Developing a Commission jurisdictional specific cost-effectiveness test for distributed energy resources incorporating CETA

Workshop #5

Docket UE-210804

Monday, December 5, 2022, at 10:00 a.m.

Virtual Workshop Reminders

- This a public workshop. The presentation will be recorded and posted.
- **MUTE your microphone when you're not speaking**
- Use chat to ask questions during the presentation
- Use chat or raise hand to speak during Q & A
- Please add affiliation to Zoom name

NSPM BCA Process
Workshop #5

Washington UTC Workshops

Jennifer Snyder, WA Utilities & Transportation Commission (UTC)
Courtney Lane, Synapse Energy Economics
Julie Michals, E4TheFuture

December 5, 2022

Today's Meeting Agenda

Introduction (5 min)

- Objectives for today's workshop

Staff Straw Proposal – Jurisdiction Specific Test (25 min)

- Clarifying questions on UTC Notice of Written Comments

Distributional Equity Analysis (DEA) (25 min)

- Review DEA framework and distinction with BCA
- New LBNL-E4TheFuture project to develop DEA guidance
- WA UTC technical assistance - LBNL

WA UTC Processes to Address Equity (20 min)

- UTC energy equity directives
- Commission guidance on equity
- Regulatory processes and forthcoming schedule for DEA with BCAs

Q&A and Next Steps (15 min)

- Review next workshop schedule and topics

Today's Speakers

Courtney Lane
Senior Associate
Synapse Energy Economics

Julie Michals
Director of Valuation
E4TheFuture
NESP Project Coordinator

Staff's Straw Proposal – Jurisdiction Specific Test

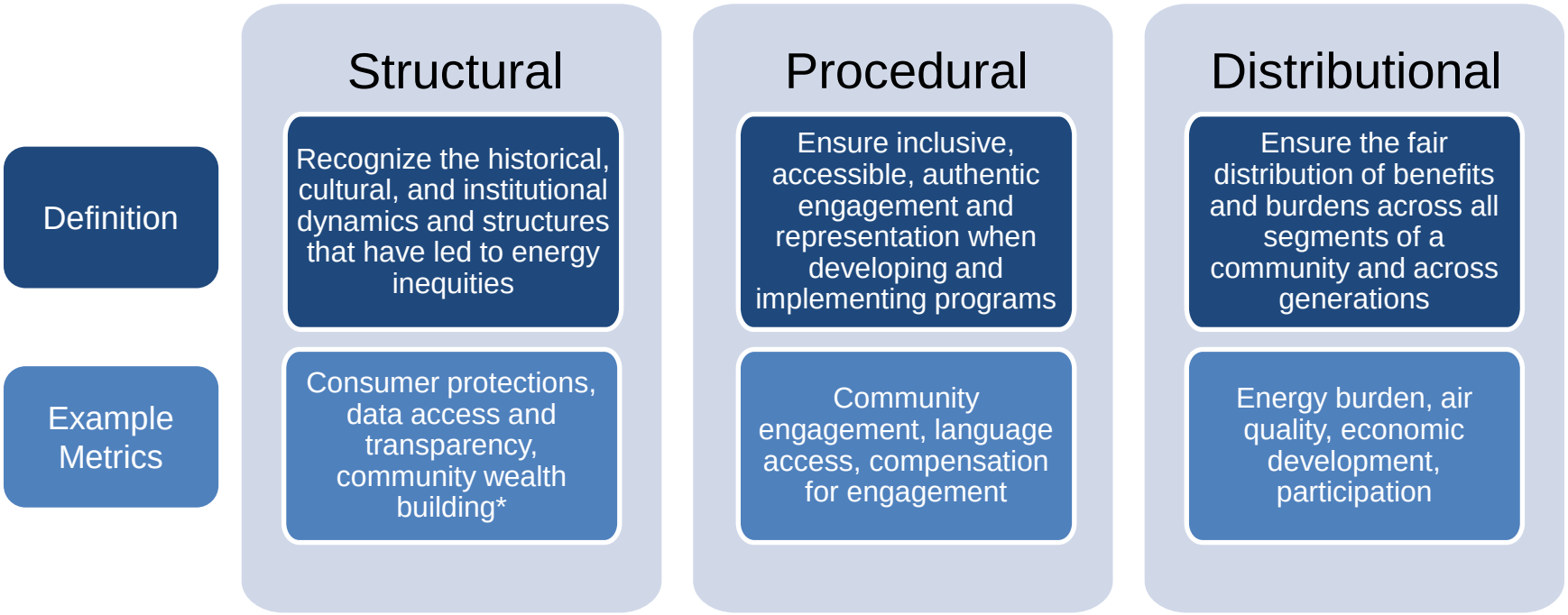
- Clarifying questions on Notice of Opportunity to Comment?

Distributional Equity Analysis – Review of Conceptual Framework

Energy Equity

An equitable energy system is one where the economic, health, and social benefits of participation extend to all levels of society, regardless of ability, race, or socioeconomic status. ***Achieving energy equity requires intentionally designing systems, technology, procedures, and policies that lead to the fair and just distribution of benefits in the energy system*.**

PNNL 2021- https://www.pnnl.gov/projects/energy-equity



- Many structural/recognition metrics, like building community wealth, don't necessarily intersect with a regulatory process.

Adapted from ACEEE's *Leading with Equity White Paper*

BCA is not designed to address equity impacts

- Does not directly address structural or procedural equity
- Is not designed to address distributional equity, because it measures impacts on average across the utility system
  - Costs – typically recovered across all customers
  - Benefits – typically a blend of avoided costs experienced by all customers
- Cannot distinguish impacts on target populations
  - Except for programs that are designed to serve only target populations (e.g., low-income programs)
- Focuses mostly on monetary results
  - But many equity metrics cannot be put into monetary terms
- Does not and should not account for rate, bill, or participation impacts
  - The Rate Impact Measure (RIM) Test combines BCA results with rate impact results
  - Making it difficult to understand either result
  - Instead, rate, bill, and participation impacts should be analyzed separately from BCAs
  - Traditional rate, bill, and participation analyses do not address target populations

Comprehensive Decision-Making Framework for DER Investments =

Benefit-Cost Analysis

Compares costs and benefits to all customers on average

Typical Metrics:

- Costs
- Benefits
- Net benefits
- Benefit-cost ratio

+

Distributional Equity Analysis

Compares impacts on target populations relative to other customers

Typical Metrics:

- Rate impacts
- Bill impacts
- Participation rates
- Energy burden
- Reliability
- Resilience
- Public health
- Other

BCA and DEA Comparison

	Benefit-Cost Analyses	Distributional Equity Analyses
Purpose	To identify which DER programs utilities should invest in or support	To identify how DER programs impact target populations relative to other customers
Questions Answered	What are the costs and benefits of a DER program across all customers or broad customer categories?	How will DER impacts accrue to target populations compared to other customers?
Impacts Analyzed	• Utility system impacts • Participant impacts • Societal impacts	• Participant and societal impacts • Rate, bill, and participation impacts • Distributional equity metrics
Example Metrics	• Costs (PV$) • Benefits (PV$) • Net present value (NPV) • Benefit-cost ratio (BCR)	Disaggregated for target populations and other customers: • Rates ($/kWh) • Bills ($/month) • Participation rates (% of eligible customers) • Energy burden (% of income spent on energy bills) Additional examples: health (ER visits), environmental impacts (PM 2.5), economic development (# of jobs)
Scope	A single BCA to assess absolute DER program impacts	One analysis for target population and another for other customers to compare impacts across groups

New Project – Develop DEA Guidance

Joint LBNL-E4TheFuture project

Purpose:

Develop a practical how-to guide on conducting DEAs, applicable to any jurisdiction.

Project Team:

Berkeley Lab

- Project manager
- Contributor to guidance document

E4TheFuture

- Lead for Advisory Committee
- Contributor to guidance document

Synapse

- Lead developer of guidance document

DEA Guidance – Draft High-Level Outline

Overview

Executive Summary

1. **Introduction**
2. **Role of BCAs and DEAs**
3. **Target Populations**
4. **Distributional Equity Metrics**
5. **How to Conduct DEAs**
6. **Using BCAs and DEAs for Decision-Making**
7. **Case Study**

Overview:

- A practical how-to guide on conducting DEAs, applicable to any jurisdiction.
- Target audience includes a variety of practitioners including utilities, public utility commissions, state energy offices, utility consumer advocates, equity advocates, consultants, and more.
- Will build on existing equity initiatives and research.
- Will focus on BCAs and decision-making for utility investments.

LBL-E4 DEA Project Advisory Committee

Name	Affiliation	Name	Affiliation
Adam Zoet	Minnesota Department of Commerce	Jen Yoshimora	Pacific Northwest National Laboratory
Amanda Best	Maryland Public Service Commission	Jennifer Snyder	Washington Utilities and Transportation Commission
Amanda Dewey	American Council for an Energy-Efficient Economy	Jeremy Peterson	Excel Energy
Bethel Tarekegne	Pacific Northwest National Laboratory	John Howat	National Consumer Law Center
Brad Banks	Michigan Public Service Commission	Justin Schott	Energy Equity Project
Brian Tyson	Puget Sound Energy	Kate Strickland	Smart Electric Power Alliance
Briana Parker	Elevate Energy	Kelly Crandall	Colorado Public Utilities Commission
Burcin Unel	Institute for Policy Integrity	Kelsey Jones	National Association of State Energy Officials
Cassandra Kubes	US Environmental Protection Agency	Logan Atkinson Burke	Alliance for Affordable Energy
Chandra Farley	City of Atlanta	Liz Doris	US Dept of Energy, Office of Economic Impact and Diversity
Chris Coll	NY State Energy Research and Development Authority	Marguerite Behringer	Landis & Gyr
Danielle Sass-Byrnett	National Association of Regulatory Utility Commissioners	Mohit Chhabra	Natural Resources Defense Council
Danilo Morales	Massachusetts Department of Energy Resources	Natalia Cardona Sanchez	Vote Solar
Debra Gore-Mann	Greenlining Institute	Nancy Seidman	Regulatory Assistance Project
Deidre Sanders	Illume Advising	Patrick Cicero	Pennsylvania Office of Consumer Advocate
Divesh Gupta	Baltimore Gas and Electric	Sarah Moskovitz	Illinois Citizen's Utility Board
Dylan Voorhees	Vermont Energy Investment Corporation	Sonja Berdahl	National Renewable Energy Laboratory
Elaine Prause	Regulatory Assistance Project	Ankit Jain	California Public Utilities Commission
Erin Cosgrove	Northeast Energy Efficiency Partnership	Subin DeVar	Initiative for Energy Justice
Ezell Watson	Oregon Public Utility Commission	Theresa Schmidt	Consumers Energy
Gregory Ehrendreich	Midwest Energy Efficiency Alliance	Wally Nixon	Arkansas Public Service Commission
Jean Su	Center for Biological Diversity	Will Bryan	Southeast Energy Efficiency Alliance

LBNL-E4 DEA Project Schedule

Key Steps	Dates
Develop outline of DEA Guidance Document	2022 Q4
Advisory Committee review of outline	2023 Q1
Conduct DEA research	2023 Q1 – Q2
Advisory Committee review of initial research findings	2023 Q2
Develop draft DEA Guidance Document	2023 Q3
Advisory Committee review of draft DEA Guidance Document	2023 Q3
Issue final DEA Guidance Document	2023 Q3 – Q4
Presentations and outreach	2023 Q4 and beyond

* Subject to DOE approval of report

Addressing Energy Equity at the UTC

- RCW 80.28.425(1) – Commission may consider equity in determining the public interest

- RCW 19.405 – CETA defines the public interest as including "equitable distribution of energy benefits and reduction of burdens to vulnerable populations and highly impacted communities; long-term and short-term public health, economic, and environmental benefits and the reduction of costs and risks; and energy security and resiliency"

Commission Guidance from UG-210755

- Adopts principles of equity into the existing regulatory framework
- Commits to ensuring that systemic harm is reduced rather than perpetuated by Commission processes, practices, and procedures
- Sets the expectation that utilities must integrate equity into all proposals

Core Tenants of Energy Justice from UG-210755

Distributional justice

refers to the distribution of benefits and burdens across populations. This objective aims to ensure that marginalized and vulnerable populations do not receive an inordinate share of the burdens or are denied access to benefits.

Procedural justice

focuses on inclusive decision-making processes and seeks to ensure that proceedings are fair, equitable, and inclusive for participants, recognizing that marginalized and vulnerable populations have been excluded from decision-making processes historically.

Recognition justice

requires an understanding of historic and ongoing inequalities and prescribes efforts that seek to reconcile these inequalities.

Restorative justice

using regulatory government organizations or other interventions to disrupt and address distributional, recognitional, or procedural injustices, and to correct them through laws, rules, policies, orders, and practices.

Combining DEA with BCA – When and How?

Building the plane while flying it

- Potential additional guidance on DEA from GRC orders coming this month (Avista UE-220053 and PSE UE-220066)
  - Pilot Distributional Equity Analysis (in settlement agreement- not yet approved)
  - Distributional Equity Analysis Process (in settlement agreement- not yet approved)

Q&A and Next Steps

Next Steps

Staff Straw Proposal

Workshop #6 (late January)

- Step 5: Ensure transparency (BCA inputs, results, decision framework)
- Reporting BCA results and transparency principles
- Discuss additional topics, e.g., secondary tests, discount rates

Homework Assignments

Complete comments by January 4, 2023

Contact Staff: Jennifer.Snyder@utc.wa.gov

Enjoy the season

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