various levels of electrification as compared to other compliance options. This ISP assessment should be dynamic. If the utility were to increase the size of the electrification portfolio, we would expect to see an impact to the need for electric energy and capacity, as well as a corresponding decrease to gas demand, gas

¹ RCW 80.86.060(2).

utility compliance costs with the Climate Commitment Act, gas supply costs, and gas distribution system costs. If the utility's assumptions about gas demand, gas supply needs, compliance costs with the Climate Commitment Act, or the gas distribution system costs are static, and do not change based on the level of electrification in a portfolio, then the utility will not be accurately identifying the costs and benefits of that portfolio.

Finally, the large combination utility should be conducting an assessment on how rate impacts to individual customers over the planning horizon influence those customers' energy services decision making, and the potential resulting impacts to both the electric and gas systems. This is a particularly important issue when modeling scenarios with high levels of building electrification. IRPs typically only compare the total system costs of competing portfolios. But the ISP is likely to model scenarios with drastically different levels of gas customers in the future. If the utility ignores the individual rate impacts to customers, its analysis could lead to absurd outcomes that do not reflect a plausible future. This is not a theoretical problem but one that has occurred elsewhere in the country.

In May 2024, National Grid filed its Initial Gas System Long-Term Plan before the New York Public Service Commission.² The Long-Term Plan included three scenarios, a Reference Case, the Clean Energy Vision Case, and the Accelerated Electrification Scenario. While the Reference Case and Clean Energy Vision Scenarios include no or modest building electrification, the Accelerated Electrification Scenario assumes 95% of residential buildings and 99% of commercial buildings disconnect from the gas distribution system by 2050. For one segment of its system (KDNV) National Grid found that over the planning horizon, the CEV scenario had a NPV of negative \$37,983 and a societal cost test ratio at 0.60, relative to the Accelerated Electrification's NPV of negative \$56,705 and a ratio of 0.51.³ However, the Accelerated Electrification Scenario has far fewer customers, and when we examine the average residential bill impacts by scenario, it is clear that the results are unrealistic. For the Accelerated Electrification Scenario, National Grid found that the average KDNV residential monthly bill would be \$323/mo by 2030, \$526/mo by 2035, \$911/mo by 2040, \$1,558 by 2045, and \$5,781/mo by 2050.⁴ It is difficult to believe that many, if any, residential customers would remain connected to the gas delivery system beyond 2035 if they were paying \$526/mo for gas, much less \$5,781/mo in 2050. At some point, the customer would convert to an alternative source of energy for heating. Although this example is extreme, it reflects the need for the large combination utility to assess

² National Grid Initial Gas Long Term Plan 2024, Case 24-G-0248. Available at: [https://ngridolutions.com/docs/24-G-0248-National-Grid-Gas-Long-Term-Plan\(05-31-2024\).pdf](https://ngridolutions.com/docs/24-G-0248-National-Grid-Gas-Long-Term-Plan(05-31-2024).pdf)

³ National Grid Initial Gas Long Term Plan 2024, Case 24-G-0248, Page 195.

⁴ National Grid Initial Gas Long Term Plan 2024, Case 24-G-0248, Page 189.

potential rate impacts to its customers to assess the reasonableness of the portfolio, and to modify its approach if it finds the outcomes are unrealistic.

We understand that the legislature's charge to the large combination utility and the Commission is challenging, and we are unaware of another state and utility undergoing a similar exercise of optimizing its gas and electric systems. We encourage the Commission to dedicate time and resources in this rulemaking to explore with the large combination utility and stakeholders these analytical challenges so as to refine the Commission's rules and inform all parties' expectations of the ISP.

Specific Draft Rule Language

Below we offer specific examples of language the Commission can include to require the utility to capture the dynamic interactions between the gas and electric systems.

- WAC 480-95-030(2) **Load forecast.** The integrated system plan must include a range of gas and electric forecasts, for at least the next 20 years, of projected customer demand that takes into account econometric data and addresses changes in the number, type, and efficiency of customer usage. The load forecasts must consider the dynamic interactions between gas and electric customer demand from, including but not limited to, changes in policy, resource costs, cost of compliance with energy and decarbonization policies.
 - WAC 480-95-030(11) **Scenarios and sensitivities.** The integrated system plan's long term section must include a range of possible future scenarios and input sensitivities for the purpose of testing the robustness of the large combination utility's resource portfolio under various parameters. Each scenario and sensitivity should account for the dynamic interactions between the gas and electric systems. The ISP must also provide a narrative description of scenarios and sensitivities the large combination utility used, including those informed by the advisory group process.
 - Delete WAC 480-95-030(11)(e) because each scenario and sensitivity, other than the scenario identified in subpart (a), should include interactions between the gas and electric systems.
- 2. The draft rules must ensure that the Integrated System Plan, Interim Targets, and Specific Actions are optimized for meeting all state energy and decarbonization policies, including the Climate Commitment Act.**

Although the draft rules make numerous references to specific CETA compliance requirements, the draft rules do not explicitly recognize the large combination utility's other state decarbonization requirements, most importantly the Climate Commitment Act. The next iteration of draft rules must better integrate the large combination utility's gas requirements, including CCA compliance, into the ISP. For example, the definition of "resource need" in the ISP is focused solely on electricity demand, rather than "customers' energy demand." Specific to CCA compliance, as shown below, we recommend that the Commission add requirement to the interim targets and specific actions that demonstrate compliance with the Climate Commitment Act.

Specific Draft Rule Language

Below we offer specific examples of how the Commission should ensure that the ISP, interim targets, and specific actions are optimized for meeting all state energy and decarbonization policies, including the CCA.

- **WAC 480-95-030(1) Purpose.** Consistent with chapters 80.86, 80.28, 19.280, and 19.405 RCW, each large combination utility has the responsibility to identify and meet its resource needs with the lowest reasonable cost mix of ~~conservation and efficiency, generation, distributed energy resources, and delivery system investments to ensure the utility provides energy to its customers that is~~ resources and investments to ensure that the utility provides energy to its customers that is clean, affordable, reliable, ~~and is~~ equitably distributed, and complies with all state energy and climate laws and regulations.
- **WAC 480-95-030(7) Resource evaluation.** The integrated system plan must include a comparative evaluation of all identified resources and potential changes to existing resources for achieving state energy laws and policies, including the clean energy transformation standards in WAC 480-100-610 and the Climate Commitment Act in 173-446 WAC, at the lowest reasonable cost The comparative evaluation must consider both gas and electric resources.
- **WAC 480-95-030(12)(a):** Achieve state climate laws and policies, including the clean energy transformation standards in WAC 480-100-610 (1) through (3) and the Climate Commitment Act in 173-446 WAC, at the lowest reasonable cost;
- **WAC 480-95-040(2) Interim Targets.**
 - (a) Each utility must propose a series of interim targets that:
 - (i) Demonstrate how the utility will make reasonable progress toward meeting the standards identified in WAC 480-100-610 (2) and (3); ~~and~~
 - (ii) Are consistent with WAC 480-100-610(4), and
 - (iii) Demonstrates compliance with state decarbonization goals including the Climate Commitment Act chapter 173-446 WAC.

- **WAC 480-95-040(6) Specific actions.** Each integrated system plan implementation section must include the specific actions the utility will take over the implementation period. The specific actions must meet and be consistent with the clean energy transformation standards and Climate Commitment Act regulations and be based on the utility’s clean energy action plan and interim and specific targets. **WAC 480-95-040(6)(d)**

(d). Include low-income electrification programs that must:

 - (i) Include rebates and incentives to low-income customers and customers experiencing high energy burden for the deployment of high- efficiency electric-only heat pumps in homes and buildings currently heating with wood, oil, propane, electric resistance, or gas;
 - (ii) Provide demonstrated material benefits to low-income participants including, but not limited to, decreased energy burden, the addition of air conditioning, and backup heat sources or energy storage systems, if necessary to protect health and safety in areas with frequent outages, or improved indoor air quality;
 - (iii) Enroll customers in energy assistance programs or provide bill assistance;
 - (iv) Provide dedicated funding for electrification readiness;
 - (v) Include low-income customer protections to mitigate energy burden, if electrification measures will increase a low-income participant's energy burden; and
 - (vi) Coordinate with community-based organizations in the gas or electrical company's service territory including, but not limited to, grantees of the department of commerce, community action agencies, and community-based nonprofit organizations, to remove barriers and effectively serve low-income customers;

- **WAC 480-95-040(7) Narrative description of specific actions.** Each integrated system plan implementation section must describe how the specific actions:

 - Demonstrate progress toward meeting the standards identified in WAC 480-100-610(2) and (3) and the Climate Commitment Act regulations in 173-446 WAC. **WAC 480-95-040(7)(g)**

(g). Demonstrate how the utility is planning to meet the Climate Commitment Act Chapter 173-446 WAC at the lowest reasonable cost including, but not limited to:

 - (i) A description of the utility's approach to identifying the lowest reasonable cost portfolio of specific actions that meet the requirements of (a) through (e) of this subsection,
 - (ii) A description of the utility’s methodology for selecting the investments and

- expenses it plans to make over the next four years that are directly related to the utility's compliance; and
- (iii) Supporting documentation justifying each specific action identified in the integrated system plan implementation section.

3. The ISP must include a forecast of gas plant by category

The draft rules should include a 20-year gas plant capital investment forecast that provides insight, at a high level, into the forecast of delivery system capital investments for each scenario or sensitivity. We are not asking for a list of individual projects. Rather, the gas plant forecast should identify gas plant investments by category type (e.g., new customer, safety, mandatory relocation, etc.) and provides an overview of the necessary investment level and potential impacts that ratepayers may experience from each of its presented scenarios.

Utility delivery system investments typically make up 40–60% of a customer’s utility bill. When determining whether to approve the ISP, the legislature instructed the Commission to consider whether the ISP “results in a reasonable cost to customers, and projects the rate impacts of specific actions, programs, and investments on customers.”⁵ To make this determination, the Commission needs to understand the large combination utility’s assumptions about the size and cost of its gas delivery system under various scenarios. Failure to include a forecast of gas plant investments will lead to incorrect totaling of the costs and benefits of the scenarios. For example, a scenario with high electrification would appear artificially more costly as compared to a scenario that includes minimal levels of electrification if the utility assumes it will need the same level of investment in its gas delivery system. Further, the utility would fail to capture the benefits that would occur in conjunction with a decrease in design-day demand. Importantly, the Commission needs to include a requirement that the gas plant forecast must be reflective of the forecasted demand for gas over the planning horizon, which in turn will incorporate the impacts of electrification.

Specific Draft Rule Language

Below we offer specific examples of language the Commission can include in its new draft rules to require the large combination utility to provide a 20-year gas plant forecast.

- **WAC 480-95-020(38) “Nonpipeline alternative”** means activities or investments or any combination of activities and investments that delay, reduce, or avoid the need to build, upgrade, or repair gas plant, such as pipelines or service lines.

⁵ RCW 80.86.020(12)(g)(iv).

- **WAC 480-95-030(6) Gas Plant Capital Investment Plan.** The integrated system plan must include a gas plant capital investment plan for each scenario and sensitivity, including:
 - (a) proposed system capital expenditures and investments by category;
 - (b) an assessment of the capability and reliability of the gas transmission and distribution pipelines, and identification of any necessary related investments including, but not limited to, replacements or upgrades that are included within the capital investment
 - (c) the location and costs of planned pipeline replacements and repairs. These costs must be presented with sufficient information about their timing, location, and impetus for the Commission and interested parties to understand how they fit into the larger context of the integrated system plan and its proposed resource and delivery system investments.
 - (d) An assessment of nonpipeline alternatives as an alternative to replacing aging gas infrastructure or expanded gas capacity. Assessments must involve, at a minimum,
 - (i) Identifying all known and planned gas infrastructure projects, including those without a fully defined scope or cost estimate, for at least the 20 years following the filing;
 - (ii) Estimating programmatic expenses of maintaining that portion of the gas system for at least the 10 years following the filing; and
 - (iii) Ranking all gas pipeline segments for their suitability for nonpipeline alternatives.
- Delete WAC 480-95-030(5)(b) as it is incorporated into new WAC 480-95-030(6).
- Delete WAC 480-95-050(1) as it is incorporated into new WAC 480-95-030(6).

4. The Electrification Potential Assessment should capture all electrification to better inform the lowest reasonable cost portfolio that best serves overburdened communities and achieves customer benefits.

The draft rules should reflect the requirements in ESHB 1589, which does not require the ISP to assess *exclusively* cost-effective electrification.

Specific Draft Rule Language

- **WAC 480-95-030(3)(b)(ii) Electrification Potential Assessment:** The integrated system plan must include an assessment of ~~cost-effective~~ electrification that encompasses the potential for geographically targeted electrification including, but not limited to, in overburdened communities, on gas plant that is fully

depreciated or gas plant that requires accelerating depreciation pursuant to RCW 80.86.060(1) for the gas plant subject to such electrification proposal;

5. Delivery System Assessment

In the delivery system assessment, the large combination utility must ensure that any necessary upgrades resulting from electrification or the integration of other resources are thoroughly accounted for and deemed technically feasible within the planning horizon. Costs associated with these upgrades should be incorporated into the electrification assumptions, avoiding reliance on technologies that are not currently available. We also encourage the Commission to explicitly prioritize demand-side resources and load management for their ability to minimize the need for incremental electric delivery system upgrades.

Specific Draft Rule Language

- **WAC 480-95-030(5) Delivery System Assessment.** The integrated system plan must provide an assessment and 20-year forecast of the availability of and requirements for regional delivery system capacity to provide and deliver ~~electricity and gas energy~~ to the large combination utility's customers and to meet, as applicable, the requirements of chapter 19.405 RCW and the state's greenhouse gas emissions reduction limits in RCW 70A.45.020.

(a) The delivery system assessment must:

- (ii) ~~take into account~~ prioritize opportunities to make more effective use of existing delivery facility capacity through improved delivery system operating practices, conservation and efficiency resources, distributed energy resources, demand response, grid modernization, nonwires solutions and nonpipeline alternatives, and other programs if applicable,

6. Data Disclosure

The ISP will consist of comprehensive analyses of the gas and electric systems, and their interactions, and will, thus, require large datasets, custom analyses, and the use of several analytical tools. To facilitate regulatory oversight and ensure that intervenor resources are efficiently allocated on such a complex issue, it is important for the process, data, and tools to be transparent, and available to intervenors to the extent possible.

In addition to the data input files being made available to the commission and interested parties in (a) native format, and (b) easily accessible format (under reasonable

confidentiality protections), there is increasing interest from stakeholders to be able to verify the utility's modeling, understand the impacts that certain assumptions have on the presented plans, and potentially provide alternative plans for the Commission's consideration. Thus, access to the modeling files, and if possible, to the models and tools used will enhance the stakeholders' ability to review the plan and make recommendations.

Specific Draft Rule Language

Below we offer specific language for improving data disclosure requirements.

- **WAC 480-95-030(15) Data disclosure.** The large combination utility must include the data input files made available to the commission in native format per RCW 19.280.030 (10)(a) and (b) and in an easily accessible format as an appendix to the integrated system plan. For filing confidential information, the large combination utility may designate information within the data input files as confidential, provided that the information and designation meet the requirements of WAC 480-07-160. The utility shall provide commission staff and stakeholders who have signed a confidentiality agreement reasonable access to the same modeling software used by the utility on equal footing as the utility.

7. Definitions

To enhance clarity and precision in these draft rules, we propose the inclusion of two definitions: “commercially available” and “commercially feasible”. The term “commercially available” should refer to resources that can currently be procured in the marketplace. The term “commercially feasible” should be defined as resources that are substantially likely, with a high degree of confidence, to become commercially available in the later years of the ISP process.

8. Public participation and procedural justice

It is vital to incorporate Tribal input into the planning processes, whether they are members or not of current or new advisory groups. These rules can help ensure that Tribal voices are heard and integrated in the ISP effectively by directing the large combination utility to reach out ahead of time to tribal governments or other tribal entities and establish clear communication channels to gather input for years to come. Engaging with Tribal communities in a meaningful way allows for the incorporation of traditional knowledge and values, fostering collaboration and mutual understanding. Prioritizing this input will enhance the effectiveness and inclusivity of the planning efforts, ultimately leading to more equitable outcomes.

It is crucial for draft rules, plans, report backs, and other materials for the ISP to be presented in a simplified and comprehensible manner to provide accessibility for a broader audience. Making documents user-friendly is essential for newer stakeholders and individuals entering the UTC space, as it enables them to understand and actively participate in the process. This emphasis on clarity not only fosters greater engagement but also embodies the principles of procedural justice, ensuring that all voices can be heard and that community-based perspectives contribute to shaping effective decision-making and investments.

Conclusion

Renewable Northwest, Climate Solutions, and NW Energy Coalition thank the Commission for the opportunity to file comments on the draft rules. The legislature charged the Commission with developing a first-in-the-country set of long-term planning rules for a combination utility that will serve as an example in other states. We appreciate the challenge of navigating the analytical and procedural complexity. We look forward to working on future iterations and engaging in technical conferences. We encourage Commission Staff to reach out if they have any questions about our comments.

Thank you,

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