



180 Nickerson Street, Suite 202  
Seattle, WA 98109  
Phone: (206) 378-0114

To: Washington State Utilities and Transportation Commission  
From: Doug Howell, Sierra Club  
Date: December 20, 2019  
Re: Comments on Docket #190698, Amending, Adopting, and Repealing WAC 480-100-238,  
Relating to Integrated Resource Planning,

The Commission requests comments on the discussion draft rules, but specifically requests comments in response to the following questions, which address the most significant changes to current IRP requirements and process.

### **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. Advancements in technology and changing economics are now happening faster than ever. Breakthroughs occur with utilities that can have profound effect. For example, after three years of consistent pressure, Puget Sound Energy finally changed its estimate of the value of Montana wind for winter peaking from 5% to 40%. If their Request for Proposals had occurred before this change had happened, then their evaluation of the Montana wind proposals would have had a very different result. This is just one small example of the consistent engagement from stakeholders with utilities that can have important effects on renewables, efficiency, storage, demand response, transmission, load forecasts and many other issues. There is a fundamental need for consistent oversight by public entities and the IRP process is one of only venues for this critical role.

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 recommend changing the schedule. There are too many issues to delineate. It is hard to imagine that any issue would go without scrutiny. For example, we are still debating with PSE about their estimate of upstream emissions related to natural gas. We believe their assessment is deeply flawed yet they will not allow us to see the inputs for their calculation. At the same time PSE is about to issue another RFP for capacity resources. How PSE values

upstream emissions of natural gas will have significant effect on how they view gas resources in the upcoming RFP. Without the constant oversight through the IRP, PSE could be moving into major resource acquisitions with flawed data. The IRP schedule needs to remain the same.

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.

Before an IRP workplan is submitted to the UTC, utilities should afford stakeholders the opportunity to recommend issues areas that will be considered. Timing becomes an issue when utilities are not providing adequate inclusion and responsiveness to recommendations from their stakeholders. Throughout PSE's 2019 IRP, stakeholders consistently complained that their recommendations were not be considered, and if the recommendations were rejected, there was no explanation. Changing the timing will be less important than ensuring meaningful public process. Along these lines, we recommend the UTC consider the International Association for Public Participation's (IAP2) Pubic Participation Spectrum. The IRP processes have been more about two-way monologues than meaningful collaboration. One change would be to have utilities move from "inform/consult" to "involve/collaborate."

3. Please describe:

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

The draft CEIP should be filed as soon as possible after IRP acknowledgment letter. This should include discovery and a comment period, followed by the filing of a final CEIP for Commission approval.

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

The CEIP is 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 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 CEIP is 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). In addition, utilities should not get credit from simply reducing in-state emissions if such transitions export emissions to other states or prolong the life of fossil fuel resources. This is in line with the fundamental climate concept known as “leakage” which should not be allowed.

Subsequent to the first CEIP, each CEIP should report how the utility actually met (or did not fulfill) the elements of the previous plan and why, in a manner similar to how utilities currently report 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 10-year plan. The IRP is 20-year. Both need to inform the CEIP. While the CEIP has 4-year targets, they have to be put in context of achieving these longer 10-year and 20-year goals. For example, if PSE’s market purchases and current gas plant operations put it above the 20% fossil fuel limit in 2030, then the first 4-year CEIP must show near-term progress, with near-term reductions to ensure that it is on the path to meet that 2030 requirement.

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?

Both are needed. We need a hearing on the draft and the final. Both should include public comment periods. The hearing and comments on the draft need to be given enough time that utilities can make substantive changes to the draft. Too often utilities will say that their modeling is too time-intensive to allowing substantive changes to the draft. This position or posture undermines meaningful public input. Further, and as stated above, stakeholders need to be provided the opportunity to recommend issue areas that need to be addressed in the IRP *before* the IRP workplan is submitted to the UTC.

It should be noted, if utilities conduct an inclusive, transparent and responsiveness IRP stakeholder process, then they can greatly reduce the issues being brought before the UTC. Unfortunately, too many stakeholders do not believe utilities are conducting themselves this way. But if the UTC adds enough initial rigor to the IRP process, we should arrive at an ongoing review process that is less burdensome in future years. But unless and until the utilities provide this needed inclusiveness, transparency and responsiveness, the UTC must frontload this review and assessment to instill integrity into the IRP process.

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?

The CEIP needs to include strong public involvement from the beginning to end. There needs to be a hearing on the draft and the final. There needs to be full disclosure of all data files used to create the CEIP and non-disclosure agreement can be employed as needed. In addition to this opportunity for the IRP stakeholders, an evidentiary hearing with discovery is needed.

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.

The IRP process can remain the same with exceptions and changes recommended above. The data files for the IRP need to be made available with non-disclosure agreements as necessary. The CEIP must have rigorous public engagement with full disclosure and transparency.

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?

See above.

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.

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)?

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

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?

In the CEIP.

### **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)?

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.

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.

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?

As a general rule, we believe the social cost of greenhouse gases needs to be applied broadly. We know there is a current debate about whether this cost should be applied to the dispatch model. We believe that may be appropriate and we will provide a final answer after the January 16<sup>th</sup> workshop.

At a minimum, the social cost of GHGs should be applied to all modeling for planning and acquisition. We believe that this cost should be applied to short-term acquisitions as well. This cost should be rigorously applied not just to the IRP, but to the CEIP and CEAP as well.

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 UTC should provide a uniform approach for all utilities. The approach should be comprehensive and include extensive assessment of energy efficiency, demand response, grid integration, storage, benefits from transitioning away from utility-based Balancing Authorities and rigorous assessment of renewables contribution to peak demand. We note that it took three years of consistent pressure on PSE to finally change their assessment of Montana wind capacity contribution to winter peak from 5% to 40%. This is a monumental shift that required far more pressure than was appropriate.

As with other types of assessment, utilities should be required to disclose all the data sets used to provide their estimates for resource adequacy. Non-disclosure agreements can be used as necessary.

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?

We are not sure that it is appropriate for different utilities to use different metrics. Most of the alternatives to gas power plants will be the same, whether you are in Spokane or Puget Sound. If there are adjustments needed due to different weather regimes, we presume weather-related adjustments can be made without changing the metrics.

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. The CETA requires the demand response, as well as energy efficiency, is pursued before utilities begin to achieve their 100% requirement. The utilities have a poor track record on demand response when compared to many other places around the country. PSE's last DR forecast essentially went flat after five years when we are at a time where our understanding of and use of DR is expanding, not going flat. The utilities must ensure transparency in how they are making these calculations and they must be applying the social cost of GHGs for gas plant alternatives.

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.